



**The Fourth Meeting of the
Russian Corporate Governance Roundtable**

*The Responsibilities of the Board and the Role of Stakeholders in
Corporate Governance*

ANNOTATED AGENDA

**Moscow, Russian Federation
20-22 June 2001**

*Location: Aerostar Hotel
37, Leningradsky Prospekt, Korpus 9
125167 Moscow*

Co-hosted by:
the Russian Federal Securities Commission
the Supreme Arbitrazh (Commercial) Court

With the support of:
The United States Agency for International Development

Global Corporate Governance Forum

The following companies have kindly supported social events:

Ernst & Young (CIS) and Troika-Dialog

Day 1 – Wednesday, 20 June 2001

8:30 – 9:00

Registration

9:00 – 9:45

Welcoming remarks

- ◆ *Mr. Veniamin Yakovlev*, Chairman, Supreme Arbitrazh Court, Russia
- ◆ *Mr. Vladimir Milovidov*, Deputy Head, Federal Commission on the Securities Market, Russia

Opening address

- ◆ *Mr. Herwig Schlogl*, Deputy Secretary General, OECD
- ◆ *Mr. Chris Ruhl*, Chief Economist, World Bank office in Russia
- ◆ *Ms. Elaine Grigsby-Arnade*, Director, Office of Economic Policy Reform, Russia Mission, USAID

9:45 – 11:00

Introductory Session: Recent developments in corporate governance

Chairperson: *Mr. Herwig Schlogl*, Deputy Secretary General, OECD

- ◆ Implications of corporate governance on firm market value, *Mr. Bernard Black*, Professor of Law, Stanford Law School, USA

Discussants

- ◆ *Ms. Elena Krasnitskaya*, Corporate Governance Expert, Troika Dialog, Russia
- ◆ *Mr. Anatoly Aksakov*, Deputy Chairman, Committee for the Economy Policy and Entrepreneurship, State Duma, Russia

General Discussion

11:00 – 11:30

Coffee break

11:30 – 12:30

Session I: The role and main functions of the board in corporate governance

Chairperson: *Mr. Vasily Vitriansky*, Deputy Chairman, Supreme Arbitrazh Court, Russia

Part A: Experience in OECD countries

- ◆ The responsibility of the board according to the OECD Principles, *Mr. Stilpon Nestor*, Head of the Corporate Affairs Division, OECD
- ◆ Corporate Governance: Regulating board-level management of enterprises, *Dr. Sarah Worthington*, Senior Lecturer in Law, Law Department, London School of Economics and Political Science, United Kingdom

General Discussion

12:30 – 14:00

Lunch

Day 1 – Wednesday, 20 June 2001

14:00 – 15:30

Part B: The situation in Russia

- ◆ Company Law and Judicial/Arbitration Practice: Role and Responsibilities of the Board of Directors in Supervising Major and Affiliated Parties Transactions, *Mr. Ildar Faizutdinov*, Judge, Supreme Arbitrazh Court, Russia
- ◆ The role and function of the board in Russia, *Mr. Dmitry Vasiliev*, Executive Director, Institute of Corporate Law and Corporate Governance, Russia

Panel discussion:

- ◆ *Mr. Alexander Kolesnikov*, Head of Investor Relations Department, RAO Unified Energy System, Russia
- ◆ *Mr. William Browder*, Managing Director, Hermitage Capital Management, Russia

General Discussion

15:30 – 16:00

Coffee break

16:00 – 18:00

Session II: Developing efficient board practices

Chairperson: *Mr. Dmitry Glazunov*, Commissioner, Federal Commission for the Securities Market (FCSM), Russia

- ◆ Experience of independent directors, *Mr. Boris Fedorov*, Member of the Board, Gazporm OAO, Sberbank, Russia

Panel discussion:

