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The Region's Corporate Governance Journey

Article by *H.E. Hamad Buamim*
pages 11-14

Interview with Nicolas Boël

Chairman of Solvay
pages 04-09

The Next 10 Years in Corporate Governance

Articles by *Frank Dangeard, Nicolai Tillisch, Mak Yuen Teen and H.E. Dr. Maryam Al Suwaidi*
pages 15-33

INTERVIEW WITH NICOLAS BOËL



Nicolas Boël
Chairman of Solvay

Nicolas Boël is the Chairman of Solvay, the Belgian chemicals multinational founded over 150 years ago by the brothers Ernest and Alfred Solvay. Between them, the 2,400 descendants of the founding families today hold a total stake of 30% in the company. In this interview with Peter Montagnon, Mr Boël explains how the families' participation is organised and how the present generation works to involve and retain the interest of a large number of individual family shareholders.

The families' stake is held mainly through Solvac, a separately listed financial company, which creates liquidity for individual holders and adds flexibility when more capital is needed. Separately, family members operate an informal collective group which Mr Boël calls a "private Facebook" arrangement. This enables them to keep in contact, discuss issues around their holding and prepare the next generation to remain involved.

Each of these three entities - Solvay, Solvac and the family circle – are headed by a different family member. As Chairman of Solvay Mr Boël is a descendant of one of the founding families, but the company's Chief Executive, Jean-Pierre Clamadieu, is not, and Solvay follows all the norms of Belgian corporate governance.

How does the family shareholding work today?

The founding families were in fact five. We had Ernest and Alfred [Solvay], the industrialists. They had the support of business angels. So it's not only one family that makes the shareholding, but all the offspring of these founding fathers. We estimate at our generation, which is the fifth generation, that we are 2,400 different shareholding individuals. We have tried and learned through time - including some difficult times – to adapt our organisation to reflect this diversity.

We have the company, Solvay SA, the industrial chemical company, which is listed and where the board is in charge of the strategy and includes some directors from the shareholders. There the key essence is competence. Second, we have Solvac, a holding company that holds 30% of Solvay shares on behalf of the families. It is also listed and its directors come from the family shareholders. Here the focus is naturally more financial.

And then we have the third circle which is an informal organisation of the shareholders coming from the families. It focuses on keeping the project alive. This means thinking about the next generation,

thinking about training, communication. It's about finding the best way to keep 2,400 shareholders now - 10,000 probably in a decade –involved, and on making sure that you also have a good talent pool for the future.

How do you do that?

Communication which goes both ways. The set-up is basically the result of us working in a group organised by the younger generation. We've built a tool which is what we call a private Facebook which allows you to be immediately in contact and exchange information. The CEO of Solvay, as with any other investor group, will come and talk about the company, based only on public announcements. He briefs them on the results and there are Q and A sessions. We have plant trips. We organise debates and information sessions. We had one on entrepreneurship. We had one on gender diversity and we had some on philanthropy. We also organise some training, about what it is to be a good shareholder, how to read a balance sheet and all those type of things.

So this is a virtual club, but does it have physical meetings?

Yes because people meet physically when you organise a conference, or a meeting with the Chief Executive or when you organise a plant trip, but the tool that brings everybody together is basically an internet system.

Coming back to the governance. You are part of the family, while the CEO is not. Is there a convention that the Chairman is always part of the family?

It is based on what the company needs. We have gone from a situation where we had a CEO who then became the Chairman of the board and was usually an important shareholder in the company and usually came from the founding families. But to survive successfully for 150 years, the key requirement is competence to enable long term value creation. That's sometimes going to need management that comes from outside the company, or management that is promoted from inside the company.

We believe that it is important to have some kind of representation of the family somewhere, but we have lived through periods where we did not have that, apart from directors around the table. Basically what is fundamental is the need of the company, based on priorities about how the organisation should evolve.

So are you the first Chairman not to have been the CEO?

Usually it has been the case but not always.

What is actually the role of Solvac? Does it have an important role in appointing the Solvay Board?

Solvay is not represented at the Solvay board. It is what you would call in Belgian law a "reference shareholder" which means it does not actually have control

but its weight in terms of general assembly voting rights is pretty important. However, the decisions concerning the company are made at the board of Solvay by its directors. There is a very strong firewall between Solvay and Solvac, both in terms of directors and in terms of governance. Solvac has a 30% share in Solvay and is charged with managing that 30% stake.

So Solvay is fully independent of Solvac in the way it runs itself?

Absolutely, it runs itself in the tradition of Belgian corporate governance and we fully respect that in terms of director independence, nominations, remuneration and gender diversity.

Why does Solvac need to be listed?

Being listed gives you the advantage of liquidity, which with large shareholders is important, as well as the ability to raise extra funds to support the shareholding, although one of the trademarks that we have at Solvay is the long-term relationship between the stock and its owners and where the dividend policy and the value creation are the two most important factors.

