



OECD RUSSIA
CORPORATE GOVERNANCE ROUNDTABLE

MEETING DOCUMENTS

CONFERENCE ROOM OF THE MOSCOW EXCHANGE,
4/7 VOZDVIZHYENKA STREET, BLD 1, MOSCOW

15 MAY 2013

SUMMARY OF PROCEEDINGS

Partners



**SUMMARY OF PROCEEDINGS FROM THE TECHNICAL SEMINAR
OF MAY 15 2013, MOSCOW**

June 2013

The purpose of this report is to present the results of the Technical Seminar held in Moscow on 15 May 2013 in the framework of the OECD Russia Corporate Governance Roundtable. The Technical Seminar facilitated a discussion of and comments to the first draft of the revised Russian Corporate Governance Code (hereinafter “the Code”). The discussion centred on four key areas of the Code. The first panel focused on the board of directors. The second panel addressed issues related to the system of remuneration. Risk management and internal audit were the subject-matter of the third panel. In the fourth panel provisions related to major corporate actions were debated. The clarifications provided by the lead drafters of the Code as well as the comments and suggestions received from the speakers and commentators representing a wide range of stakeholders provided insights and suggestions for further revisions to the new Code.

For further information and all meeting documentation, please visit www.oecd.org/daf/corporateaffairs/russia or contact Ms. Anastasia Kossov (anastasia.kossov@oecd.org) or Mr. Héctor Lehuedé (hector.lehuede@oecd.org)

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EXECUTIVE SUMMARY

1. The Technical Seminar 2013 provided a forum for the first public discussion of the revised draft of the Russian Corporate Governance Code. At the meeting, Mr Dimitry Pankin, Head of the Federal Financial Markets Service, announced that the Code is expected to be adopted in the Summer 2013.

2. The meeting was well attended and brought together high-level Russian and international speakers and commentators. The discussions resulted in concrete and constructive comments which provided ideas and challenges to the drafters of the Code. Overall, the Technical Seminar consisted of four panels addressing substantive areas of the revised Code.

3. The first panel was devoted to chapter two of the new Code, dealing with the boards of directors. Members of the Code drafting team presented the content and the rationales of the proposed recommendations on board functions, independence criteria for directors, committees and board composition, among other major issues. While there was consensus that the new provisions in many ways constitute a major step forward, several comments on potential improvements were made.

4. The second panel centered on issues related to the system of remuneration. Again, the chapter was presented by its authors and the main provisions of the Code were explained stakeholders and company representatives debates about some of the new features of the Code. It was agreed that while there cannot be a one-size-fits-all approach, transparency and disclosure will play a key role in achieving an adequate remuneration system.

5. The third panel, on risk management and internal audit, started with a detailed presentation of the chapter of the Code. There was a lively debate among the speakers who represented all relevant stakeholders. While certain major improvements (such as the requirement for a 100% independent audit committee) were largely approved, other aspects such as the detail of certain provisions and the role of the still controversial revision commission, were commented and targeted as areas for possible improvement.

6. The fourth and final panel revolved around major corporate actions. It was highlighted that the Code was aiming to complement areas of the law that have shown significant weaknesses over time. The presentation was followed by a debate of the very definition of what constitutes a major corporate action. Although it was overall agreed that the chapter is a significant contribution by the Code, a number of provisions were identified as requiring fine tuning.

OPENING REMARKS

- Alexander Afanasiev, CEO, Moscow Exchange
- Dmitriy Pankin, Head, FFMS
- Héctor Lehuedé, Senior Policy Analyst, OECD

7. Alexander Afanasiev opened the Technical Seminar outlining the reasons why the Moscow Exchange is committed to promoting better corporate governance in Russia and why the revised Code is a key instrument in this regard. First of all, the Moscow Exchange is strongly engaged to enhance investor confidence in the Russian market and in Russian issuers. In this context, the revised Code is a major step towards achieving sound corporate governance, which in turn is essential to building trust. The Code will be referred to and thus strengthened by the upcoming revision of the listing requirements which are expected to be adopted in a new form later this year. Second, following its own IPO earlier this year, the Moscow Exchange itself has become an issuer. As such, the Exchange is committed to live up to the highest standards of corporate governance.

