

OECD Russia Corporate Governance Roundtable

AGENDA: TECHNICAL SEMINAR 1 JULY 2014

Venue: Moscow Exchange Conference Room, 7th Floor, 4/7 Vozdvizhyenka Street, Bld 1, Moscow

9:00 to 9:30 **Welcome coffee**

9:30 to 10:00 **Opening remarks:**

- Rostislav Kokorev, Ministry of economic development
- Alexander Afanasiev, Chairman of the Executive Board and CEO, Moscow Exchange

10:00 to 12:30 **Nomination, Election and Remuneration of Executive and Supervisory Boards**

Along with the system of nomination, motivation and remuneration of senior management, the next most crucial event for a company is the nomination, election and remuneration of its board members. Indeed, these two events are interdependent in a critical manner, depending in part on the ownership structure of the company.

A key challenge of the State as a controlling shareholder is to appoint a competent and professional board that will follow the mandate coming from the ownership policy, while being sufficiently competent and professional to ensure that the company will be sustainable and competitive. Nomination, election as well as motivation and remuneration of executive and supervisory boards are therefore substantial concerns of the OECD Guidelines on Corporate Governance of State-owned Enterprises (the Guidelines).

States are recommended to establish well-structured and transparent board nomination and remuneration processes and actively participate in the nomination and remuneration of executive and supervisory boards. These nomination and remuneration processes should be based on a thorough evaluation of the candidates' experience and competence. States should also endow boards with a clear mandate and the necessary independence to determine the best way to accomplish the task assigned. For commercially oriented SOEs, their board practices and structure should not differ substantially from good practices adopted by private sector boards.

Rosimuschestvo, together with a group of experts, has developed its “Methodical recommendations on the application of key performance indicators” as well as its “Principles for the motivation and remuneration of top management and board members”. These recommendations and principles will be further debated in this session.

- What is the role of the nomination and remuneration committee of the board and how it can improve the composition of SOE boards to improve their performance?
- What can be learnt from the international experience and what are the best practices that could be useful to improve the functioning of the Russian SOE sector?
- To what extent are Rosimuschestvo’s nomination and remuneration practices in line with recommended best practices?

Speakers and commentators:

- Oleg Fedorov, Advisor to the Head of Rosimushchestvo
- Alexander A. Filatov, Member, Expert Council under Rosimuschestvo
- Chen Fleischer, Legal Advisor, Government Companies Authority of Israel
- Baris Dincer, Board Member, Corporate Governance Association of Turkey
- Alexander Shevchuk, Executive Director, Investor Protection Association
- Oleg Shvyrkov, Corporate Management Director, Deloitte CIS

Moderator: Héctor Lehuedé, Senior Policy Analyst, OECD

12:30 to 13:30 Lunch

13:30 to 16:00 Audit of SOEs' Performance

The audit system facilitates the achievement of company objectives as it fosters a systematic and thorough approach of evaluating and improving the effectiveness of risk management, control and corporate governance to ensure the credibility and accountability of a company.

The OECD Guidelines on Corporate Governance of State-owned Enterprises (the Guidelines) distinguish three different types of audits (internal, external and state audit) and outline that the exercise is structured in three levels: i) the first level where effective internal audit systems are put in place; ii) then when SOE financial statements are audited by external and independent auditors according to international standards; and iii) when state audit takes place vis-à-vis SOEs and the coordinating or ownership entities. To ensure an overall robust auditing system and avoid duplication, the Guidelines encourage to clearly define the respective roles of these audits and explain how they complement one another.

The Guidelines recommend that SOEs develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee. Listed SOEs, especially large ones, should be accountable for financial and non-financial information following international standards. Enhanced procedures of government control cannot substitute for an independent external audit.

The audit committee plays a central role in overseeing the relationship with the three types of auditors. Internal auditors should have a direct reporting line to the audit committee, which should ensure their independence, support their work and discuss their findings. The audit committee should also be responsible for nominating or appointing external independent auditors and should discuss the results of state audits, and in general ensure that appropriate action is taken upon audit findings.

Over the 2013-2014 reporting years the revision commissions of SOEs have been auditing the companies' financial and economic performance in accordance with the "Guidelines for the organization of controlling processes for revision commissions". This session will discuss their experiences over this period and their interaction with audit committees and internal audit services.

- Is there a gap between audit at SOEs and that of privately-owned listed companies in Russia?

- What can be learnt from the international experience and what are the best practices that could be useful to improve the functioning of the Russian audit function within the SOE sector?
- To what extent are Rosimuschestvo's guidelines and practices regarding SOE audit in line with OECD guidelines recommendations?