- ◆ *Mr. Alexander Ikonnikov*, Executive Director, Russian Investor Protection Association, Russia
- ◆ *Mr. Valery Goldin*, Member of the Board of Directors, Vimpelcom, Russia
- ◆ *Mr. Stephan DuCharme*, Director, SUN Group, United Kingdom
- ◆ *Ms. Holly Gregory*, Partner, Weil, Gotshal & Manges, LLP, United States

General Discussion

18:30 – 19:30

Cocktail

Day 2 – Thursday, 21 June 2001

9:00. – 10:30

◆ **Session III: The qualifications, training and recruitment of directors**

Chairperson: *Mr. Leo Goldschmidt*, Chairman, Corporate Governance Committee, European Association of Securities Dealers, Belgium

- ◆ Defining the qualifications of directors and finding competent director, *Mr. Tony Renton*, Deputy Director, Professional Development Department, Institute of Directors, United Kingdom

Panel discussion:

- ◆ *Mr. Igor Belikov*, General Director, Institute for Stock Market and Management, Russia
- ◆ *Mr. Alexander Dynin*, Deputy Executive Director, Russian Managers Association, Russia
- ◆ *Dr. Alina Pekarsky*, Project Director, Russian Corporate Governance Program, Schulich School of Business, York University, Canada

General Discussion

10:30 – 11:00

Coffee break

11:00. – 12:30

Session IV: The role of stakeholders in corporate governance

Chairperson: *Mr. Olivier Fremont*, Program Co-ordinator, Corporate Governance Unit, World Bank

- ◆ Defining the role of stakeholders in corporate governance, *Dr. Igor Filatotchev*, School of Management and Organizational Psychology, Birkbeck College, University of London, United Kingdom
- ◆ The Role of stakeholders in corporate governance, *Mr. Andrey Sharonov*, Deputy Minister, Ministry of Economic Development and Trade, Russia

Panel discussion:

- ◆ *Mr. Roustem Davletguldeev*, Department of Law, Kazan State University, Russia
- ◆ *Mr. David Bernstein*, Chief Counsel, European Bank for Reconstruction and Development (EBRD)

General Discussion

12:30 – 14:00

Lunch

Day 2 – Thursday, 21 June 2001

14:00 – 15:00

Session V: A practical view toward stakeholder relations -- case studies

Chairperson: *Mr. Larry Dwight Sharp*, Senior Adviser, IFC Moscow Office

Case 1: Norilsk Nickel

- ◆ *Mr. Sergei Kharitonov*, Head of the Corporate Development Department, Norilsk Nickel, Russia

Discussant:

- ◆ *Mr. Lev Mironov*, President, Oil, Gas and Construction Workers Union, Russia

General Discussion

15:00 – 15:30

Coffee break

15:30 – 17:00

Case 2: YUKOS Oil Company

Mr. Vasily Shakhnovsky, President, OOO YUKOS-Moscow, Russia

Case 3: OAO Lenenergo

- ◆ *Mr. Kirill Androsov*, First Deputy General Director, OAO Lenenergo, Russia

Discussant:

- ◆ *Mr. Bruce Bean*, Corporate Partner, Clifford Chance Punder

General Discussion

17:00 – 18:00

Concluding session

Chairperson: *Mr. Rainer Geiger*, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

- ◆ Next steps - the White Paper and Future Work, *Ms. Fianna Jesover*, Administrator, OECD Corporate Affairs Division
- ◆ Priorities for improving board practices and stakeholder relations: a summary

General Discussion

Day 3 – Friday, 22 June 2001 - (Reserved for core participants of the Russian Roundtable)

8:30 – 9:00

Registration

9:00 – 11:00

Discussion of the White Paper

Chairperson: *Mr. Stilpon Nestor*, Head, Corporate Affairs Division, DAFPE, OECD

Overview of the transparency and disclosure chapter, *Ms. Fianna Jesover*, OECD

Discussion

11:00 – 11:30

Coffee break

11:30 – 12:30

Presentation of the main conclusions and recommendations on boards and stakeholders,
Ms. Fianna Jesover, OECD

Discussion

12:30

End of Meeting

Notes to the agenda

The presentations and discussions by the participants will be made in the context of five sessions. In each session one or two speakers will make a presentation of about 20 minutes each, followed by two discussants that will have a slot of about 10 minutes each. Speakers are invited to keep their presentations focused in order to leave ample time for debate and discussion.