Over time Solvay has raised additional money through rights issues. How does that work when family members might or might not wish to put up extra money?

It's very important that there is a long tradition of information so the strategic context is understood. The CEO needs to

inform and communicate with his investors, whoever they are, about what's happening in the world, what is going to happen to the company and what is the strategy. Then investors can decide to remain, leave or in some cases increase their stake in the company. When you have a major project it's very important for the investor base that it fits in the global strategy that has been presented, implemented and discussed year after year.

The acquisition that we did in the US of Cytec [the aerospace materials company bought last year for \$5.5bn] is exactly such a case. A family investor is no different from any other investor. You need to spend time and effort on communication so all the questions can be raised and answered. The consequence was that the \$1.5bn equity increase [to part fund the acquisition] was fully subscribed.

What's been the advantage to the company of the family connection maintained for 150 years? And what have been the problems or challenges?

We have built over 150 years a very strong DNA of values which permeate the company as a whole. It gives you a very strong long term commitment which enables the CEO and the board to focus on the long term and maybe come up with some projects which can fit in the longer term but may be a private equity fund would reject.

The complexity is that the long history also means accepting a lot of changes. We need to be very agile and flexible

while maintaining a very strong long term view. You need at the same time a strict governance arrangement where the rules of the game are very clear, and you need an information and communication flow, both formal and informal.

Where do the 70%, the non-family shareholders come in. They are obviously treated equally but they may have short term priorities compared with family shareholders. Is that the case?

When you have a shareholder base like we have you have very different shareholders. Since the governance is the same for everybody, the communication is the same for everybody, within that people are free to make choices.

So your model has enabled you to attract shareholders with a similar mind to the family in terms of long term approach?

Absolutely. We know our individual shareholders who are maybe not from a founding family but have exactly the same perspective and the same interests. At the same time we also have an investor base relationship which is more institutional, and maybe have another horizon. For the CEO and the management to be able to give a very clear view on the trajectory gives everybody the same opportunity.

It's the critical mass of support, I suppose, but presumably the 30% belonging to the family makes it unlikely that anyone would mount a hostile bid.

What is important is the success of the company as a whole. A 30% shareholding is not a target or an objective. Should the success of the company depend on something else that could mean a different structure. The purpose of the shareholding and the purpose of management is to make the company successful. We were a small start-up company in 1863. We were by 1911 the biggest multinational in the world. Then the world wars came. So we've gone through various stages and, basically what is important is to always be able very humbly to define where you are and what needs to be done and then accept to take the necessary steps to get there.

You talked about the values. How far do you think this system has preserved the values of the founders?

The company was founded by people who were industrialists, with strong beliefs. Ernest was a real believer in all the work that he did with his Institut de Physique et de Chimie to try and promote science over the frontiers and borders at times when it was difficult. It is that industry can help mankind. He set up education for workers, housing, and social security. He believed that entrepreneurship and industry and science was really the best way to make humanity progress. That has remained over time and is very important for management and for the shareholders. It is the sense that chemicals today can be part of the solution and not part of the problem.

It means also that, having been in the industry for 150 years, we know our field. Every few years there is a reflection over what are we doing. Maybe we should go in for bio-tech for example, but the chemical industry is what we know.

Sometimes the founding fathers pass on the company to their heirs who decide to sell but you've kept this alive. But you've kept this going for a century and a half. This is unusual, isn't it?

It is. There are a few factors. The first one is that competent people are promoted. People had been hired based on competence and no other factor.

That was right from the outset?

That was right from the outset. The second factor is again that we keep people involved in the project. You do not keep people involved just by paying a dividend. The dividend may be an important part, but the fact of getting together, of remaining involved, of remaining interested in a company is based on the project and the values of the company.

That's where the third circle, the private Facebook, is very important.

Absolutely. Solvac is a financial holding company. Solvay is the industrial company whose task is to create long term value, and the third circle is the only circle where the members of the founding families can get together just because they are family shareholders. That's where the whole project can live.

Will that continue when there are 10,000 familyshareholders?

The way that governance is exercised organisationally is not set in concrete. We have an organisation today which is different from what we had twenty years ago, and will certainly be different in ten to 15 years. We will need to remain humble, flexible and open because, yes, we will have challenges of dilution and we need to see what is going to be the right answer to that. When you understand that what is key for the shareholders is the pursuit of the success of the company, then you understand that we can live with dilution.

I suppose it is critical to be able to hand on to the next generation.

Yes. We are not doing this only for our generation, but how do you get the

next generation involved. That's work in progress.

The other aspect is keeping the workforce involved. That is also part of the long term success.

Yes, and that's something that the chief executive and the executive committee work on. The board sets the tone, but on a day-to-day basis it is the CEO and the executive committee who do this. Finding the CEO who has the right efficiency and at the same time the right mind-set for the soft skills of communication and human resources is fundamental.

And do these values also bind the family to the project?

Yes.

