



OECD Russia Corporate Governance Roundtable

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

MEETING DOCUMENTS, 8 NOVEMBER 2016
RITZ CARLTON HOTEL, MOSCOW, RUSSIAN FEDERATION

Summary of proceedings

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**SUMMARY OF PROCEEDINGS OF THE OECD RUSSIA CORPORATE GOVERNANCE
ROUNDTABLE MEETING OF 8 NOVEMBER 2016**

December 2016

The purpose of this report is to summarise the proceedings and report on the results of the Roundtable meeting that took place on the 8th November 2016 in Moscow. The discussions focused on i) the implementation and monitoring of the Russian Code of Corporate Governance, ii) corporate governance in state-owned enterprises and iii) corporate governance and business integrity. The meeting was attended by high-level Russian and international stakeholders, including public authorities, regulators, investors, and issuers, among others.

For further information and all meeting documentation, please visit
<http://www.oecd.org/daf/ca/corporategovernanceinrussia.htm>

1. EXECUTIVE SUMMARY

1. In December 2011, the OECD and the Moscow Exchange launched the OECD Russia Corporate Governance Roundtable to tackle corporate governance challenges in Russia and help develop a robust legal and regulatory framework. Through dialogue, research and access to international expertise, the Roundtable encourages the adoption of best practices of corporate governance and their effective enforcement, as well as provides a recognised international forum where the global financial community can be informed about Russian corporate governance developments and ongoing efforts. Since 2015 the Roundtable is also supported by the Siemens Integrity Initiative which has joined as its sponsor. The main targets of the Roundtable are assisting in the implementation, monitoring and enforcement of the 2014 Russian Corporate Governance Code, and to explore ways to strengthen corporate governance and business integrity among market participants.

2. The 2016 Roundtable meeting focused on three key topics: the implementation of the Russian Code of Corporate Governance, corporate governance practices in state-owned enterprises and carrying out business with integrity. The link between sound corporate governance practices and long-term growth of a company was highlighted by various speakers, and experiences were shared regarding the positive impact of effective implementation of the Code on building trust among investors. In this process, improvement of practices relative to disclosure, transparency and equal treatment of shareholders emerged as top priorities.

3. Various speakers highlighted the importance of understanding the end objectives of the Code and warned against a box-ticking approach towards its implementation. While Russian companies have demonstrated progress in implementing the Code, further efforts are required in certain aspects. The discussions revealed the need for further company-investor dialogue. On the other hand, stronger engagement and additional feedback on behalf of investors for companies was mentioned among issues necessitating improvement. So as to further increase company-investor dialogue, the Bank of Russia has carried out extensive work to improve companies' disclosure practices, including reporting on the compliance with the Code.

4. Openness and disclosure practices were also discussed by Rosimuschestvo, the Federal Agency for State Property Management, aiming at developing governance practices in state-owned enterprises so as to increase their capacity of value-creation. The efforts of the Agency to improve governance practices in SOEs show in the results of a number of assessments presented during the discussions. Russian state-owned enterprises generally have progressed significantly in the implementation of the Code. In line with international good practices and the recommendations of the OECD Guidelines on Corporate Governance of State-owned enterprises, Rosimuschestvo has placed great importance on developing the functioning of the board and its role setting the tone from the top of good corporate practices.

5. In addition to the above-mentioned issues, the second panel provided a timely opportunity to discuss the challenges relative to governance of SOEs in light of their significant role in the global economy. Building on OECD expertise in the field, listing of state-owned enterprises as well as the OECD Guidelines on Corporate Governance of State-owned Enterprises were also discussed extensively.

6. The third panel offered a forum for dialogue on ways in which corporate governance can enhance business integrity and how responsible business conduct can boost companies' growth. Recent activities of a group of large Russian companies forming the Companies Circle, an initiative promoting business integrity created within the Roundtable by the Moscow Exchange in partnership with the OECD, was also presented. A company-wide approach towards compliance issues and effective reporting structures emerged as one of the key elements of a well-functioning compliance system. Russian companies have made substantial advancement in including business integrity considerations into their governance practices. Further work is, however, required in certain key areas, such as whistleblower protection which remains insufficient in a number of companies.

2. OPENING REMARKS

2.1 **Marcello Bianchi, Chair of the OECD Corporate Governance Committee**

7. Marcello Bianchi opened the Roundtable meeting by highlighting the importance of good corporate governance in attracting investment and increasing companies' resilience against financial shocks. He highlighted that the OECD Corporate Governance Committee and the Working Party on State Ownership and Privatisation Practices have the objective of supporting this, along with the G20/OECD Principles of Corporate Governance (the Principles)¹ which were revised in 2015 so as to address recent global developments in the business and financial sector. The revised version of the Principles approaches corporate governance from a broader perspective by addressing the relationship between companies and the markets with further depth. Mr Bianchi pointed out that the endorsement of the Principles by the G20 community in 2015 proves that the connection between corporate governance and the well-being of the economy has been extensively recognised and that improvement of corporate governance frameworks is a top policy priority across the world.

8. Mr Bianchi mentioned that the Russian Federation has taken significant steps forward in the challenging task of improving corporate governance by adopting the Russian Code of Corporate Governance in 2014 (the Code), which now requires effective implementation. He emphasised the importance of drawing particular attention on corporate governance in state-owned enterprises considering their significant role in the Russian economy. Mr Bianchi mentioned that the OECD Guidelines on Corporate Governance of State-Owned Enterprises support the creation of an open international investment climate by providing guidance on ensuring that state-owned enterprises and private companies compete on a level-playing field. Finally, Mr Bianchi referred to the last panel of the Roundtable meeting on corporate governance and business integrity by highlighting that transparency and accountability in corporate practices are necessary for building trust among investors and ensuring long-term growth of companies.