8. The Russian stock market still lags behind many other financial markets, including those of some developing countries. Shortcomings in corporate governance and in minority shareholder protection are arguably the main reasons. Addressing these issues and finding effective solutions, Mr. Afanasiev argued, will require the involvement and commitment of the three main interested groups, i.e. regulators, issuers and investors. Although these groups have diverging interests and expectations, the revised Code is a compromise which constitutes a meaningful improvement. Mr. Afanasiev highlighted that it is important that issuers understand that good corporate governance will also bring tangible benefits for them. It will allow them to get better access to finance which is especially crucial in times when the economy is not performing at its best.

9. Dimitry Pankin welcomed the Moscow Exchange's commitment to enhance corporate governance in Russia and further underscored Mr. Afanasiev's argument that minority shareholder protection is key to attract investors. Since the adoption of the 2002 Code of Corporate Conduct (hereinafter "the 2002 Code") the economy has faced unprecedented changes and a number of events have impacted the corporate governance landscape in Russia as well as on a global scale. On the one hand, several provisions of the Code have entered in law and many things are taken for granted today although they were great innovations in 2002. On the other hand, a major global crisis altered the challenges of corporate governance. The financial crisis provided lessons which led to an effective revision of previous provisions and finally resulted in a new Code. For instance, in the revised Code the very definition of corporate governance has been extended and it now also encompasses issues such as risk management as well as listing and delisting procedures.

10. Mr. Pankin expressed his appreciation of the fact that the OECD, as an international organisation is actively involved in streamlining corporate governance in Russia. The discussion of the Code is therefore not only an inter-Russian dialogue but is taking place at a larger scale. Finally, Mr. Pankin announced that the Code is expected to be adopted in the summer 2013, most likely in August. In the autumn, it will be determined if other modifications to the Code will be needed.

11. Héctor Lehuedé pointed out that compared to the 2002 Code, the revised Code faces new challenges and the stakes are potentially higher. However, the potential rewards are also higher. The key challenge is to build trust between investors and issuers in order to overcome the "Russian discount" reflected in the low P/E ratios of Russian companies. The Code is an opportunity to make a positive change and tackle some investors' reluctance of investing in Russia. Mr. Lehuedé emphasized the timeliness of the new Code. The adoption of the Code will be aligned with the creation of the mega-regulator, which may boost the regulator's availability of resources. In addition, it comes right after the merger between MICEX and RTS, creating a powerful and dominant

Exchange, with ambitions to do more and do better. Going forward, commitment from issuers will be particularly important, as in his view, the Code will only be successful if they embrace it as their own.

12. The objective of the OECD Russia Corporate Governance Roundtable is to help address the outstanding corporate governance challenges in Russia. For that, building strong bridges between the Russian and the international corporate governance communities is vital. Mr. Lehuédé concluded that the Technical Seminar 2013 will help elaborate suggestions to improve the very good first draft text of the Code and that issues related to compliance and monitoring will be discussed at the OECD Russia Corporate Governance Roundtable's meeting in October 2013.

Key Concepts of the review of the Code of Corporate Governance

- Elena Kuritsina, Deputy Head, FFMS

13. Elena Kuritsina presented the underlying rationales of the Code review and outlined the main substantive changes of the revised Code. Beyond simply governing the relationships between shareholders, boards and management, the Code is expected to be an enabling instrument for issuers to develop successfully, effectively and sustainably and thus increase their attractiveness to investors. This aspect has been the underlying rationale of the FFMS' Working Group drafting the Code. The very name of the Code has been changed from Code of Corporate Conduct to Code of Corporate Governance, a more extensive term.

14. Although the provisions of the 2002 Code have proven to be relevant and some of them have been introduced into law, the financial crisis of 2008 marked the starting point for the review of the 2002 Code. The major changes and issues for discussion are to be found in the chapters on boards of directors, the remuneration system, risk management and internal audit as well as major corporate actions. These topics are respectively addressed in the four panels of the Technical Seminar. Ms. Kuritsina highlighted that many provisions of the revised Code complement existing laws and regulations, in particular provisions in chapter 7 on disclosure requirements and chapter 8 on major corporate actions.

15. In addition to a change in the name of the Code, the structure has also been revised. Ms. Kuritsina informed the audience that the structure of the first draft is still under revision. The idea is to structure the Code in a way as to highlight the main principles and then to provide detailed explanations. The structure should be similar to that of the OECD Principles of Corporate Governance. This approach is preferred for its user-friendliness. It should be made clear that numerous details have an explanatory character and are included to serve as additional guidance.

