



Co-sponsored by the **Siemens Integrity Initiative**

OECD Russia Corporate Governance Roundtable

Moscow, 22 October 2015

RESULTS OF THE 2015 SURVEY OF INVESTORS PRIORITIES FOR IMPLEMENTATION OF THE RUSSIAN CORPORATE GOVERNANCE CODE



Plan

1. Overview of recent investor surveys on corporate governance in Russia.
2. Results of the 2015 Survey of investors' perceptions.
3. Main conclusions and food for thought for companies.

Overview of recent investor surveys on corporate governance in Russia

1. Improvement of the corporate governance would make Russian market significantly more attractive for the investors (J.P. Morgan , 2012)
2. Investors are concerned about safeguarding the interests of minority shareholders and providing them with the effective means to exercise their rights (OECD Russia Corporate Governance Roundtable , 2013)
3. Investor's relationship, financial and operating information disclosure and participation of the board in setting the strategy of the company are considered to be the topical issues of corporate governance in Russia (National Corporate Governance Council and Deloitte CIS Centre for Corporate Governance, 2014)
4. There is positive connection in the investors' perceptions between the improvements in corporate governance and the value of companies (Moscow Stock Exchange, 2014).
5. Corporate governance plays an increasingly important role in Russia for investor relations (IR becomes IRCG) (Horizon Investment Group, 2015)

Aims and challenges of the Roundtable Survey

Aims:

- Disseminate the information about the adoption of the Code among investors.
- Collect investors' views about which Code provisions would render investments in Russia more attractive.
- Identify which provisions of the Code require the most urgent implementation.
- Provide guidance to Russian companies on where to start the Code implementation process.

Challenges:

- Every provision of the Code requires introduction over time and it may, indeed, take years to reach full coverage of all recommendations.
- It is important for investors to **prioritise** the key areas of implementation.

Survey structure

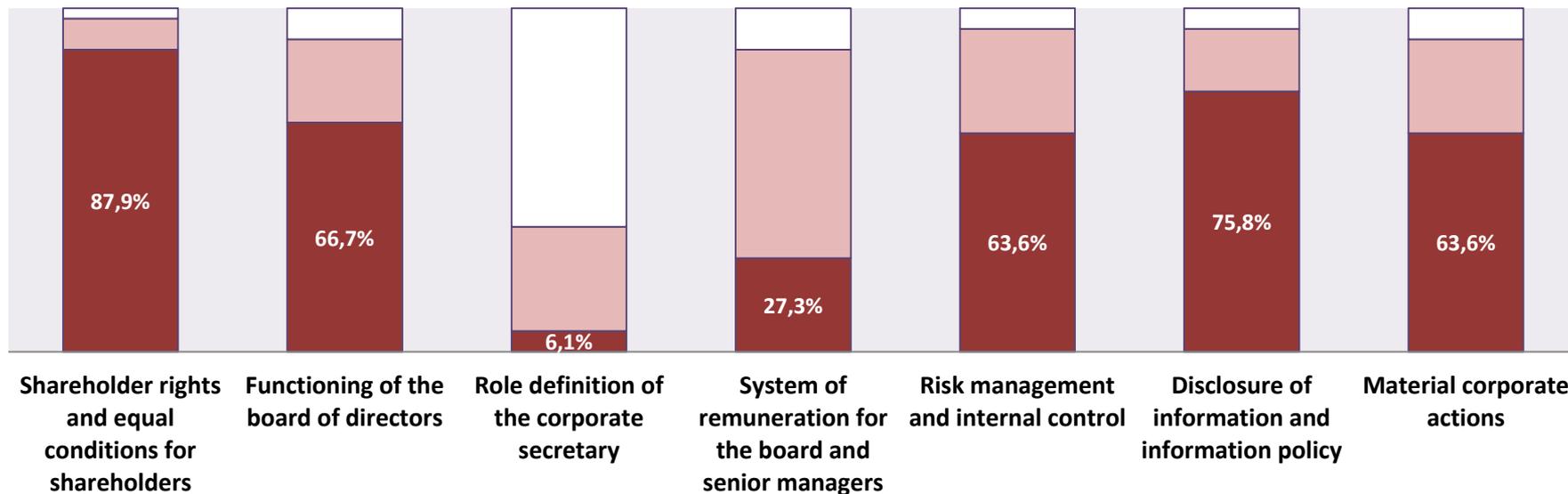
1. General information about the respondent and the company.
2. Questions based on the Code of Corporate Governance:
 - Evaluation of the seven main **areas** (chapters of the Code) of corporate governance (high, medium or low-priority).
 - Evaluation of **principles** under each area that received high priority from investors (high, medium or low-priority).
 - Evaluation of the main **recommendations** to implement high priority principles (strong, neutral or weak).