2.2 **Sergey Shvetsov, First Deputy Chairperson, Bank of Russia**

9. Sergey Shvetsov began by thanking the OECD and the Moscow Exchange for maintaining the co-operation within the OECD Russia Corporate Governance Roundtable. Mr Shvetsov continued by highlighting the importance of improving corporate governance so as to protect private ownership and to maintain fair competition, with the ultimate objective of ensuring economic growth. He reminded that the corporate governance codes, standards and guidelines must evolve in parallel with changing practices, which also concerns the 2014 Russian Code of Corporate Governance. Mr Shvetsov referred to the privatisation process in Russia and its slow-paced progress, and argued that further improvement of corporate governance would help to reduce the gap between investors' expectations and the companies' ability to issue shares. Due to the importance of the topic, corporate governance related issues and the implementation of the Code has been included in the new Financial Market Strategy of the Bank of Russia, and a working group has been established to support and guide companies in their efforts to implement the Code.

¹ G20/OECD Principles of Corporate Governance available at: <http://www.oecd.org/daf/ca/principles-corporate-governance.htm> (also in Russian).

10. Mr Shvetsov highlighted that appropriate disclosure practices and transparency help investors in their decision-making and increase competition. He also mentioned the importance of access to information regarding the protection of minority shareholder rights and referred to the ongoing process of introducing new regulations concerning shareholders' access to information, the length of the mandate of members of the board as well as the board's responsibilities. Mr Shvetsov also discussed the current challenge in Russia related to the lack of engagement by investors and the need to introduce new requirements regarding shareholders' voting. Finally, Mr Shevtsov referred to the important role of stock exchanges in monitoring the activities and developments in the market, and in supporting and facilitating investors' decision-making by analysing the quality of the corporate governance of the listed companies. Mr Shvetsov concluded by highlighting that the ongoing efforts in the Russian business sector are above all aimed at increasing investment.

2.3 Alexander Afanasiev, Chairman of the Executive Board and CEO, Moscow Exchange

11. Alexander Afanasiev began by pointing out that the Moscow Exchange is able to provide high-quality guidance for companies in implementing listing rules as the Exchange is listed as well and must go through the same process of implementing the rules. Mr Afanasiev reminded that effective implementation of the listing rules is a prerequisite for well-functioning regulation and that these rules, as well as listing in general, ultimately aim at supporting the protection of shareholder rights.

12. Proper improvements of corporate governance, however, can be achieved only through a substantial reform of a company's governance culture, and this change must encompass the entire company. Mr Afanasiev referred to the important role of the board in setting the correct tone, and mentioned that the necessary skills and knowledge of the company as well as the sector should be represented in the board. He acknowledged that fulfilling the criteria of independent director can be in some cases challenging in Russia, in which engaging directors from abroad can provide a solution. Mr Afanasiev concluded by highlighting that formalistic implementation and box-ticking approach towards listing rules and corporate governance standards must be avoided. Consequently, it is essential to analyse whether the core objective of a specific rule has been achieved when carrying out an implementation assessment within a company.

3. FIRST PANEL: 2014 RUSSIAN CODE OF CORPORATE GOVERNANCE - PRACTICE, REPORTING ON COMPLIANCE, DIRECTION OF IMPROVEMENT

3.1 Speakers

- Elena Kuritsyna, Director of Financial Market Access Department, Bank of Russia
- Anna Kuznetsova, Executive Board Member, Managing Director of Securities Market, Moscow Exchange
- William Owens, Chairman of the Supervisory Board, Credit Bank of Moscow
- Oleg Grinko, Senior Independent Director, ALROSA
- Alexander Ikonnikov, Chairman of the Supervisory Board, Independent Directors Association
- Mikhail Kuznetsov, Executive Director, National Association of Corporate Directors

3.2 Moderator

- Vladimir Gusakov, Managing Director of Government Relations, Moscow Exchange

3.3 Background materials

- 2014 Russian Code of Corporate Governance: [\(English\)](#) [\(Russian\)](#)

3.4 Summary of the topic and the debate

13. The discussions focused on the results of the work carried out across companies to implement the Russian Code of Corporate Governance adopted in 2014. One of the key issues highlighted during the panel concerned the importance of sound corporate governance practices for enhancing long-term growth of a company. The speakers emphasised that effective implementation of the Code contributes to value-creation for shareholders, and that understanding the end objectives of the Code is necessary for its successful implementation. Moreover, the significance of investors' engagement and appropriate disclosure practices were discussed in detail.

14. **Elena Kuritsina**² confirmed that the implementation of corporate governance rules and standards must go hand in hand with the changes in the overall approach and understanding of the rules within the company. Ms Kuritsina highlighted that the principle of “comply-or-explain” under which the Russian Code operates is extremely important as adequate explanations for non-compliance can help in understanding the objectives of the Code's provisions, set priorities and determine areas for improvement. Furthermore, the principle enables companies to communicate with investors about compliance issues so as to support their decision-making. Ultimately, appropriate application of the comply-or-explain principle contributes to assuring shareholders of their equal treatment.