16. Ms. Kuritsina also shared some insights related to the chapters on shareholder rights and interactions of shareholders with the company. Companies should strive towards transparency but also towards easiness of access of information to shareholders. Therefore the revised Code recommends to make AGM documents accessible online via the companies' websites, to encourage the creation of hotlines and online forums for shareholders as well as to foster the use of videoconferencing where necessary. Moreover, the Code focuses on bringing issues related to dividend rights in line with best practices.

17. Finally, Ms. Kuritsina emphasised that strong efforts have been put in place by the Working Group drafting the new Code in order to provide one single definition of "independent directors", which has been an issue pointed out by the OECD in the context of Russia's Accession to the OECD.

PANEL 1: BOARD OF DIRECTORS

Speakers and commentators

- Elena Dubovitskaya, PwC
- Karina Litvak, OECD consultant
- Tatyana Medvedeva, CCMD
- Alexander Ikonnikov, IDA
- Andrei Gaidamaka, Lukoil
- Oleg Shvyrkov, Deloitte CIS
- Denis Spirin, Prosperity Capital Management

Moderator: Alexander Chmel, Moscow School of Management SKOLKOVO

Summary

18. The first panel was opened by a joint presentation by Mr. Spirin and Mr. Shvyrkov, members of the Working Group drafting the revised Code, about the chapter on boards of directors. They explained that the Code's provisions as to corporate boards aim to address the key challenges and remaining shortcomings of the Russian corporate governance framework. Boards play a pivotal role in an effective corporate governance framework. More effective and active corporate boards in Russia would lead to a stable development of the companies while protecting the interests of the companies and all shareholders. Eventually, this should improve corporate governance standards and the investment climate in Russia.

19. The main improvements provided by the revised Code can be found in the following key areas:

- The directors' fiduciary duties of care and loyalty are highlighted in the new Code. The revised Code's provisions require boards to pay an increased attention to the directors' acting reasonably, in good faith and in the interest of the company.
- The board's interaction with shareholders is encouraged, meaning that there should be sound interaction with all shareholders and not only the controlling shareholder which still appears to be a predominant phenomenon.
- Decision making in the absence of conflicts of interest is particularly emphasized in the Code and reported to be paramount given the realities on the ground. Director liability has also been addressed.
- Transparency through disclosure has been a key focus of the Code's drafters and the role of the board has been well defined in this regard.
- One of the main contributions of the chapter on corporate boards is the definition of independence of directors. The Corporate Governance Committee of the OECD had pointed out the various prevailing definitions of "independent directors" in Russia, while ideally there should be only one consistent definition. The Code aims to provide a comprehensive definition of independence, with 6 groups of criteria: links with the company, links with major partners of the company, links with the controlling shareholder, being a consultant of the company, links to the government, share ownership.
- The effective functioning of the board and its committees has been given enhanced attention and crucial measures such as fully independent audit committees have been introduced in the new

Code. The key functions of independent directors have been defined and explained in the revised Code.

- Finally, board evaluation and the role of the board in the nomination process have been given an increased momentum in the new Code.

Comments and suggestions

20. There was overall agreement that the revised Code in general, and the provisions on boards of directors in particular, constitute a major step forward. The panel welcomed the provisions on independence criteria for directors, the increase of the share of independent directors from 1/4 to 1/3, the composition and functioning of committees, recommendations as to which matters ought to be discussed at in-person meetings as well as the recommendations on board evaluations.

21. From the international investors' perspective effective and independent boards which are capable of safeguarding the protection of the interests of minority shareholders are key. For investors, independence is also inherently tied to transparency which is fostered by the Code's recommendations. Nevertheless, certain issues have been highlighted as needing further improvement:

- The requirement for the chairman to be an independent director has been criticised for being too strict and inadequate in the context of controlled ownership. It has been suggested to replace the requirement for the chairman to be an independent director with the recommendation for the appointment of a Senior Independent Director who could act as alternate chair if the chairman is not independent.
- While the increased independence levels required for committees have been welcomed, commentators have warned against overstressing independent directors by having them sit on too many different committees. It has therefore been recommended that the Code focuses on three committees, namely the audit committee, the remuneration committee and the nomination committee, while underlining that all other possible committees are purely optional.
- Although the attempt to provide a single definition of independence has been commended, it has been emphasized that independence without competence and qualification is worthless. The key role of independent directors is to express objectivity, challenge the management and guard against conflicts of interest. The presence of a high share of independent directors on Russian boards should be encouraged but not at the expense of director competence.
- The shareholding ceiling of 5% not to be exceeded to be considered an independent director has been considered too generous from the investor perspective and it has been reminded that in the UK this limit is set at 1%.
- Recommendations of gender equality and other diversity issues could be considered in provisions on board composition. Directors' access to information would be also worth elaborating further as more clarity is needed.