General information about the respondent and the company – main outcomes

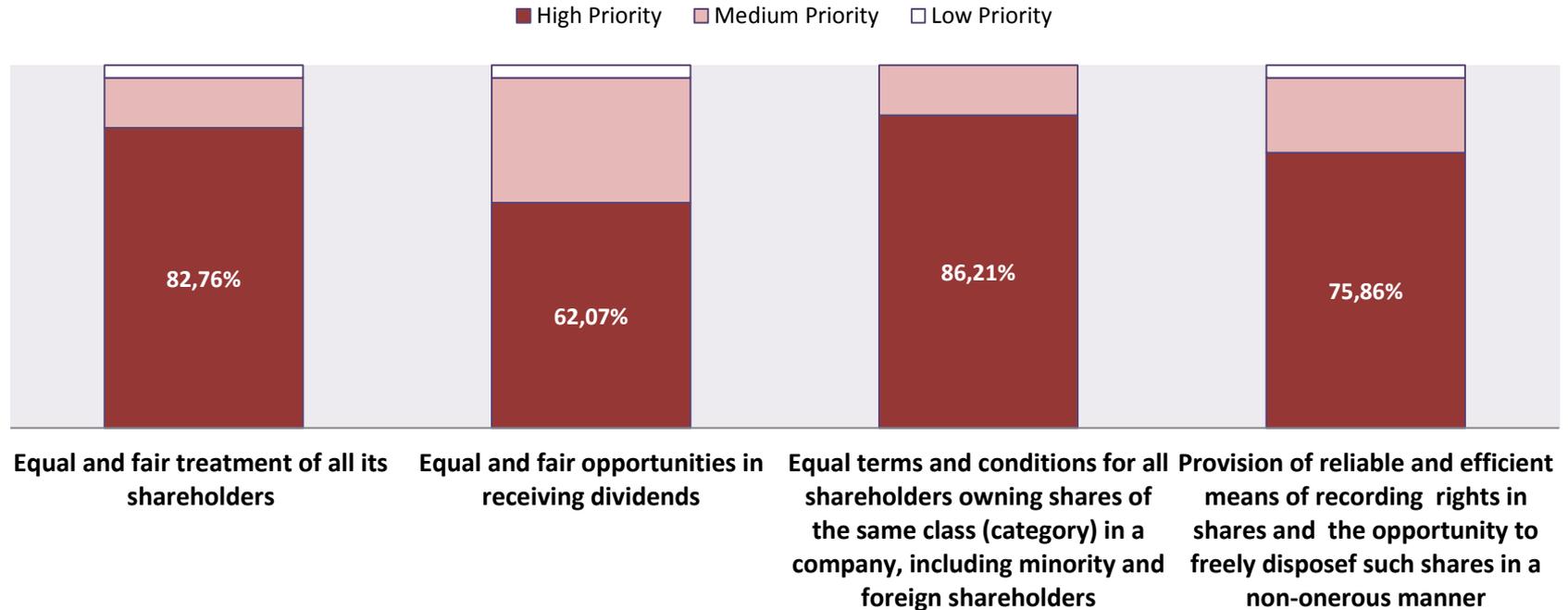
1. 20% response rate (35 investment institutions out of 160).
2. Majority of companies are *pension funds* and *independent asset managers* (11 each).
3. All the participating companies held collectively about **\$4.3 trillion AUM** representing equities.
4. 97% are investing in the emerging markets, 88% in Russia.
5. 40% of respondents defined their current exposure on the Russian equities market as “underweighted” (17% “neutral”).
6. 54% of the companies invest in Russian equities for more 10 years and only 12% made a decision to invest in the last 5 years .
7. 65% are *governance specialists* in their companies.
8. 39% are physically based in the UK, US and Sweden (same for companies headquarters).
9. No extensive work experience with Russian equities (16% in charge of the Russian market for more than 5 years).

When considering investment in the Russian market, how would you prioritise the following factors?