15. Ms Kuritsina presented the results of a recent assessment by the Bank of Russia on compliance reporting by 99 companies. Only 6% of evaluated companies received 70 points out of 100 for the quality of the explanations provided for non-compliance, with the average number of points being 36 among all assessed companies. According to Ms Kuritsina, this key finding of the assessment demonstrates that the practice of interaction with shareholders has not yet been fully developed in the Russian market. Ms Kuritsina nevertheless pointed out that the implementation of the Code has progressed significantly among

² Presentation by Elena Kuritsina available at: <http://fs.moex.com/files/13974> (Russian only).

Russian companies and explained that the Bank of Russia will continue to work in collaboration with companies to further advance the process.

16. **Anna Kuznetsova**³ referred to the new listing rules issued by the Moscow Exchange in 2016, which include a number of new requirements concerning the number of independent board members, the structure of audit and remuneration committees, the role of corporate secretary and the dividend policy. Ms Kuznetsova discussed the requirements regarding the dividend policy and reminded about the importance of interaction with investors: companies should not only set up the policy, but also disclose clear and detailed information concerning the policy.

17. Ms Kuznetsova highlighted that Russian companies have upgraded the level of their competitiveness, with dividend profitability increasing in 2016. According to Ms Kuznetsova these developments reflect improvements in corporate governance practices which go hand in hand with growth of the companies. She concluded by mentioning that the Moscow Exchange shall continue to analyse the correlation between corporate governance and performance of the companies, with results of the analysis expected to become publicly available in 2017.

18. **William Owens** agreed with Ms Kuznetsova's view that good corporate governance is economically profitable. He mentioned that the Credit Bank of Moscow has seen a positive response in the market to its efforts for improvement of corporate governance practices, which has significantly contributed in building trust among investors and clients. Mr Owens also emphasised that implementing corporate governance standards and rules should not be considered as a box-ticking exercise, and that transparency helps to obtain high-quality feedback, determine areas for improvement and, thus, contribute to achieving long term growth. He argued that effective implementation of the Code contributes to value-creation.

19. **Oleg Grinko** discussed the role of the board in overseeing the strategy of a company, and highlighted the importance of involvement of independent directors in developing of the strategy. He mentioned that in many cases, applying the strategy is challenging due to its insufficient concreteness. According to Mr Grinko, a solution to the problem is to involve the board in all steps of implementation of the strategy. He reminded that the company's role in the national economy is essential to be taken into consideration when developing a strategy in a state-owned enterprise, and called for a company-wide approach in the implementation process.

20. **Alexander Ikonnikov**⁴ presented the 2015 analysis of the implementation of the Russian Code of Corporate Governance by major Russian issuers, carried out by the Independent Directors' Association in co-operation with the British Institute of Directors and the Russian Higher School of Economics. The study showed a difference between the responses of companies and investors regarding elements of good corporate governance: companies taking part in the survey indicated that the functioning of the board was one of the most essential element, whereas transparency and disclosure, stability and growth perspective of the company, along with protection of minority shareholders were considered most important among investors. The study revealed that investors place great importance on corporate governance and wish to remain informed about companies' governance practices. The Association will continue analysing the results as well as studying the differences between the results of similar surveys carried out in other countries and, in particular, in the UK conducted by the British Institute of Directors.

³ Presentation by Anna Kuznetsova available at: <http://fs.moex.com/files/13975> (Russian only).

⁴ Presentation by Alexander Ikonnikov available at: <http://fs.moex.com/files/13977> (Russian only).

21. **Mikhail Kuznetsov**⁵ presented the National Corporate Governance Index created by the National Association of Corporate Directors, with the purpose of evaluating the level of the implementation of the Code in Russian companies. The Index also has the objective of assessing the influence of implementing the Code influence on the performance of the companies. According to Mr Kuznetsov, the Index shows particularly positive developments in the implementation of the provisions regarding the functioning of the board and the number of independent directors, which is due to these issues being included in the new listing requirements, as it was pointed out by Ms Kuznetsova earlier.

22. Mr Kuznetsov shared other speakers' views that better implementation of the Code has a positive influence on companies' performance. He reconfirmed Mr Ikonnikov's argument regarding the importance of good corporate governance for investors, and stated that the Association wishes to encourage improvement rather than publicly disclose information about companies with a lower level of implementation.

4. SECOND PANEL: CORPORATE GOVERNANCE IN STATE-OWNED ENTERPRISES

4.1 Speakers

- Lars Erik Fredriksson, Chair OECD Working Party on State-Ownership and Privatisation Practices
- Sara Sultan, Policy Analyst, OECD
- Oksana Milovanova, Deputy Head of Department of Corporate Technologies, Rosimuschestvo
- Denis Spirin, Member of the Expert Council of the Open Government
- Maxim Zavalko, Deputy Director of the Department for Corporate Governance and Property Management, Corporate Secretary, RusHydro
- Pavel Nezhtutin, Director of the Department for Corporate Governance, Rostelecom

4.2 Moderator

- Héctor Lehuedé, Senior Policy Analyst, OECD

4.3 Materials

- OECD Guidelines on Corporate Governance of State-Owned Enterprises ([English](#)) ([Russian](#))
- Broadening the Ownership of State-Owned Enterprises: Comparison of Governance Practices (OECD, 2016) ([English](#))
- Risk Management by State-Owned Enterprises and their Ownership (OECD, 2016) ([English](#))

4.4 Summary of the topic and the debate

23. State-owned enterprises have a significant role in the Russian economy and their governance practices, thus, bear a great impact on the market. The discussions focused on the main challenges in

⁵ Presentation by Mikhail Kuznetsov available at: <http://fs.moex.com/files/13976> (Russian only).

corporate governance of state-owned enterprises from a global perspective as well as on the specific issues and plans relative to companies owned by the state in Russia. Recent OECD work on listing state-owned enterprises and the revised OECD Guidelines on Corporate Governance of State-owned Enterprises were also presented. While studies have demonstrated that the level of performance of state-owned enterprises in many countries is usually lower than that of privately owned companies, an argument was presented during the session that in Russia SOEs have the tendency to outperform privately owned companies.