22. While the revised Code's provisions are significant improvements in theory, investors hope to see the Code's recommendations implemented in practice. According to the perspective of international investors, more effective boards and generally improved corporate governance would lead to a better investment climate and improved valuations. Issuers have shown to be sensible to investors' concerns and emphasized that it is paramount that these are taken into account in the Code. On the same token the Code should abstain from too strict provisions (e.g. consider that a director who served on the board over seven years is no longer independent) as these would be too burdensome for companies to comply with and hence eventually undermine the effectiveness of the Code.

PANEL 2: SYSTEM OF REMUNERATION

Speakers and commentators

- Anna Belova, Higher School of Economics
- Igor Belikov, RID
- Chris Hodge, British FRC
- Dmitriy Logunov, Rosimuschestvo
- Alexander Shevchuk, IPA
- Oleg Shvyrvkov, Deloitte CIS

Moderator: Andrey Vernikov, Higher School of Economics

Summary

33. Oleg Shvyrvkov, on behalf of the Working Group drafting the chapter on the system of remuneration, presented the main improvements the revised Code provides in the area of remuneration. First of all, its extended scope, as the revised Code not only covers the remuneration of board directors but also that of executive bodies. Second, the broadened definition of remuneration, which goes further and includes all types of benefits and perks (monetary and non-monetary). Third, the new Code empowers the (fully independent) remuneration committee to set and supervise the remuneration policy.

34. The underlying principles of the remuneration system are accountability and transparency as well as adequacy of remuneration in relation to the position occupied by the individual. In addition, the alignment of incentives with the long-term goals of the company as well as the interests of the shareholders is of fundamental importance. Goals and expectations for board members (e.g. independence, experience) and those for executive management (accountability, responsible conduct, retention of talent) are different. The provisions on remuneration address these differences in recommending appropriate schemes.

Comments and suggestions

35. Overall, broad consensus was reached as to the relevance and appropriateness of the revised Code's provisions on the system of remuneration. The new draft achieves a suitable balance between long-term and short-term incentives (with a clear definition of both) and an enhanced focus on the long-term incentives. The incentive structures recommended are indeed likely to foster the alignment of incentives with the interests of the shareholders.

36. A key contribution is a better framing of the remuneration of executive management, which has been a grey zone in practice for considerable time. Although in the Russian context the main agency problem is not between the interests of management and the interests of shareholders, commentators pointed out that it is nevertheless fundamental to align management's interests with those of the company and its shareholders in terms of remuneration. It has been agreed that the Code's provisions achieve this and thus contribute to fostering responsible behaviour.

37. Director competency has been emphasized as the key to an effective board. Yet, competent independent directors who are capable of effective challenge of management and of the board will be attracted by adequate remuneration. This is true in the international context and even more so in Russia, where the pool of competent independent directors is limited. It is important to allow for remuneration levels in line with market practice. The Code is seen as fit for purpose in this regard.

38. Disclosure of board members' and executive management remuneration is expected to encompass all types of benefits and perks perceived. While this has been a problem which has not been adequately dealt with by the previous Code, the Panel showed appreciation for the new Code's provisions in this respect. Transparency is central to increasing the efficiency of the system of remuneration as well as its adequacy.

39. It was agreed that the Code does not formally need to introduce mechanisms such as say-on-pay. These mechanisms have proven to be appropriate in dispersed ownership structures. However, say-on-pay is less relevant in the Russian context where most listed companies have controlling shareholders. Claw back provisions were, in principle, approved by the Panel. Yet, at this stage the revised Code does not provide sufficient guidance as to how the reimbursement of unduly perceived remuneration should be carried out in practice.