Speakers and commentators:

- Vasily Garshin, Head of internal control of Rosimuschestvo
- Denis Malykhin, Head of the Committee on risk management and internal control expert and consulting Council, Rosimushchestvo
- Hanjun Park, Director of SOE Policy, Institute of Public Finance of South Korea
- Elena Dubovitskaya, Director, PricewaterhouseCoopers
- Nikolay Rabushko, Deputy CEO, AHML
- Lubov Rudnitskaya, Chair of the revision commission, Russian Railways
- Héctor Lehuedé, Senior Policy Analyst, OECD

Moderator: Vladimir Gusakov, Managing Director of Government Relations, Moscow Exchange

16:00 to 16:15

Closing Remarks: Vladimir Gusakov, Managing Director of Government Relations, Moscow Exchange

Biographies

Alexander Afanasiev

Alexander is Chairman of the Executive Board and CEO of the Moscow Exchange. He was born in 1962, graduated from the Moscow Financial Institute with a degree in international economic relations and also holds a PhD in economics. Alexander has been working in the Russian bank industry since 1991. In the Bank of Russia he participated in creation of the Russian Project Finance Bank, the first investment bank with foreign capital in Russia, and then served as its Managing Director. In 1996 he joined the executive board of Joint Stock Bank "Imperial". From September 1998, he worked as a Deputy CEO for Bank WestLB Vostok (ZAO), a subsidiary company of the German banking group WestLB AG. In 2005 Alexander was appointed Chairman of the MICEX FX Market's Council. He also co-chairs the National Foreign Exchange Association and National Securities Market Association.

Alexander Filatov

Alexander Filatov is the Managing Director of the Center for Corporate Governance and a Chartered Director (UK IoD). He has a significant experience as a board member of a number of companies, such as B&N Bank, Agency for Home Mortgage, KazmunaiTeniz, Sitronics-NANO, VolgaTelecom, OGK-2 and Stavropol GRES. From 2001-2011 Alexander was the CEO of the Independent Directors Association (IDA) in Russia, advising Russian companies in better corporate governance and implementation of independent directors' best practices. From 2001-2006 he was a Director at Ernst & Young CIS, Transaction Advisory Support/Mergers & Acquisitions. His prior positions included Deputy General Director of the NAUFOR Center for Analysis as well as Project Head of a World Bank project on Investors' Protection and Mutual Investment Development. Alexander has also published several books and articles on corporate governance topics.

Alexander Shevchuk

Alexander Shevchuk is the Executive Director of the Investor Protection Association (IPA), Russia's leading association of institutional investors, uniting 30 major, highly active funds with over \$29 billion in portfolio investments in Russia. Starting in 2002 as an analyst of independent directors' practice of Russian companies, he now has a broad corporate governance experience as a member of Boards of Directors and Audit Commissions, with over 8 years of service as an independent director at 17 companies. Alexander has a long track record of representing portfolio investors in corporate restructuring processes in Russia, interaction with authorities, dispute resolutions and corporate law improvements. He holds a degree in Finance from Moscow Finance Academy.

Baris Dincer

Baris Dincer is a managing partner at Arge Consulting and executive director of Argüden Governance Academy. He also serves as a board member of Corporate Governance Association of Turkey and advisory board member of Corporate Social Responsibility Association of Turkey. Baris started his career at the Turkish Prime Ministry Privatization Administration (PA) followed by the World Bank, Harvard University, OECD and the private sector. He has been awarded various scholarships and grants such as USA Fulbright, British Chevening and German Baden Württemberg and has recently been selected as "Rising Star of Corporate Governance" by Ira Millstein Center of Columbia University in New York. He holds undergraduate degree in Business Administration from Galatasaray University, postgraduate degrees in business and economics from City University London, Bilkent University and Pforzheim University. He furthered his academic studies at Phd level in Public Policy at Hacettepe and Harvard Universities.

Chen Fleischer

Chen Fleischer is a legal counsel in the legal department of Israel's Government Companies Authority (GCA) in the Ministry of Finance, since 2011. Joining the GCA, after having worked for the High Court of justice department in the Ministry of Justice representing the State in the Supreme Court, she took the position of the legal adviser to the Israeli SOEs Board Nomination Examination Committee and specializes in issues of corporate governance of SOEs related to Board nomination, composition and practices. Chen took part in leading the design and implementation of the recent changes the GCA introduced to the Israeli board nomination process in the SOEs. She holds a bachelor's and a master's degree in law from the Tel Aviv University.

