

New Corporate Governance Code: Adapting AGM presentations

David Chase Lopes
Managing Director, D.F. King Ltd



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An Orient Capital Company and partner of D.F. King Inc

AGM – The Challenges

Quorum

- Legal minima for First & Second Convocations
- Controlling Shareholder vs minority investors

Evolving Corporate Governance

- April 2014: new Russian Corporate Governance Code
- Implementation
- Explaining strategy in the context of the Code
- Different/specific requirements from policies of large international investors & proxy advisors

Custodial Issues

- Custodial Chain Mastery
- Actual voting window smaller than legal one

Voting

- Translating intentions to votes
- Curing voting mistakes
- Respecting local Russian voting practices

Corporate Governance – International Investors Expectations

Understand the Board's Ability to manage strategic risk

Board decision making process & member qualifications

- How are decisions made – process & actions
- Qualifications of the board members to take decisions

Board Independence

- Defend interests of all shareholders
- Roles/influence of independent directors
- Committees : majority / full independence

Transparency : Corporate Officer remuneration/LTIP

- Investor Return vs remuneration reward
- Clear, understandable, LT performance criteria

New Corporate Governance Code in Russia

Background

- Before 2014, much progress made but Russia not particularly progressive to begin with
- Objectives of new Code: significant tightening of the principles stipulated in the existing version

Board and committee independence

- 1/3 minimum; chairman elected by independent directors
- Executives: < 25% of board
- Committees
 - Audit: fully independent; financial expert
 - Remuneration: independent (full)
 - Nomination: majority independent / independent chair
- Annual self-evaluation

Director remuneration

- Transparency on mechanisms to determine amounts; detailed disclosure
- Reasonable levels and aligned with interests of investors (shareholdings)

Executive remuneration

- Bonus paid annually vs. twice annually; challenging performance criteria
- LTIP: 3-year vesting with challenging performance criteria
- Golden parachute: limited to 2 years of fixed pay

New Corporate Governance Code - Implementation

Benefits in Compliance

- International best practices
- Attracts more foreign investment – as governance has improved, Russian market's attractiveness grows

Challenges

- Implementation – ideal vs. reality
- New code is far more stringent than precedent
- Commitment across the company to transparency
- Increase of board independence
- Remuneration: clear alignment between performance and return
- Investors can have even more stringent policies
- Comply or explain
- Challenges and demands will grow

Governance Roadshows

Objectives

- Present resolutions: needs, rational, strategy
- Gather feed back: vs. policy, understanding, behaviour
- Explain board decision-making process and structure

Timing

- Ideal: before draft is approved by management

Primary Actions

- Examine resolutions
- Organise roadshow calls
- Advise/participate on calls
- Draft report on key findings and identify potential challenges

Resolution Analysis

Objectives

- Determine probability of approval in relation to shareholder base & corporate governance best practices
- Identify challenging resolutions and propose potential solutions

Timing

- Ideal: before draft is approved by management

Primary Actions

- Analyse resolutions in terms of voting policy of leading investors and proxy advisors
- Evaluate the potential level of votes against
- Propose modifications that would remove concerns in relation to challenging resolutions
- Provide an objective judgment of the draft resolutions

Shareholder Identification – usefulness in AGM prep

Objectives

- Possess an up to date composition of shareholder base

Timing

- Complete five weeks prior the AGM

Methodology

- Examination of company data about shareholdings
- Examination of register to our database
- Direct calling campaign to investors and peers

About Us

D.F. King have been providing specialist and experienced proxy solicitation support since 1942. With offices in New York, London, Hong Kong, Paris, Johannesburg, Dubai, Melbourne, Sydney, D.F. King can provide you a tailored solution to all your shareholder communication needs.

In last 12 months our European team have worked on 130 high profile campaigns across EMEA including:

AGM

EGM

M&A

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Corporate Governance Advisory

David Chase Lopes

Managing Director, D.F. King Ltd

+44 (0) 20 77 76 75 74

david.chaselopes@dfkingltd.com