During the last session, a panel composed of session chairs will present brief conclusions from the sessions (about 5 minutes each) highlighting the key priorities for improving board practices and stakeholder relations. The future work of the Roundtable will also be presented.

The main objectives of this meeting are: (i) to assess the responsibility of boards and the role of stakeholders in corporate governance in Russian companies; (ii) to review international best practice on this topic and explore how it can be applicable in Russia, and (iii) to draw policy conclusions and recommendations that can be included in the agenda for action, that the Russian Roundtable will adopt in the form of a White Paper.

INTRODUCTORY SESSION: Recent developments in corporate governance

This session will focus (i) on the impact of corporate governance on firm performance and (ii) on recent changes and reforms in Russia since the third Roundtable meeting in November 2000.

Issues for discussion

- What is the premium that investors are willing to pay for good corporate governance?
- What have been the concrete actions taken in Russia to improve corporate governance in the past six months?

SESSION I : The role and main functions of the board in corporate governance

This Session will explore the role of the board versus other corporate agents. It will review the key fiduciary duties of directors and officers, i.e. the duty of care and loyalty as well as the accountability of the board. The key functions of the board such as strategic planning, monitoring of the management, and corporate accountability will be explored. In Part I, international best practice will be shared and in Part II the Russian experience will be discussed. In some Russian companies, controlling owners and low transparency tend sometimes to render boards powerless and rather formal affairs.

Issues for discussion

- What is the content of the duty of loyalty to the corporation? Is it articulated in a way that can be enforced? Is enforcement of such duties a realistic ambition of corporate governance improvement?
- What is the “right” level of responsibility of directors? Is there any “business judgement rule” in Russian companies? What is the content of the duty of care?
- What are the key responsibilities of the board? How are boards elected?
- What are the respective tasks of boards, managers and controlling shareholders in Russian companies? Are distinctions between board duties and management duties sufficiently articulated?
- How can the board be accountable to its shareholders? Is the board mandated to give consideration to the interest of minority shareholders?

- How does the board ensure that the corporation complies with all relevant laws, regulations and other provisions?
- How does the board provide for effective communication between the company and its shareholders and other stakeholders?

Part II:

- Are boards in Russia important in setting strategy and monitoring management? Are boards perceived as tools to improve the performance of corporations? Is it common for Russian companies to have a policy on director appointments and the composition of the board? Is this policy and its implementation made clear to shareholders?
- Have there been any perceptible changes in the last few years on the way boards are constituted and function in Russia?
- Do board members receive incentives in the form of stock-options, or other similar instruments (including retirement benefits)? How are these related to their compensation? Are there any rules, or practice on disclosure and trading of stock options or similar compensation instruments?
- What are investors' expectations in Russia as regards the role of boards in the governance of companies? Is there a gap between investors' expectations and the reality of corporate attitudes in Russia? Are boards liable for their conduct?

SESSION II: Developing efficient board practices

This Session will provide an analysis on how boards are structured in order to operate effectively and expeditiously. Independence of directors is a key ingredient for a successful board. Usually, boards of listed companies use committees to organise their monitoring of corporate operations, such as audit, nomination and remuneration committees.