24. **Lars Erik Fredriksson**⁶ opened the panel with a presentation of the OECD Guidelines on Corporate Governance of State-owned Enterprises, which were recently revised and translated into Russian. The state being the largest single owner in many countries, state-owned enterprises have an important macroeconomic impact. Consequently, and as encouraged by the OECD, SOEs should be managed as efficiently as privately owned companies. He reminded that the Guidelines are complementary to the G20/OECD Principles of Corporate Governance and that they are not addressed to a specific country, but can be applied across different jurisdictions. The Guidelines aim at professionalising the state as an owner and enhancing fair competition between privately owned companies and SOEs. Moreover, state's ownership should be separated from other policy functions so as to avoid conflicts of interest. Mr Fredriksson outlined that the role of the board in SOEs is extremely important as it represents the highest decision-making organ, which should also oversee the strategy of the company and ensure that conflicts of interest are avoided.

25. Mr Fredriksson explained that the revision of the Guidelines resulted in various changes, including a new introductory section on the definition of an SOE. He mentioned that, while the task of defining an SOE is challenging, the Guidelines are generally applicable to all SOEs with a commercial purpose and which, at least in principle, could be privately owned. The revised version of the Guidelines also discusses issues relative to responsible business conduct and includes a section on the rationales for state ownership, which should be revised regularly and disclosed to the general public. Mr Fredriksson concluded by highlighting that the overall rationale for state ownership should be the maximisation of value for society.

26. **Sara Sultan**⁷ presented recent OECD work on listing state-owned enterprises and outlined some of the key results presented in the 2016 OECD report *Broadening the Ownership of State-owned Enterprises: A Comparison of Governance Practices*. From a global perspective, enterprises owned entirely and partly by the state together represent a significant part of market value. Ms Sultan explained that the numbers vary across jurisdictions and the state ownership landscape includes unfinished privatisations, planned “mixed-ownership” programmes, important minority shareholdings in companies of a strategic national interest and acquired minority shareholdings of large financial institutions due to capital infusions deriving from the financial crisis. She continued by describing the results of the study, which showed that the objectives to list vary across the countries with some governments aiming at implementing mixed ownership strategies and others pursuing privatisation. In addition, governments indicated other motivating factors for listing, such as raising governance standards, encouraging citizen and employee participation in ownership, and increasing transparency and performance of the company.

27. Ms Sultan stated that in many cases listing influenced the commercial orientation of the company, increased board independence, improved transparency and disclosure. This is mainly explained by the influence of outside shareholders, which also increases control of the level of State influence and turns the focus towards maximising shareholder value. Ms Sultan reminded that listing would not entirely

⁶ Presentation by Lars Erik Fredriksson available at: <http://fs.moex.com/files/13978> (English only).

⁷ Presentation by Sara Sultan available at: <http://fs.moex.com/files/13979> (English only).

liberate companies from state influence, but that overall, listing raises the governance levels to either nearly or fully equivalent level as in privately owned companies. She concluded by pointing out that one of the most important findings of the study concerns the importance of the phase prior to IPO, which involves planning, developing policies, determining institutions' responsibilities and defining the role of the government as a shareholder, owner and regulator. This preparatory phase, thus, builds the basis for appropriate settings of successful IPO within the company as well as institutionally.

28. **Oksana Milovanova** presented the work on state-owned enterprises and their corporate governance carried out by Rosimuschestvo, the Federal Agency for State Property Management of the Russian Federation. She highlighted that the primary goal of the Agency is to generate and maximise profit for the federal budget and to improve attractiveness of state owned assets for future sale. Ms Milovanova referred to the OECD Guidelines and G20/OECD Principles and mentioned that the work done by the Agency to improve corporate governance is based on these instruments as well as other international standards. She highlighted that Rosimuschestvo has carried out extensive work to improve the governance practices in SOEs, the results of which can be seen today. The Agency is currently developing ways to improve the openness and accountability of SOEs with uniform standards for each company. In this process, careful distribution of responsibilities among the board and management is the key, and the right set of skills should be represented in the board.

29. Ms Milovanova emphasised that, while the Agency provides implementation guidance for companies throughout the process, the work carried out internally within companies to set goals and advance the process is essential. She mentioned that new requirements regarding disclosure will soon be issued. The goal of the requirements is to support investors in their decision-making, further raise the standards of corporate governance in Russian SOEs and, above all, to attract investment.