■ High Priority ■ Medium Priority □ Low Priority



Shareholder rights and equal conditions for shareholders

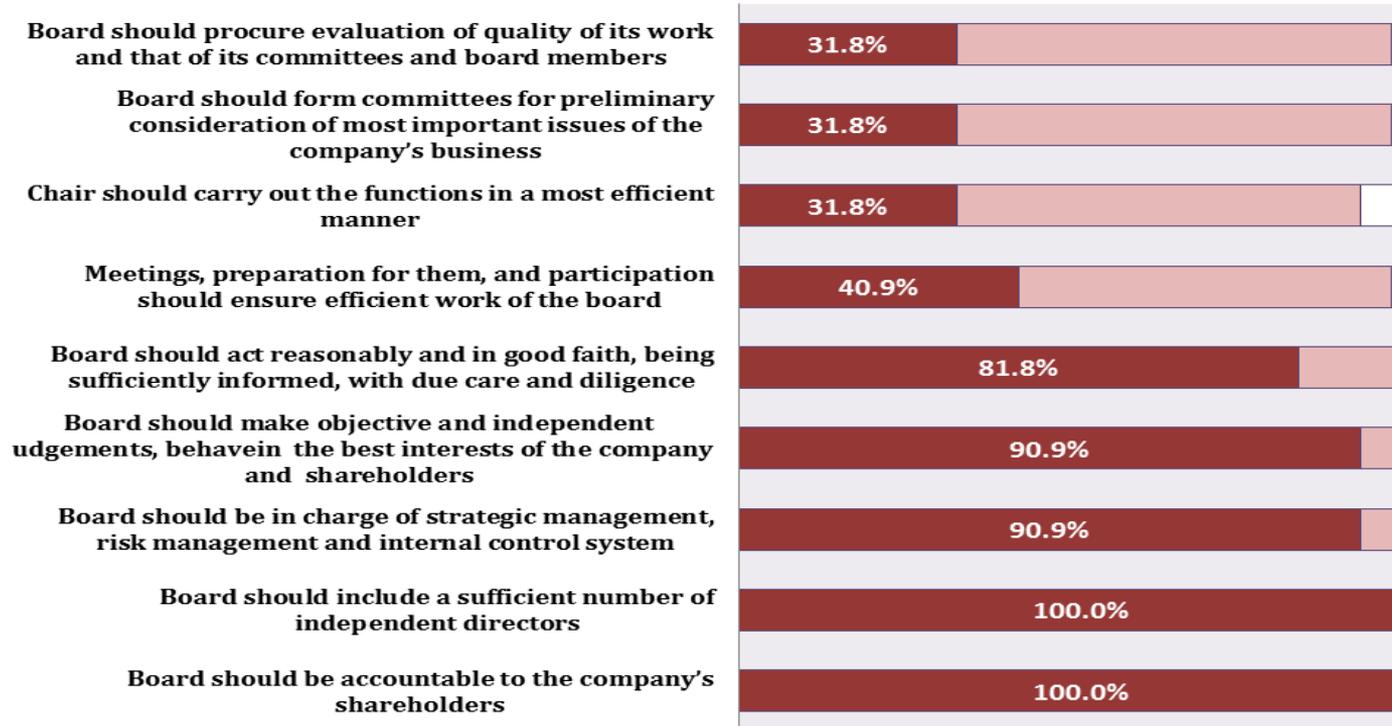


Top 3 recommendations to implement the corresponding high level principles

- Each shareholder should be able to freely exercise his/her right to vote in a straightforward and most convenient way (87%, 21 respondents).
- The company should not allow deterioration of dividend rights of its existing shareholders. (83%, 18 respondents).
- The company should create conditions which enable its governing bodies and controlling persons to treat each shareholder fairly and which, in particular, rule out the possibility of any abuse of minority shareholders by major shareholders (88%, 22 respondents).