Elena Dubovitskaya

Elena Dubovitskaya is a senior manager in PwC Russia where she manages consulting projects with regard to corporate governance for local and foreign companies. Elena has 12 years of corporate governance related experience, including research, publications, analytics, rating services (working with Standard and Poor's Governance Services), experience in industry and consulting. Her practical experience includes a number of projects on comprehensive assessment of corporate governance, improvement of the board of directors performance, corporate restructuring, ethical standards development and corporate reporting preparation and assurance. She graduated from the Moscow State University. She holds PhD in Economics and completed a certificated program of studies in Corporate Governance, York University, Schulich Business School (Canada). Elena led a number of corporate governance surveys, has more than 10 publications on corporate governance issues, holds lectures for university students on the subject.

Hanjun Park

Hanjun Park has been Head of SOE Policy Team at Korea Institute of Public Finance since 2012. He has also served various national committees and task forces in the areas of functional adjustment of public institutions(2013-14), performance evaluation indicator improvements(2013), public institution fund evaluation(2012-13), and national high public official recruitment examination(2009~). His research interests cover public service delivery improvement, SOE performance evaluation and human resource management. Hanjun has published articles in international journals including public management review. He has a Ph.D. in Public Affairs from Indiana University Bloomington.

Héctor Lehuedé

Héctor Lehuedé is Senior Policy Analyst at the OECD Corporate Affairs Division, which is responsible for the corporate governance work of the OECD. He is in charge of the bilateral work with the Russian Federation, of research on comparative international corporate governance and of peer reviews of the implementation of the OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-owned enterprises. Héctor is also the manager of the OECD Russia Corporate Governance Roundtable. Before joining the organization, Héctor was a Senior Advisor to the Chilean Minister of Finance. He started his career in the legal field and practiced law for over a decade at some of the largest legal and auditing firms in Chile, specialising in tax, corporate and financial affairs. Héctor holds a law Juris Doctor Degree from Universidad de Chile and a Masters Degree from Stanford University.

Lubov Rudnitskaya

Lubov Rudnitskaya is a professor at the Higher School of Economics' Banking Institute. She is the Chairwoman of the Audit Commission of the "Russian Railways" OJSC, member of the audit commissions of "MNIi PII" OJSC and "ZS KCONC" OJSC. Lubov is a member of the working group on corporate law and corporate governance, taxation of financial operations, as well as the working group on establishment of the international financial center in the Russian Federation. Lubov is the member of the Independent Directors' Register of the IFC (International Finance Corporation) and the National Register of Independent Directors of the Russian Union of Industrialists and Entrepreneurs. Lubov spent over 20 years working in the finance sector: she was the manager of the St.Petersburg Branch Office of MAKB "Vozrozhdenie", head of the project on restructuring of commercial banks of the Agency of Banks' Restructuring, Chairwoman of the Management Board of the Russian Industrial Bank, member of the Management Board, Chief Accountant of "Megafon" OJSC. Lubov graduated from the Leningradskiy State University, faculty of economics, and the Institute of Finance and Economics, faculty of foreign economic activities, Ph.D. (Economics).

Nikolay Rabushko

Nikolay Rabushko is the Deputy CEO of the Agency for Housing Mortgage Lending (AHML). In 1995 he graduated from the Yaroslavl Higher Military Academy of Finance named after the Army General A.V.Khroulev as a specialist in «Financial support of forces». During 1997-2010 Nikolai was working in banking sector on managerial positions in "Zato-Bank" CJSC, "UniCredit Bank" CJSC, "Expobank" LLC. From January 2011 till December 2012 Nikoali was heading the Internal Audit Department of "Agency for Housing Mortgage Lending" CJSC. Since January 2013 Nikolai is the Deputy General Director and the Head of Financial Control Service and supervises issues related to establishment of the efficient system of internal control and risk management as well as business planning of the Agency.

Oleg Fedorov Oleg Fedorov is the Advisor of the Head of Rosimuschestvo. During 1999-2002 Oleg was the member of the Management Board of NAUFOR, subsequently he acted as the head of the department for protection of investors' rights, department of market infrastructure and the Consultative Center of SRO NAUFOR. During 2001- 2003 Oleg coordinated activities of independent directors in the Investor Protection Association (IPA). Since 2002 Oleg as the deputy CEO of IPA also supervised representation of interests of investors and members of IPA in the course of reorganization of subsidiaries of "Svyazinvest" OJSC. Starting 2003 Oleg worked as CEO of "UFG" CJSC and "DeutscheUFG" CJSC and then "Deutsche Bank" LLC (Moscow). During 2009-2012 Oleg worked in "VTB Capital" CJSC as the Managing Director supervising interaction with the state authorities and companies. Since 2012 Oleg as the Counsel of the Chief of Rosimuschestvo supervises corporate governance issues and privatization of major state-owned enterprises. During 2000-2011 Oleg was elected as independent director into the Boards of Directors and Audit Commissions of 16 companies, including "FSK UES" CJSC, "SO-CDU UES", "Sverdlovenergo", "Novosibirskenergo", "Omskenergo", "Kubanenergo", "Novgorodtelecom", "Volgatelecom", "NSS", "VASO", "MOEK", "Petrovsky Passage" and others. Oleg has experience of participation in and management of the committees on nominations and compensations, on strategy and corporate governance. Oleg represents the State in the Boards of Directors of "Alrosa" OJSC, "Vnukovo Airport" OJSC and International Airport of Irkutsk.

