

**Zóra Zsófia LEHOCZKI**

## **REVIEW OF THE INTERNATIONAL CONFERENCE TITLED “CORPORATE GOVERNANCE OF STATE- OWNED ENTERPRISES IN CENTRAL AND EASTERN EUROPE”**

On 14 October 2016 an international conference – organized jointly by the Institute of Civilistics (institute of the Faculty of Political Sciences and Public Administration) and by The Societas – Central and Eastern European Research Network – took place on the Ludovika Campus of the National University of Public Service. The main topic of the event was “Corporate Governance of State-owned Enterprises in Central and Eastern Europe” and the main organizers of the conference were Prof. Dr. Tekla Papp, head of the institute and Dr. Ádám Auer, assistant professor of the Institute.

The well-known scholars, who gave a lecture were the following: Professor Martin Winner from Vienna University of Economics and Business; Kateřina Eichlerová, assistant professor from Charles University in Prague; Kaja Zaleska-Korziuk, research and teaching assistant from the University of Gdańsk; Bartłomiej Gliniecki, post-doctoral fellow from the University of Gdańsk; Edvardas Juchnevicius, associate professor from the University of Gdańsk; Professor Branislav Malagurski from Educons University, Novi Sad; Professor Emőd Veress from Sapientia University and Professor Tekla Papp and Ádám Auer assistant professor, both from National University of Public Service.

The topic of the event was special and unique because nowadays corporate governance is a very popular research field and more and more articles and treatises are written in connection with this topic but the Corporate Governance of State-owned Enterprises is still a relatively unknown area for researchers and only a few publications can be found in connection with this special matter. The legal regulations relating to state-owned companies contain only a few rules concerning the principles of corporate governance and these rules do not always succeed or it is hard or even impossible to find any information whether they come across or not. On the other hand, transparency and trustworthiness are the basic principles regarding the operation of state-owned companies, so there is a discrepancy between these rules and the above-mentioned problems concerning the lack of information. These discrepancies should be disclosed and legal experts play a very important role in finding a solution to these issues. The uniqueness of the conference was that it provided a unique opportunity to outline these inconsistencies not only in the Hungarian system but in seven different countries in Central and Eastern Europe.

The opening speech was held by Prof. Dr. Norbert Kis, Vice-Rector of the University for Continuing Education and International Affairs. After welcoming the guests, he stated that the topic of the conference is very important concerning the profile of the National University of Public Service and from the view of the required and satisfactory governance of state-owned enterprises as well. He also highlighted that the upcoming presentations contain a lot of important and useful information not only for the students but for lecturers and practicing lawyers, too.

The second part of the opening was presented by dr. Gergely Szutréry, legal director-general of the Hungarian National Asset Management Inc. (MNV Zrt.). He outlined the connection between the state and state-owned companies in Hungary and he spoke about the role of the state as an owner also mentioning that the operation of the national assets is divided between the state and local governments. He also introduced the basic principles of the activity of MNV Zrt.; he stated that the rules of national asset management are in balance with the OECD Guidelines on Corporate Governance of SOEs. He mentioned the most important state-owned enterprises in Hungary and he drew the audience's attention to the importance of providing transparency in connection with the national assets. According to Mr. Szutréry, the state should manage its assets similarly to market conditions.

One of the main points of the lecture held by Professor Martin Winner was the question of the success of the principles of autonomy and independence in connection with state-owned enterprises. He pointed out that these companies have great financial and economic influence and because of this influence it is very important to impose the same rules on each and every shareholder. He stressed the importance of the success of transparency and also emphasized that these companies must operate independently from political influence. According to Professor Winner, in spite of the fact that the most important fundamental rules are established by the government, during the everyday operation of the company the principle of autonomy should come across in connection with the decision-making progress. He also stated that it is very hard to comply with this requirement but he pointed out the difference between being passive and the prohibition of intervention. According to Professor Winner, the state should operate as an informed and active owner and the key words of its operation should be professionalism and efficiency. The Professor introduced the changes in the Austrian regulation from the last couple of years and he also analyzed the impacts of these changes. He briefly touched upon the Austrian Public Corporate Governance Code, which prescribes for greater companies to have a supervisory board; this board must approve several decisions and dealings. According to Professor Winner, the main goal is to find balance between being independent and being controlled and in his opinion, finding competent, suitable directors would be just as important as complying with legal regulations in order to achieve the proper operation of state-owned enterprises.

In her presentation Kateřina Eichlerová provided an insight into the relevant regulations of the Czech Republic. She introduced the system of companies operating with state ownership and she made a comparison between state enterprises and state-owned joint stock companies. In her lecture, she pointed out the fact that state enterprises do not own any properties, all of their fortune and assets are owned by the state and these enterprises have a director with limited liability and they also have a supervisory board, the members of this board must be

natural persons. State-owned enterprises are economically dependent on the state and this connection is the strongest between the state and the joint-stock companies.