Issues for discussions

- How is "independence" defined in Russia? Is there a distinction between non-executive, outside and independent directors in Russian law or practice? What is the experience of independent directors with respect to transparency of financial accounts?
- Are rules on maximum number of directorships useful in promoting director loyalty, competence and independence?
- Is there a requirement to substantiate the "independent" character of each director in the annual report?
- How should the board function and be structured to fulfil its main responsibilities? Is the use of board committees widespread practice in Russia? Which committees?
- What are the pre-requisites for truly effective and powerful committees? What kind of powers and resources need to be put at their disposal? How are these pre-requisites met in Russia? What is the impact of cumulative voting?
- How important is the proportion of independent directors in Russian board committees? What are the criteria used to choose competent committee members, and the procedure to appoint them? For example, are audit committee members "financially literate"?

- What has been the experience with “audit commissions” that are outside the board structure? Could they effectively play a positive role in enhancing transparency and accountability in corporations? Could they effectively replace the function of audit committees?
- In certain countries the role of the Company Secretary is extremely relevant to ensure effective operations of boards. How can these secretaries contribute to better board operation in Russia?
- In general, are companies organising themselves so as to serve an independent board, separate from management?

SESSION III: The qualifications, training and recruitment of directors

This Session will focus on the key characteristics of a responsible director and will also debate the concept of director independence. The discussion on the education and training of directors will focus on the tools used to increase the value added of board members. In particular, it will examine the importance of education and training for directors to be up to date in different areas of expertise and to be able to deal with a complex range of issues. The ultimate goal of the training and education of directors is to ensure a high level of professional performance in the overall interests of the company.

Issues for discussions

- What are the basic requirements to serve as a member of the board in listed companies? What is the appropriate mix between independence and competence? How do directors usually discharge their duties in Russian corporations?
- Is there a market for directors in Russia? Can allowing for foreign directors expand this market?
- Should companies have a formal process to evaluate the performance of directors individually, and of the board as a whole?
- Is directors’ education and training a requirement for better boards?
- What should be the content of directors’ training? How should *curricula* be designed? What is the “right” mix of leadership skills, financial literacy and industry knowledge that a director shall develop?
- What has been the experience with director training until recently in Russia?
- What is the role of professional organisations (such as Institute of Directors) in developing any professional ethics and rules of conduct for directors? How could their impact be maximised?

SESSION IV: The role of stakeholders in corporate governance

This Session will examine the driving forces in defining the role of stakeholders in corporate governance, the different objectives of these stakeholders and ways to exercise voice in the corporation. It will also review the rights of stakeholders that are protected by law and the legal redress for violation of these rights.

Issues for discussion

- How important are stakeholders to the corporate governance debate in Russia?
- What are the driving forces in defining the role of stakeholders in the Russian corporate governance framework?
- Is there a legal basis for addressing stakeholder objectives? What makes a corporate commitment towards a specific stakeholder group credible, when law or regulation does not mandate it?

- When the law protects stakeholder interests, do they have effective legal redress for violation of their rights?
- How do stakeholders participate in the governance of Russian companies?
- How important have been stakeholders' concerns among the investor community? What is the present and future of "socially responsible investing"? Is this a trend that could have an impact on Russian corporations?
- What has been the impact of active stakeholder policies on the value of corporations in OECD countries?

Session V: A practical view toward stakeholder relations -- case studies

This Session will explore whether Russian corporations have designed policies to address stakeholder concerns and how effectively the Russian business culture has responded to stakeholder interests. It will also focus on how companies can increase their value by addressing stakeholders' concerns and other practical ways to improve stakeholder relations.

- What are the key corporate attitudes in Russia as regards stakeholders, such as employees and creditors? How are these changing?
- ◆ How do the governance policies of Russian companies address or respond to stakeholder concerns? Do Russian companies take into account stakeholders' concerns in their decision-making process?
- What are the main ingredients for establishing and developing relationships with key stakeholders?
- What incentive structures do employees have to enhance performance of Russian companies? What is the role of employees during major re-organisation?
- How can the board be used as a multiple channel, formal or informal, to address stakeholder concerns and respond to conflicts of interest between different stakeholders?
- How can access to relevant corporate information be improved? What is the role of governance structures, such as audit committees in this process? Has the media been effectively used as a tool?