30. **Pavel Nezhutin**⁸ discussed a recent study on performance of 6000 companies across 61 jurisdictions, the main results of which showed that, according to investors, state-owned companies have lower levels of performance in comparison with privately owned companies. Mr Nezhutin argued that, according to the results of the Moscow Exchange Index, Russian SOEs are, nevertheless, outperforming privately owned companies. He continued by highlighting that evaluating performance is a challenging task in which the effectiveness of governance practices, national settings and the economic environment in which the company operates, its history, commercial orientation and various other factors should be taken into consideration. In addition, carrying out the analysis on a case-by-case basis should be considered.

31. Mr Nezhutin, nevertheless, called for further efforts to bridging the gap between the performance of privately owned and state-owned companies so as to decrease the negative perception among the investors and to build trust. He also emphasised the need for investors to further engage and to express their views in terms of areas for improvement in corporate governance practices in SOEs so as to decrease the levels of perceived risk. Mr Nezhutin concluded by welcoming all feedback from investors.

32. **Denis Spirin**⁹ presented the results of a survey regarding the implementation of the Code by a selected group of Russian companies, in which the reporting by the companies was also used as reference. The results of the study showed that the recommendations on disclosure had the highest rate of compliance. Certain recommendations were not implemented due to possible misinterpretation of the objectives, but Mr Spirin highlighted that the results are based on the progress taking place since the adoption of the Code until 2015, and that further progress can be seen only during 2016 and beyond.

⁸ Presentation by Pavel Nezhutin available at: <http://fs.moex.com/files/13987> (Russian only).

⁹ Presentation by Denis Spirin available at: <http://fs.moex.com/files/13980> (Russian only).

33. Mr Spirin pointed out that developing an implementation strategy is an essential element of the work, and that excessively ambitious plans can easily result in weaker results than expected. Moreover, he highlighted that the work towards implementation within the company should be appropriately reported, and reminded that the work of improving corporate governance does not consist only of implementing the Code, but also requires support and input on behalf of various stakeholders and, above all, setting the appropriate tone from the top that encourages reform.

34. **Maxim Zavalko** presented the implementation work within RusHydro and mentioned that further efforts are necessary to advance the progress within the company. Mr Zavalko explained that some recommendations regarding the functioning and tasks of the board have been challenging to implement, which is due to the already large scope of responsibilities and oversight of a wide range of issues by the board - a typical problem in the industry. The company is planning to continue to work on the implementation of certain recommendations, which must be carried out in co-operation with the shareholders due to a shareholder agreement.

35. Mr Zavalko explained that certain recommendations regarding independent board members have not been fully implemented, but reminded about the challenges related to fulfilling these criteria as well as the lack of a formal requirement to follow a definition of independency. Mr Zavalko mentioned that the response among investors to the implementation work carried out within RusHydro has been extremely positive.

5. THIRD PANEL: CORPORATE GOVERNANCE AND BUSINESS INTEGRITY – THE EXPERIENCE OF THE COMPANIES CIRCLE

5.1 Speakers

- Aygul Abdullina, Senior Manager, Forensic Fraud Investigations, Deloitte CIS
- Elena Feoktistova, Managing Director of the Russian Union of Industrialists and Entrepreneurs (RSPP)
- Larisa Zalomikhina, Senior Managing Director, Head of Compliance, Sberbank

5.2 Moderator

- Rostislav Kokorev, Head of Division, Department of Government Relations, Moscow Exchange

5.3 Summary of the topic and the debate

36. The panel session concentrated on business integrity and ways in which transparency and accountability can be built through sound corporate governance practices, with the purpose of building trust among investors and contributing to long-term growth of companies. The work of the Companies Circle, an initiative created within the Roundtable by the Moscow Exchange in partnership with the OECD, was presented. While further improvement is still required in certain areas, studies presented at the panel show that Russian companies are placing significant importance on business integrity issues. The correlation between a higher level of integrity and improvement of a company's performance was one of the key messages emerging during the discussions.

37. **Elena Feoktistova**¹⁰ presented an assessment carried out by the Russian Union of Industrialists and Entrepreneurs focusing on responsible business conduct as well as the degree of sustainable growth in largest Russian companies. Ms Feoktistova mentioned that various international instruments and standards have been used as the basis for developing indicators for the assessment. The two main streams of the assessment were designed to obtain a coherent picture of the practices related to integrity and responsible business conduct within the companies as well as the strategic plans for future improvement in the field, with the purpose of developing a responsible business conduct index.

38. Ms Feoktistova highlighted that one of the main objectives of the assessment and the index is to support investors in their decision-making by facilitating access to information and providing objective views of the integrity levels within the assessed companies. Ms Feoktistova explained that the assessment included comparison between the value of the assets and the level of integrity according to the index, which clearly demonstrated that higher level of integrity correlates with the improvement of the company's economic performance.

39. **Aygul Abdullina**¹¹ presented the results of a survey focusing on anti-corruption and integrity practices carried out among the member of the Companies Circle. Ms Abdullina mentioned that almost all member companies responded to the survey and outlined the main results of the survey. All companies indicated the Federal Anti-corruption Law as the main reference point for their anti-corruption work, among other national and international legislation. In addition, the OECD instruments proved to be well known among the participating companies.

40. Ms Abdullina outlined some of the main results of the survey encompassing various topics, including functioning of the compliance department, frequency of corruption risk assessment carried out by the companies, reporting mechanisms, integrity training and disclosure of anti-corruption related information. The survey also covered the topic of whistleblower protection, with the results showing that majority of the companies encourage direct reporting to the appropriate manager or provide web-based channel for reporting. Almost all companies also offer anonymous reporting possibility. However, the protection of employees reporting misconduct could be improved.