Oleg Shvyrkov Oleg Shvyrkov, Ph.D. is Director for Corporate Governance, CIS at Deloitte CIS. Oleg has over 10 years of practical experience in the area of Corporate Governance in emerging markets. In 2013 Oleg was invited to serve on the team of drafters for update of the Russian Corporate Governance Code, led by the Bank of Russia's Financial Markets Service, the Moscow Exchange, and the European Bank for Reconstruction and Development. Oleg served as a consultant to the OECD Corporate Governance Roundtable in Russia. He also worked for Standard & Poor's in Russia, where he was an analytical director at the Governance Services group. Oleg also participates in several professional associations and working groups, including the Expert Council of the Capital Markets Service of the Bank of Russia and the Corporate Relations Subcommittee of the Taskforce for Development of the International Financial Center in Moscow (the 'Voloshin's Group'). Oleg has published extensively in the area of corporate governance .In June 2014, Oleg received the Rising Star of Corporate Governance Award by Columbia Law School's Millstein Center for Global Markets and Corporate Ownership.

Vasily Garshin Vasily Vladimirovich Garshin is the Head of the Internal Control Department of Rosimuschestvo. During 1999-2002 Vasily was working in the Central Economic and Mathematical Institute of the Russian Academy of Sciences. During 2002-2006 Vasily was working as a chief economist and a chief specialist of VTB Bank. In 2006 he was appointed as the head of the group of integration of subsidiary banks of VTB Group of the Financial Department of VTB Bank. Since 2010 Vasily worked as director in the Internal Control Department of VTB Bank. Since 2012 till the present time Vasily works as the Head of the Internal Control Department of the Federal Agency for the State Property Management (Rosimuschestvo).

Vladimir Gusakov

Vladimir Gusakov is Managing Director of Government Relations at Moscow Exchange.

In 2004-2007 he was Deputy Head of Federal Financial Market Service. Vladimir was an executive officer in a number of state authority bodies: Russian Federal Property Fund, Ministry of Finance, Agency for credit institutions restructuring. Vladimir is also well experienced as a Deputy CEO at commercial entities: Imperial Bank and National Reserve Bank, State Investment Corporation, Moscow Interbank Currency Exchange.

Since 2008 Vladimir is a member of the Board of Directors at several SOEs - Russian Railways, Agency for Housing Mortgage Lending and Rosagroleasing (since July 2012 - Chairman of the BoD); chairs the audit committees of these companies.

Vladimir is constantly elected to the Board of Directors of the National Stock Association since its foundation in 1996. He is Chairman of the Expert Council on investment legislation under the State Duma Committee on financial market.

Vladimir Gusakov is a "Director of the Year 2011" prize laureate in the nomination "Independent Director", the winner of "ARISTOS - 2012" award in the nomination "Independent Director".

Materials and contact information**Materials**

- OECD Guidelines on Corporate Governance of State-owned Enterprises, OECD Publishing (2005) [English version](#) and [Russian version](#)
- Boards of Directors of State-Owned Enterprises: An Overview of National Practices, OECD Publishing (2013) [English version only](#)
- Board Formation: Nomination and Election in OECD Countries and Russia, OECD Russia Corporate Governance Roundtable (2012) [English version](#) and [Russian version](#)
- Survey Russian boards: Selection, nomination and election, PWC-IDA, OECD Russia Corporate Governance Roundtable (2012) [English version](#) and [Russian version](#)
- Accountability and Transparency: a Guide for State Ownership, OECD Publishing (2010) [English version only](#)
- Draft Guidelines on the organization of the internal audit function in joint-stock companies with the participation of the Russian Federation (2014) [Russian version only](#)
- Methodical recommendations on the application of key performance indicators (2013) [Russian version only](#)
- Guidelines for the organization of controlling processes for revision commissions (2013) [Russian version only](#)

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