40. For Rosimuschestvo, the remuneration of board members in State Owned Enterprises (SOEs) has only recently become a major topic. State officials serving on SOE boards are currently not remunerated. Yet, as the government committed to remove state officials from SOE boards and replace them with professional directors, remuneration has now become an issue. Rosimuschestvo has actively participated in drafting the revised Code and fully embraces its provisions on remuneration. Although Rosimuschestvo has their own remuneration guidelines (developed over 2009-2011) they envision to review them shortly to bring them even further in line with the revised Code.

41. International commentators highlighted that despite the good substance of the Code's provisions on remuneration they are spread into different parts of the Code (i.e. in the sections on "remuneration", "board of directors" and "disclosure"). Repetitions and shortcomings in the Code's overall structure do not make the Code very user-friendly and it was suggested to group the provisions on remuneration together and avoid repetitions. As the structure of the Code is still expected to be improved, these comments should be taken into consideration.

42. Finally, commentators suggested that, where remuneration consultants are used, the Code should require disclosure on whether they have any other links with the company, in case there is a conflict of interest.

PANEL 3: RISK-MANAGEMENT & INTERNAL AUDIT SYSTEM

Speakers and commentators

- Karina Sarkisyan, Deloitte CIS
- Gian Piero Cigna, EBRD
- Alexei Guriev, TNK-BP
- Denis Kamyshev, Ernst & Young
- Alexei Sonin, Institute of internal auditors

Moderator: Marina Frolova, IFC

Summary

43. Denis Kamyshev, on behalf of the Working Group drafting the new Code presented the chapter on risk management and internal control and described the key provisions and rationales in this area. The presentation centered on the creation, organisation and challenges of the system of risk management and internal control. Precisions and clarifications on the creation, composition and functioning of audit committees were provided. Issues related to the functioning, independence and tasks of internal audit were also raised. Finally, the key speaker presented the Code's provisions regarding the revision commission and its interaction with the audit committee.

44. The Code's provisions in the area of risk management and internal control build the overall framework and key instruments in this area. Mr. Kamyshev emphasized that divergences of opinion among the drafters of the Code have substantially shaped development of these provisions. Through an inclusive process the authors have thus tried to give recommendations without going into excessive detail and thus allow adaptation to the individual contexts of companies. The level of detail of the provisions in this chapter is hence less developed than in other chapters of the revised Code. The key ideas and innovations of the chapter were identified as follows:

- An integrated system of risk management and internal control has been developed in the revised Code. It is based on a single set of principles which is more efficient than having two distinct systems.
- While the ultimate responsibility for the system is with the board, issues related to risk management and internal control shall be addressed on all levels (board, committees, management). Within the organisation, the risk management and internal audit system should be formalised in the internal documents of the company. Also, the board should initiate reports on the evaluation of the effectiveness of the system. A "hotline" system should be established in order to allow any employee to signal breaches of internal procedures and ethical norms to the board (or the audit committee).
- As of now, the goals of the risk management and internal control system should be intrinsically linked to the strategic goals of the company instead of being simple tools to avoid fraud. The goals should also include increasing the effectiveness of risk management as well as the accuracy of (not only financial) reporting and effective compliance with laws.
- On the audit committee, the main innovation is the requirement for it to be fully composed of independent directors and to have at least one financially literate member in the committee. This

should be well disclosed. While this ambitious provision is in line with international best practices, the drafters of the Code understand that for some companies this might require a transition period. The principal functions of the audit committee should involve the oversight of financial and other reporting as well as of the system of risk management, regular interactions with internal and external auditors while guaranteeing the independence of internal audit. The audit committee or its head should regularly meet with internal auditors – without the executive directors. In addition, it should be disclosed whether executives have taken part in the work of the audit committee.

- The revision commission has been a controversial issue during the drafting process of the Code. While some advocate its abolition, other are in favour of maintaining it as it is mandated by law and constitutes the only way of accessing information in many controlled companies. It was decided to keep the revision commission but to recommend composing it of employees of the internal audit department. The aim is to strive towards an efficient internal audit system first and only then to consider abandoning the revision commission.

Comments and suggestions

45. The panel agreed that the Code's provisions on risk management, internal control and internal audit reflect international standards and strive towards achieving effective systems. Overall this chapter constitutes a major step forward and a good compromise between various stakeholders in the process. While the merits of the inclusive approach, reasonable compromises and overall results of the chapter were praised by the panel, other areas such as the role of internal auditors and the revision commission were the subject of a lively debate and diverging points of view.