41. **Larisa Zalomikhina**¹² provided concrete examples of the compliance work within Sberbank. The work began in 2013 and involved extensive co-ordination throughout the entire company and its subsidiaries. The compliance function of Sberbank oversees a wide range of issues, including the detection misconduct and corrupt activities, prevention of conflicts of interest, risk management and protection of investors' rights.

42. Ms Zalomikhina explained that compliance issues are taken into consideration cross various operations and the compliance function is involved in decision-making that contains a higher risk of misconduct, such as contracting with foreign business partners. Moreover, the activities of each unit and department are overseen by compliance staff with reporting responsibilities towards the central compliance function – a structure that ensures a company-wide approach towards compliance efforts.

¹⁰ Presentation by Elena Feoktistova available at: <http://fs.moex.com/files/13983> (Russian only).

¹¹ Presentation by Aygul Abdullina available at: <http://fs.moex.com/files/13981> (Russian only).

¹² Presentation by Larisa Zalomikhina available at: <http://fs.moex.com/files/13982> (Russian only).

6. CLOSING REMARKS

6.1 Lars Erik Fredriksson, Chair of the OECD Working Party on State-Ownership and Privatization Practices

43. Mr Fredriksson recalled some of the key messages discussed during the Roundtable meeting and expressed his agreement about the positive economic impact of good corporate governance and business integrity. He welcomed future work on corporate governance in state-owned enterprises in Russia so as to further increase value-creation and continue attracting investment.

6.2 Vladimir Gusakov, Managing Director of Government Relations, Moscow Exchange

44. Mr Gusakov confirmed that the work to improve corporate governance in Russian business sector shall continue and that it should not be approached as a box-ticking exercise. Instead, real progress can only be achieved with changes in the attitudes and strategic goal-setting. Mr Gusakov emphasised that substantial improvements are expected to be seen next year.

ANNEX 1: SPEAKERS' BIOGRAPHIES

Aygul Abdullina

Aygul has been holding a position of Senior Manager, Forensic at Deloitte CIS since March 2016. Prior to Deloitte, she worked for a major international pharmaceutical company as a compliance officer. Aygul's experience includes eight years at KMPG, five of which were dedicated to its forensic practice. Aygul has been involved in a number of fraud, misconduct and corruption investigations. She has managed projects in the coal, power, pharmaceutical and construction industries, among others and facilitated many Forensic and Fraud Risk Management training sessions for clients. Aygul has also assisted leading international companies with reviewing Russian and CIS counterparties' compliance with contract terms. As a compliance officer with a major international pharmaceutical company, Aygul managed the process of improving the company's control environment. She gained experience through her observations of an internal audit of the company's control environment. Aygul graduated in 1997 from the Moscow Institute of Economics and Statistics, where she got a degree in Economics, specialization in Management.

Alexander Afanasiev

Alexander Afanasiev has been Chairman of the Executive Board and CEO of Moscow Exchange since June 2012. During that time, he oversaw the integration of the MICEX and RTS exchanges, led MoEx's initial public offering, and has been a driving force behind a programme to upgrade the Russian financial markets infrastructure. Prior to joining Moscow Exchange, Mr Afanasiev spent 13 years at Bank WestLB Vostok, a subsidiary of the German banking group WestLB AG, most recently as a Deputy Chairman of the Executive Board. Prior to his work at WestLB, he was an Executive Board member of Bank Imperial. From 2005 to 2011 Mr Afanasiev was Chairman of the MICEX FX Market Council. From 2009 to 2013 he co-chaired the National Foreign Exchange Association and from 2011 to 2014 the National Securities Market Association. Mr Afanasiev has been working in the Russian financial sector since 1991. Earlier in his career he worked at the Bank of Russia, and was among the founders of the Russian Project Finance Bank, the first investment bank with foreign capital in Russia. He subsequently served as Executive Director of this bank. He graduated from the Moscow Financial Institute with a degree in international economic relations and holds a PhD in economics.

Alexander Ikonnikov

Alexander Ikonnikov serves as the Chairman of the Board at Independent Directors Association (IDA). Alexander has a wide-broad experience serving on the Board of Directors as an Independent Director and Head of Committees in consumer companies, investment funds and post-trading financial organizations. For the last 15 years his portfolio includes leading international and Russian companies like Baltika Breweries, National Settlement Depositary, East Capital Explorer plc (Swedish investment fund listed at NASDAQ OMX), SOLLERS (Russian automotive company), St. Petersburg International Mercantile Exchange (SPIMEX), TransContainer (the leading Russian intermodal container operator), etc. Alongside with this Mr. Ikonnikov is a founder and the Chairman of the largest directors' professional association in Russia – Independent Directors Association (IDA), which deals with corporate governance and professional development of directors (www.nand.ru). At different times Alexander worked as a senior engineer in oil and gas at Yuganskneftegaz, Head of financial and

securities department at Yukos, Deputy CEO at Russian National Association of Securities Market Participants (NAUFOR), CEO at Russian Investor Protection Association, Managing Partner at Board Solutions. Also, Alexander has a successful track record working in the public sector where he led Investment Department of the Russian Ministry of Fuel and Energy being responsible for intergovernmental agreements in the energy field and cooperation with international financial institutions (World Bank, EBRD, Ex-Im Banks, IFC, etc.). Mr. Ikonnikov is the first Russian expert who has been recognized by Yale School of Management as “2010 Rising Star of Corporate Governance” for outstanding work in, and contribution to, the field of corporate governance. He is Chartered Director by IoD UK - the highest professional qualification for directors. Mr. Ikonnikov holds a PhD in economics.