Kaja Zaleska-Korziuk and Bartłomiej Gliniecki jointly held their presentation focusing on the important changes in the Polish legal regulation, which came into force only one month before the conference. In the first part of their lecture, Kaja Zaleska-Korziuk pointed out that politics in Poland has a great influence on state-owned enterprises. A few years ago an initiative tried to change this situation by recommending that members of the board should be appointed by an independent nominating committee but this proposal did not succeed and because of the previously mentioned problems state-owned companies are not attractive for investors. The powers and rights connecting to the owners are centralized and these tendencies usually weaken the success of corporate governance guidelines. In the second part of their presentation Bartłomiej Gliniecki introduced the normative rules for the remuneration of directors with especial regard to the recent changes in the legal regulation. The new Act regulates five categories of state-owned enterprises and it prescribes in every category that how many times must the monthly average earning be multiplied to get the remuneration of the members of the board, for example the monthly average earning must be multiplied by 1–3 times in small businesses and 7–15 times in big companies. The enterprises can exceptionally differ from these rules but they must publicly explain the reasons of the change. The lecturers pointed out that even though this wage is much higher than the average, it is still way lower than the remunerations in the competitive sector and as a result of this being a member of the board of directors is still not very attractive for well-qualified experts in Poland.

In his presentation Edvardas Juchnevicius provided a glimpse into the characteristics of the Lithuanian system of state-owned enterprises. There are around 131 SOEs in Lithuania and most of these provide public services or public transportation. These companies operate in three different forms, such as state enterprises, limited liability companies and private limited liability companies. He pointed out that since the economic crisis the regulations have become stricter and the powers of decision-making and governing are decentralized for state-owned enterprises, these companies are operated by 12 ministries and 5 other institutions and as a result of the above-mentioned structure an economic growth has started in Lithuania.

Professor Branislav Malagurski from Serbia laid the emphasis on the effectiveness of points “C” and “F” from the OECD Guidelines on Corporate Governance of State-owned Enterprises. He stated that there are too many rules for state-owned enterprises in Serbia but these laws can be found on different levels of the legal system and they change very often and fast. According to Professor Malagurski, the most important decisions are made by people appointed by the state and not by shareholders and because of this the political impact is unfavourably great. The supervisory board has most powers concerning the operation of the companies and these boards have five members, out of these five only one must be independent and another one must be employed by the enterprise. The control system is not working very well either, since the reports contain the data regarding only one year and they are usually not completely objective. The success of transparency is limited, the plans are made for only one year without any no long term planning and the realization of plans is not effectively supervised.

In his presentation, Professor Emőd Veress introduced the main points of a decree which contains the regulation of state-owned enterprises in Romania; this ordinance came into force in 2011. He pointed out that some rules of the decree were changed in the summer of 2016 and the purpose of the new regulations is to ensure transparency. This Emergency Ordinance contains obligatory rules for the operation of state-owned enterprises. Professor Veress pointed out that there are special rules for the greatest state-owned enterprises in Romania, for example the company must hire an independent HR specialist in order to name the directors and only one or two director candidates can be appointed by the state.

The last presentation of the conference was held jointly by Professor Tekla Papp and Ádám Auer; they highlighted the core points of corporate governance and after that they introduced the condition and the realization of corporate governance of state-owned enterprises in Hungary. They emphasized that in Hungary we still have a lot of unanswered questions in connection with this certain topic. Unfortunately, legal regulations contain only a few rules for the operation of state-owned companies and the other problem is the fact that in Hungary there is no special company form for state-owned enterprises. After introducing the relevant rules, the lecturers stated that because of the above-mentioned unanswered questions and because of the lack of legal regulations the principle of transparency, unfortunately, fails to be realized in some cases.

After the presentations, the lecturers gladly answered every question from members of the audience and from their colleagues as well. All in all, the international conference provided a great opportunity to discover the current state of corporate governance of state-owned enterprises in the surrounding countries. During the lectures the audience heard a lot about unanswered questions and uncertainties in the legal regulation and these issues prove the importance and the up-to-dateness of the topic of the conference. The scholars all agreed that they still have a lot to discuss and they are going to relate their experiences next time they meet because the regulations and practices are still changing very fast, so maybe in one year they are going to have more experience or, on the contrary, they are going to have a conversation about completely different matters and rules.

One of the greatest values of the conference was the fact that the acknowledged experts on company law came from seven different countries and they introduced seven different systems of corporate governance of state-owned enterprises, so they had the opportunity to exchange their views with each other and the audience had a glance into seven different legal systems and into seven similar but still different interpretations and regulations of corporate governance of SOEs.

**Dr. Zóra Zsófia LEHOCZKI** (zora.lehoczki@gmail.com) received her law degree at the University of Szeged in 2016 and continued her studies as a PhD student at the National University of Public Service, Faculty of Political Sciences and Public Administration. She carries on her research work in the Institute of Civilistics; her research field is company law with especial regard to the topic of the capital of companies. She pays marked attention to the capital and assets of State-owned Enterprises.