



The Governance Factor: Keys to Success

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**Portuguese Embassy
13th March 2006**

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Corporate Governance practices in privately held companies



- Higher level of autonomy than in listed companies
- Different dilemmas

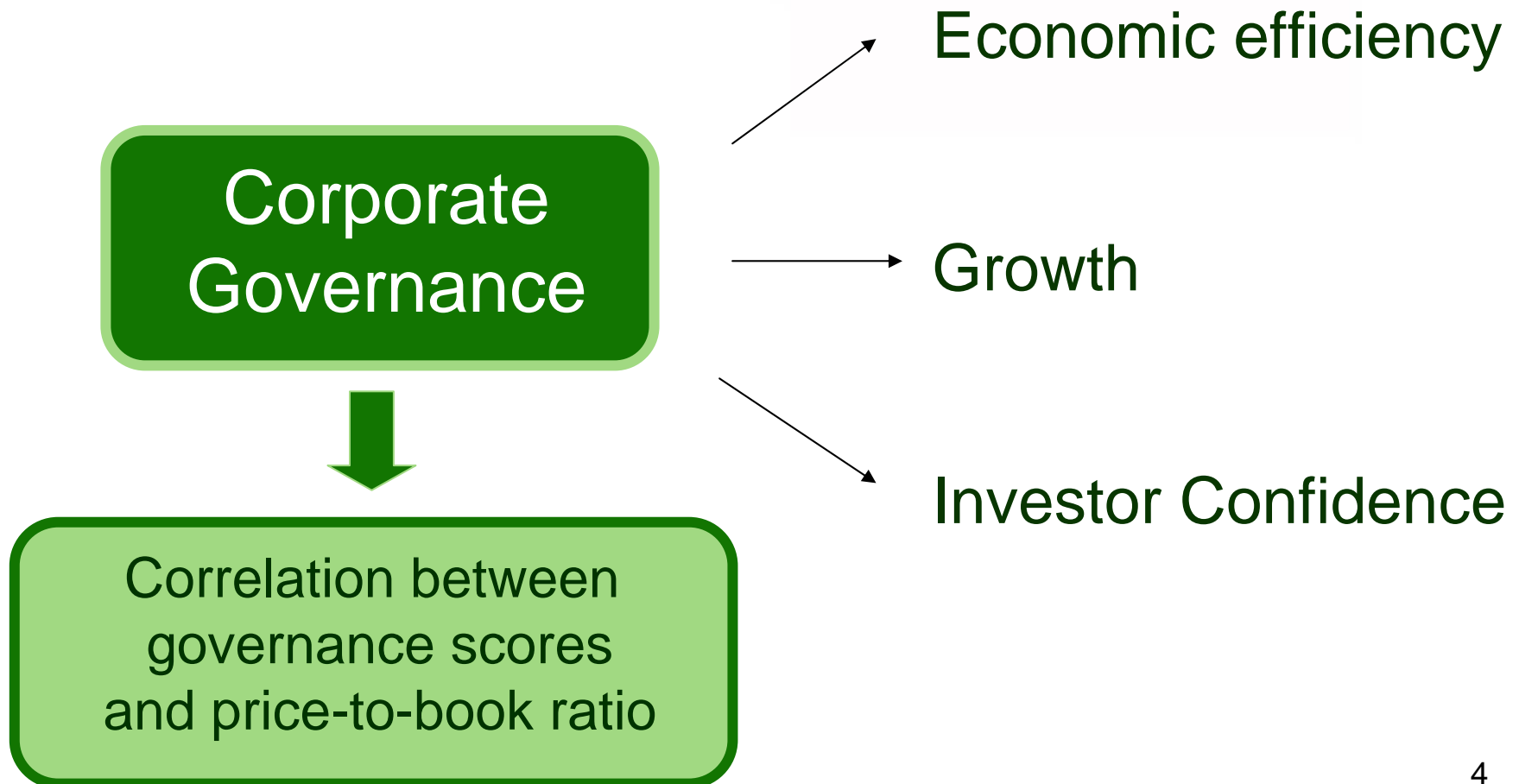
Alignment of the mainstream principles

Common
Goals



- Protection of investors through monitoring;
- Guaranteeing performance;
- Management rewards;
- Accountability and sanctions.

Corporate Governance in PE: Does it matter?



The Role of Governance

Capital alone is
not enough



During the Cycle
Purchasing-Holding-Divesting
High-standards of governance
make a difference

Good Governance is a key element in value creation.

The Guidelines that Drive the Success:

- High level of shareholders involvement;
- Intervention in the definition of the invested co's strategy;
- Long term view of investment and achievement of the invested co goals and objectives;
- Rigorous monitoring and supervision.

The different layers of Governance Issues

Shareholders Rights and Obligations:

The Shareholders Agreement as an essential tool:

- Relationship in partnership with the invested co;
- Mutually agreed rights and responsibilities for all parties;
- Prevention of potential conflicts of interest between the PE investor and other shareholders;
- The PE Investor as majority and a minority shareholder;
- PE Investor veto rights;

Shareholders Rights and Obligations:

The right to frequent and detailed information



- Success for investment depends upon clear information
- The pitfalls

Duties of the PE Investor as a Shareholder

Activism, Monitoring and Supervision



- Active participation in setting out of the strategy of the invested co;
- Monitoring and supervision of the execution of the adopted strategy.

The PE Investor as a Member of the Board

Appointment of board members



One/several director(s)

Executive or Non-executive independent Board-member(s)

Independent non-executive chairman

- Knowledge and experience;
- The issue of conflicts of interests: duties towards the PE Investor and to the invested co – Role of the Management Agreement

The PE Investor's Duties as a Member of the Board

- Intervention of the PE Investor in strategy definition and supervision of its execution;
- Implementation of internal control mechanisms;
- Implementation of risk assessment and management procedures;
- The role of the committees;

The PE Investor's Duties as a Member of the Board (cont.)

- Implementation of Codes of Conduct:
 - Disclosure
 - Ethics
 - Compliance
 - Fairness
 - Accountability

- Definition of the relationship between the board and the management;

- Professionalization of the management:
 - Industry knowledge and insight;
 - Technical knowledge.

Preparing the Exit

- Structuring the exit without harming other shareholders interests;
- Clarification of expectations about exits from the investment and pre-emptive and drag along/tag along rights;
- Board members appointed by the PE Investor – replacement;

High-standard of Corporate Governance:

✓ PE Investors activism with integrity and in the best interests of the invested co and all of the shareholders

brings about:

✓ Rewards and alleviates the potential risk for the PE Investor;

✓ Better stock price performance, higher profitability, larger dividend payouts and lower risk levels.



Thank you!

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