Anna Kuznetsova

Anna Kuznetsova graduated in 1996 from the Faculty of Mechanics and Mathematics of the Lomonosov Moscow State University, and in 1998 from its Faculty of Economics. In 2000 she got her Ph.D. degree in physics and mathematics. From 1999 to 2001 Anna worked in NAUFOR and was involved in the creation of the National Quotation System and development of the Complex Information Disclosure System (SKRIN). From 2001 to 2004 Anna worked in RTS, since 2003 she served as the Head of the New Markets Development Department at NP RTS. During 2004-2006 Ms. Kuznetsova worked as the Executive Director of REGION Brokerage Company where she was in charge of the organization of work and interaction between the Company's subdivisions. From 2006 to 2008 Ms. Kuznetsova served as Vice President of the Non-commercial Partnership “Russian Trading System” Stock Exchange” and Deputy CEO of OJSC RTS. From 2008 to 2013 Ms. Kuznetsova served as the Deputy CEO and then as the CEO of MICEX Stock Exchange. Currently Anna serves as the Managing Director of the Moscow Exchange's Securities Market.

Denis Spirin

Denis Spirin joined the company Prosperity Capital Management in 2007 and currently works there as the Director of Corporate Governance. Mr. Spirin has graduated with honors from the Moscow State University of Railway Engineering (Management) and from the Moscow State Law Academy (Jurisprudence). Mr. Spirin is actively involved in activities of the Working Group on establishment of the International Financial Centre in the Russian Federation.

Elena Feoktistova

Elena Feoktistova is Director of the Centre for Corporate Social Responsibility at the Russian Union of Industrialists and Entrepreneurs (RUIE), Deputy Chair of the RUIE Council for Non-Financial Reporting, and Deputy Chair of the RUIE Committee for Social and Demographic Policy. Elena has a PhD in economics from Lomonosov Moscow State University. She participates in the activities of the commissions and expert councils of state and public organisations, including the Steering Committee of the UN Global Compact Network Russia, the Russian Trilateral Commission for the Regulation of Social and Labour Relations, the Public Council of the Ministry of Labour of Russia, and the Board of the Social Insurance Fund of the Russian Federation. Since 2004, Elena has worked for the Russian Union of Industrialists and Entrepreneurs (RUIE) on developing the activities of employers and their associations in terms of responsible business management and sustainable development, non-financial reporting, interaction

with stakeholders, cross-sector partnerships, the development of independent assessment tools for companies, and the quality of public corporate reporting. She provides companies with technical advice on all of these issues. Elena is one of the authors of the Social Charter of Russian Business, and one of the driving forces behind setting up and maintaining the National Registry of corporate non-financial reports. She has organised training in, and co-authored analytical reviews on, designing methodological recommendations for companies for the development of non-financial reporting in Russia, as well as creating sustainable development indices. She is the author of over 60 professional publications.

Elena Kuritsyna

Elena Kuritsyna has been the Director of the Financial Market Access Department at the Central Bank of the Russian Federation since 28 February 2014. In this capacity, she is responsible for vetting documents related to the procedure of access of noncredit financial institutions to financial markets, and also for the development of regulations pertaining to the company law and improved corporate governance. Most of Ms. Kuritsyna's previous work was carried out at the Russian Federal Service for Financial Markets and the Federal Commission for Securities Market. In 2000 she joined the civil service at the Department for Monitoring of Securities' Transactions at the Russian Federal Commission for Securities Market, and in July 2003 she was appointed as the Head of the Department for the Stock Market Infrastructure Regulation of the Federal Commission for Securities Market. In May 2004 she was appointed as the Head of the Securities Market Supervision Department with the Russian Federal Service for Financial Markets. In 2007 the Government of the Russian Federation appointed Ms. Kuritsyna as the Deputy Head of the Federal Service for Financial Markets. She has a degree cum laude in law from the Moscow State Open University.

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. Mr. Lehuedé is also the manager of the OECD Russia Corporate Governance Roundtable. Before joining the organization, he 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. Mr. Lehuedé holds a law Juris Doctor Degree from Universidad de Chile and a Masters Degree from Stanford University.

Lars Erik Fredriksson

Mr. Lars Erik Fredriksson is an Investment Director at the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation in Sweden since 2004. He specializes in corporate governance of state owned enterprises (SOEs). He is also the chair of the OECD WPSOPP (Working Party for State Owned Enterprises and Privatization) since 2015 where he was vice-chair since 2014 and delegate since 2008. Lars Erik has extensive experience from SOE ownership including corporatisation, privatisation, starting new SOEs, setting up ownership policies, setting financial targets, board recruitment and board work. He is currently a non-executive director in four SOEs and chair of the board in one private company. He holds a B.Soc.Sc. degree from Uppsala University.