46. As to the level of detail of the section, it was pointed out that in the light of corporate realities the provisions of the Code are adequate. Providing more details would arguably make the recommendations more difficult to implement. It is therefore preferred to keep the Code's provisions as they currently are and potentially provide additional guidance in separate documents.

47. It was argued that the Code should insist more on the fact that the audit committee needs to formally approve and not only "analyse and assess" internal audit and risk management policies within the company.

48. Another debate addressed whether the internal auditors and the audit committee should hold meetings without management (as the revised Code recommends). While the opponents considered these meetings inappropriate and potential sources of additional tensions within companies, most commentators and participants from the public supported the Code's provisions as the presence of management in such meetings may undermine independence.

49. The revision commission was identified as a necessary evil under the current conditions. Yet it cannot be considered best practice and the final aim should be to abolish it, although it may take time as the internal audit framework is still not well developed enough.

PANEL 4: MAJOR CORPORATE ACTIONS

Speakers and commentators

- Andrey Gabov, Institute of Legislation and Comparative Law under the Government of the Russian Federation
- Rostislav Kokorev, MED
- Alexander Semenov, National Association of Corporate Secretaries
- Denis Spirin, Prosperity Capital Management
- Pavel Philimoshin, FFMS
- Eddy Wymeersch, ECGI
- Anatoliy Yefymenko, IFC

Moderator: Igor Repin, IPA

Summary

50. Denis Spirin, on behalf of the Working Group drafting the new Code, presented the chapter on major corporate actions and described the Code's provisions in this area, highlighting the underlying principles: transparency; protection of shareholder rights; ability of shareholders to influence major corporate actions; and compliance with corporate governance principles. Although there has been progress in improving the legislation, notably in the field of tender offers and squeeze-outs, significant gaps in law persist in the area of major corporate actions. The revised Code aims to bridge these gaps, to prevent corporate conflicts and eventually to improve corporate governance and the investment climate in Russia.

51. Overall, five groups of major corporate actions can be distinguished, namely i) material transactions, ii) reorganisations, iii) takeovers, iv) (de-)listings as well as v) capital increases. The main provisions of this chapter of the new Code are:

- In the area of material transactions the Code offers definitions of which transactions can be considered as such and requires a fair price. The Code also sets the general criteria of what constitutes a fair price. Fair buyouts of shareholders who are against such transactions are strongly recommended even if they are not mandated by law. In addition, the revised Code's provisions target to promote high standards of transparency.
- The role of the board is expanded in the context of reorganisations. Here, the Code does not go against the law but beyond the law in recommending forming an ad hoc board committee of independent directors to review the terms of the reorganisation and to issue an opinion whether it should be recommended or not.
- Takeover provisions of the Code try to address some of the loopholes that persist in the current takeover regulations.
- In the area of listing and delisting the active role of the board in issuing a formal opinion, transparency and voluntary buyouts of non-controlling shareholders (in the case of delisting) are emphasized.
- Although laws give several protections (such as pre-emptive rights) to shareholders in cases of capital increases, the provisions of the Code address remaining grey areas such as qualification criteria for independent appraisers, for instance.

Comments and suggestions

52. Speakers and commentators agreed that this is a key chapter of the revised Code. The Panel welcomed that the Code tries to help overcome the shortcomings of the laws and regulations on major corporate actions. While in other jurisdictions such a chapter would not be the object of a Corporate Governance Code, it is highly relevant in the context of the revised Code.

53. Commentators reminded the audience that the very concept of “major corporate actions” is similar to the Anglo-Saxon concept of “fundamental changes” which is applied in some states of the United States. Praising this chapter as a great achievement, the panel particularly appreciated that it is built on knowledge gained through concrete practices observed on the ground. However, the panel also made a number of substantive recommendations to further improve it:

- While the Code provides an overview of different major corporate actions as well as a generic definition, it should be more specific as to what constitutes a major corporate action and in giving such a definition focus on the consequences of these actions for the company as well as its creditors. A systematic and generic approach would allow, in practice, to better encompass the multitude of possible major corporate actions. Once the Code has given such a complete definition, the list of major corporate actions provided could be extended to include other actions, such as liquidation, establishment of subsidiaries, revocation of a licence, and sales of treasury shares. Overall, it has been agreed that the next draft of the Code should include additional “major corporate actions” and focus more on the side of creditors. International best practices of other jurisdictions may be a helpful inspiration in this regard.
- International commentators suggested putting 5 core principles at the beginning of the chapter on major corporate actions in order to ensure a consistent respect of these overarching imperatives regardless of the type of the “major corporate action”. The 5 core principles are: full transparency to shareholders, respect of solid conflict of interest procedures, fair prices, consistently exemplary governance without excessive focus on independent directors as a panacea, equal treatment of shareholders.
- The commentators suggested that a review methodology (e.g. using an independent external auditor) could make redundant the provisions §322-323 on board of controlling entities having to oversee the material transactions of controlled entities. Some provisions of the revised Code were highlighted as too strict and demanding (e.g. delisting being possible only after a buyout, a too strong role of independent directors in reviewing and deciding on major corporate actions and too strict recommendations for ensuring dividend rights). On the same token it was highlighted that many issues may be due to a currently too strong wording of the provisions and could hence be solved by some modifications in wording. Softer wording would arguably make the provisions on major corporate actions more acceptable and applicable.

63. The chapter has been judged as of high quality but requiring some fine tuning. In the context of the dynamic environment of major corporate actions and beyond, the Panel concluded that it would also make sense to review the Code as a whole on a regular basis, i.e. more often than every ten years.

CLOSING REMARKS

- Vladimir Gusakov, Moscow Exchange
- Héctor Lehuedé, OECD

64. Both Vladimir Gusakov and Héctor Lehuedé thanked all participants for an efficient, constructive and fruitful debate.

65. Mr Gusakov noted that in his view the debate during the day had shifted from “the” Code towards “our” Code by the end of the day. It is a positive sign that the broad corporate governance community consisting of various stakeholders welcomes the Code. The point of no return has been reached as the Code will be adopted in 2013. The task until then is to ensure that the Code’s provisions are made as effective as possible. Mr Gusakov emphasized that many of the new provisions debated will soon be applied in practice by the Moscow Exchange which will underscore the Exchange’s commitment and exemplary role in promoting better corporate governance.

66. Both speakers highlighted the ambition of the Moscow Exchange and the OECD in contributing to improving corporate governance in Russia, in particular through the OECD Russia Corporate Governance Roundtable programme. Participants of the Technical Seminar were cordially invited to continue the debate at the Roundtable Meeting in October.

ANNEX: BACKGROUND MATERIAL

Background papers

- Draft of the revised Russian Corporate Governance Code ([Russian](#)) ([English - unofficial translation](#))
- Comments of international investors to the revised Russian Corporate Governance Code, Karina Litvack ([English](#)) ([Russian](#))
- Support letters of international investors ([English](#))
- The main problems of corporate governance in Russia and the possibility of resolving such problems through the application of the Corporate Governance Code and associated regulatory mechanisms, Alexander Shevchuk ([English](#)) ([Russian](#))

Presentations of speakers

Panel 1: Key areas and provisions of the Russian Code of Corporate Governance: Board of directors

- Denis Spirin and Oleg Shvyrkov: ["Ключевые положения нового Кодекса. Совет директоров общества"](#)
- Andrey Gaidamaka: ["Появление эффективных долгосрочных инвесторов - основа формирования высоких стандартов корпоративного управления"](#)

Panel 2: Key areas and provisions of the Russian Code of Corporate Governance: System of remuneration

- Oleg Shvyrkov: ["Ключевые положения нового Кодекса. Вознаграждение Совета директоров и исполнительного руководства"](#)

Panel 3: Key areas and provisions of the Russian Code of Corporate Governance: Risk-management & internal audit system

- Denis Kamyshev: ["Ключевые положения нового Кодекса. Система управления рисками и внутреннего контроля. Функция внутреннего аудита"](#)
- Karina Sarkisyan: ["Комментарии к ключевым положениям нового Кодекса. Система управления рисками и внутреннего контроля. Функция внутреннего аудита"](#)

Panel 4: Key areas and provisions of the Russian Code of Corporate Governance: Major corporate actions

- Denis Spirin: ["Ключевые положения нового Кодекса. Существенные корпоративные действия"](#)
- Anatoliy Yefymenko: ["Существенные корпоративные действия"](#)