ΕΠΕΝΔΥΤΗΣ

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Interview with John C. Wilcox, Chairman of Sodali to Alexandros Stylianos

Privatizations: the importance of management structure

In a country like Greece, with galloping recession, good corporate governance affords an exit strategy from the crisis, according to John Wilcox, Chairman of Sodali, a global leader in corporate governance advisory. Mr. Wilcox analyses the various needs of Greek companies in relation with others of Europe, points out that all state owned enterprises included in the privatization programme need fundamental changes in their operation and he underlines that Greek companies should initiate meaningful dialogue with their investors on certain critical issues imminently.

1. ***Give us please a brief description of the services you provide specifically in the Greek market. Are these different than the ones you offer on a European basis and why?***

   Sodali advises companies and boards on how to improve corporate governance and communications with their shareholders in all types of transactions ranging from annual shareholder meetings, mergers and acquisitions, rights issues and general corporate governance advisory. We advise our Greek clients on ways to improve overall communication with their institutional investors with the aim of maximizing favorable response during any given corporate action. Sodali's services are customized to the needs of individual companies while also taking account of local rules and practices in different countries. We work through local experts in each market we serve and add our global expertise. We do not seek to impose one standard of governance - our main aim is to work individually with companies to preserve what is best in their governance and business

models, correct perceived weaknesses, explain the benefits of attributes that differ from global standards, educate investors and thereby improve perceptions and valuation in the marketplace.

2. ***We'd like to know your experience from the Greek market, the rate of penetration, and possibly some success stories.***

   We have been present in the Greek market for over four years now and have worked on a variety of transactions. Most of our initial client base came from the banking sector where we have been supporting some of the larger banks, in improving their communications with their foreign investors as well as defending them in critical M&A situations. Over the last 2-3 years, following the changes to the EU Shareholder Directive and subsequent changes to the Greek Companies Law 2190, we also have a collaboration with the Athens Exchange, with the aim of enhancing standards of best practice to all Greek listed companies. A very good success story is the work we did with OPAP last year for their EGM where we helped secure favourable support from their foreign investors who held 58% of the company. This allowed OPAP to secure the implementation of the largest investment program in the company's history.

3. ***Do you see any substantial differences between the way Greek and European businessmen run their firms in terms of corporate governance?***

   Large families still tend to control a lot of the companies and members of the controlling families usually serve as the top managers. This is not a unique characteristic to Greece – family ownership, state ownership and control groups are also present in most markets except for the US and the UK. Sodali is accustomed to working with these companies and believe that their special governance needs can be understood if well explained.

4. ***In the era of such a crisis, can Sodali find clients here in Greece and in what fields? It seems rational that at this point, when Greek companies have "hot" issues to deal with (like lack of liquidity), to not prioritise consultation on corporate governance…***

   We believe exactly the opposite. Crisis conditions clarify the need for good corporate governance, particularly when governance failures have been one of the causes of the crisis –boards failed to ensure risk controls were in place and properly implemented by management. Corporate governance is even more of a priority now - companies should view it as a means to reduce risk, improve management efficiency and increase long-term value. Companies with good corporate governance are more likely to perform better and hence attract more long-term investors. We are currently speaking to a lot of companies about this very subject and are suggesting they benchmark themselves against their peers

in order to understand what they need to do to implement a plan to improve and align themselves with best practice.

5. ***I know that you see opportunities in the upcoming privatizations in Greece. Can you tell us why?***

   The privatization process which is currently underway is a very challenging project which is being run under very difficult market conditions. All of the state owned Enterprises included in the privatization program of the Hellenic Republic will face some significant changes with respect to the way they have operated until now. The changes in the ownership structure of these companies will lead to far more scrutiny by the international investor community and certain decisions will require majority shareholder approval, henceforth no longer subject to state control. Aside from the internal challenges that companies involved in this process will face, in order to secure attention from the international investor community, it will be very important to convey that these companies operate under high standards of best practice. We strongly believe that such companies should have good governance structures in place BEFORE undergoing privatisation. This should not only help prevent a market discount at the time of the offering but should also make a company better able to deal with the demands of the listing and the aftermarket.

6. ***Which firms of the ones under privatization might be in need of your services? How would you help them to change, which structures are in need of change?***

   Any company undergoing a privatization is like a company doing an IPO and therefore needs to be fully prepared. Those companies that are about to issue stock to the public can benefit from ownership profiling and targeting, namely getting a better understanding of investors and their behaviour. Those that are already listed can benefit from Sodali assessing their current corporate governance structures and figuring out ways that they can align themselves with peers in their industry. Above all, in both cases, the most important exercise for them is to engage proactively with investors with the aim of gaining the confidence of global institutions. It is important for these companies to understand and convey that successful performance will require strong relationships with stakeholders that will be based on mutual trust.

7. ***Can you give us a plain example of how a Greek company could benefit from your services?***

   We can help any company that has to improve its relationship with shareholders because it may have been misperceived or undervalued in the marketplace. Depending on its needs, we can prepare a short, medium and long term plan of activities that can allow it to strengthen its credibility with its investors. The simplest exercise is to ensure something as routine as the annual general meeting is organized and communicated properly to the

investors base. This basic exercise allows a company to have an open dialogue with investors which can be very useful when more important situations arise.

8. ***What are the steps that you have taken for your current Greek clients, to help them overcome the debt crisis?***

   We are actually working much closer with our Greek clients than ever before. A lot of our clients will need to engage with their investors on some very critical issues. We are helping them further enhance their efforts with their investors, in order to be ready to initiate immediate proactive communication when extraordinary needs arise. We are also helping them with internal assessments of their corporate governance structures such as ownership profiling, preparation of comply or explain explanations and benchmarking of their governance structure with their peers.

9. ***What will be the "hot topics" of the forthcoming board meetings? Judging from your clients' responses, what are the issues that trouble and puzzle corporate Europe at the moment?***

   Controversy at AGMs has become a fact of life for listed companies around the world. It is a serious challenge that we believe corporate boards and managers will face once again in 2013. Moreover, changes in shareholder demographics have concentrated voting power in a powerful cadre of global institutional investors. Even hybrid companies in developing markets –those with family ownership, majority control groups, voting agreements, or state-owned "golden shares" – will usually find themselves having to answer to sophisticated global investors who bring critical perspectives, diverse investment strategies and a wide range of attitudes toward governance and activism. Some of these perspectives will focus on director independence, shareholder nomination of directors, remuneration policy, say on pay voting, risk oversight and succession planning. Remuneration and risk controls will be particularly prevalent, especially where bailouts have occurred and where the public is facing austerity measures.

10. ***Trying to put the debt and financial crisis into a corporate perspective, what have the firms learned from the crisis? Do you think that they have changed structures, scope or profile?***

    The financial crisis is rooted in problems within the financial services industry. Sorting out the problems is particularly difficult at listed companies that are themselves part of the financial services industry. Stewardship codes are one approach to imposing standards on institutional investors. There is a lot of focus on regulation to reduce risky practices and impose standards of business conduct – Dodd Frank is a start in the US, but much more is being done by the EC.