Functioning of the board of directors

■ High Priority ■ Medium Priority □ Low Priority



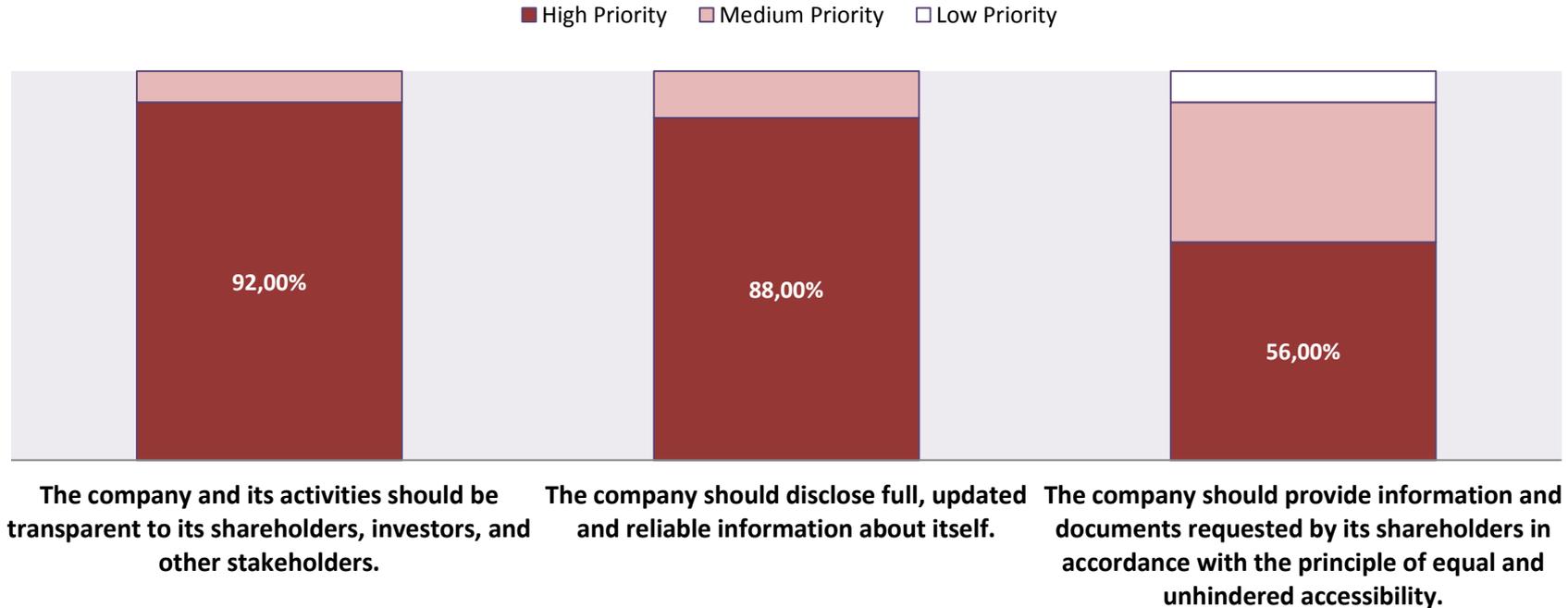
Top 3 recommendations to implement the corresponding high level principles

- The board of directors should be responsible for decisions on appointing and removing [members] of executive bodies, including in connection with their failure to properly perform their duties. The board of directors should also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company (83%, 15 respondents).
- The chairman of the board of directors must be available to communicate with the company's shareholders (81%, 17 respondents).
- Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain sufficient information about respective candidates to get an idea of the candidates' personal and professional qualities. The composition of board of directors should be balanced, in particular, in terms of qualifications, expertise, and business skills of its members. The board of directors should enjoy the confidence of the shareholders (85% each, 17 respondents).

Other recommendations

- At least 2/3 of the board members should be independent.
- Access to all information about the board's work both in Russian and English.
- If the Board Chair has executive functions, an independent director with the responsibility of communicating with shareholders should be appointed.
- Enhancing board accountability to shareholders by carrying out annual re-elections of the entire board and of the key committees' members.

Disclosure of information and information policy



Top 3 recommendations to implement the corresponding high level principles

- The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders (77%, 17 answers).
- The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data (91%, 19 answers).
- Exercising by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome (85%, 12 respondents).

Conclusions

- Shareholder rights and equal conditions for shareholders, disclosure of information and information policy, as well as functioning of the board of directors as the main priorities for implementation of the Russian Code of Corporate Governance.
- Russian issuers got a timely and useful feedback from the investors, as they point out certain areas in the Code that can be considered as potential starting points for implementation.
- The 2015 Survey response rate was low (35 respondents out of 160 recipients of the Survey, about 20%), with respondents consisting mainly of current holders of Russian securities, most of them following passive investment strategies.
- The Code is a key instrument in attracting future international and domestic investors. The results of the 2015 Survey are one input in this process.

Thanks for your attention!