Marcello Bianchi

Mr. Marcello Bianchi is the Deputy Director General at Assonime (Association of the Italian joint stock companies), where he is in charge of Corporate Governance and Capital Markets Area since March 2016. Prior to this position, Mr. Bianchi was the Director of the Corporate Governance Division at the Commissione Nazionale per le Società e la Borsa (CONSOB) (Italian Stock Exchange and Public Companies Authority) where he had been working since 1990. At CONSOB, he directed several research and regulatory activities concerning corporate governance issues, namely major shareholdings disclosure, pyramiding, related party transactions, take-overs, board structure and nomination procedures. He has been a member of the OECD Corporate Governance Committee since its creation in 1997, and the Chairman of the Committee since 2007. From 1985 to 1989 he worked as an economist at Centro Europa Ricerche (CER), a private research institute focused on macroeconomics and finance studies, and at Montedison group. He graduated from the University of Rome “La Sapienza” in 1985. Mr. Bianchi has published several articles on the ownership structure of Italian listed companies and listed groups, the role of coalitions in corporate governance, reciprocal shareholdings, take-over regulations, the role of institutional investors in corporate governance and bank-firm relationships.

Maxim Zavalko

Maxim Zavalko has been Deputy Head of Corporate Governance and Property Department of PJSC RusHydro since 2015, and the company’s Corporate Secretary since 2013. From 2010 to 2015, Maxim was Head of Corporate Governance of JSC RusHydro. From 2004 to 2010, he was First Deputy Head of Corporate Governance and Shareholders Relations, and Executive Director of the Far East Unit of JSC RAO UES RUSSIA, before joining the Corporate Governance, Law and Property division of RAO Far East Energy Systems. In 2009, he was appointed Deputy Head of the Corporate Governance Development Centre of Rosatom State Corporation. Since 2004, Maxim Zavalko has been a member of the Board of Directors of a number of electricity companies, and has also served on the Audit Committees of a number of companies. Maxim has a degree in international law from the Moscow State Institute of International Relations (MGIMO), and an MBA in finance from the Financial University under the Government of the Russian Federation.

Mikhail Kuznetsov

Mikhail was born on 20 June 1979 in Samara, Russia. Has substantial experience in the corporate governance field. Over 8 years of experience in the boards of directors and committees of the major Russian companies in the financial field, energy, food industry. Over 10 year of experience of work in the area of investments and management consulting. Previously Mr. Kuznetsov held managerial offices in the following companies: Aviakor, LUKOIL-Volga, Promsvyaz and International Financial Corporation (IFC). His experience also includes work in the boards of directors, board committees, audit commissions of major and medium size Russian companies, including SG-Trans, IDGC, Russian Meat Products, United Metallurgical Company. Currently Mr. Kuznetsov is an independent director in the board of directors of PJSC Credit Bank of Moscow, OJSC Energosetproject and OJSC Echo (Roscosmos), Chairman of the Audit Commission of OJSC Sovcomflot, and is a board member of Istkomtrans LLP (Kazakhstan). He is also the General Director and the Managing Partner of the Corporate Development Center, as well as the Executive Director of the National

Association of Corporate Directors. Mr. Kuznetsov actively participates in development and promotion of the best practices of corporate governance in the Russian companies, is an MBA program tutor in the Russian Presidential Academy of National Economy and Public Administration (corporate governance, strategic management), a member of the Russian National Council on Reporting in the Area of Sustainable Development at the Russian Union of Industrialists and Entrepreneurs (RSPP) and a member a member of the National Register of Independent Directors of RSPP.

Oksana Milovanova

Oksana Milovanova is Deputy Head of Department of Corporate Technology and responsible for the development of unified corporate governance standards at the Federal Agency for State Property Management (Rosimushchestvo). All the work carried out by Ms. Milovanova is integral to the activities of the Federal Agency for State Property Management or one of its related entities, where her responsibilities include providing information and analysis and methodological support in the field of corporate governance to the activities of the Federal Agency for State Property Management. Ms. Milovanova's remit includes the creation within state-owned companies of a system of vertically aligned strategic planning for Joint-Stock Companies (JSCs), based on linking key company policy documents such as strategy, long-term development programmes and the system of key performance indicators of the JSC, the introduction into state-owned companies of other mandatory internal documents, the optimisation of the asset structure of state-owned companies through the separation within their structure of non-core assets earmarked for disposal, the introduction of the standards and principles of the Code of corporate governance, and dividend policies for state-owned companies. Oksana Milovanova's exceptional service to the State, her professionalism and the exemplary fulfilment of her official duties have repeatedly been acknowledged by the Head of the Federal Agency for State Property Management (in 2013, 2014 and 2015.).

Oleg Grinko

Oleg Grinko is an independent member of the Supervisory Board of JSC ALROSA (PJSC). Born on 13 August 1968 in Kherson, Ukrainian SSR. He is a graduate of the Kherson Shipbuilding College (1987), the Higher School of KGB of the USSR – FSB (the Federal Security Service) Academy of the Russian Federation with a degree in Law (Lawyer), specialization Germany (Philology and Regional Geography) (1994). During 2007-2013 Oleg worked as Director of LLC China.ru Public Relations Agency; from 2001 to 2014 – Adviser to Director, Federal State Unitary Enterprise Foreign Trade Association Vneshtekhnika; from 2006 to the present time - member of The Intergovernmental Subcommittee of Russia and China (in the field of: education, science and technology, and financial cooperation), in 2013 - Chairman of the Board Advisor Corporation CCCC (China), from 2012 - Leader of initiatives and projects of the Agency of Strategic Initiatives (national competences and qualifications, Global Foresight system of Education, the National Technology Initiative, Preventive Medicine, the Development of Professional Communities' Practice, for active participation in the activities of ASI Oleg was awarded with the Gratitude of the President of Russia for his active participation in the activities of ASI. Oleg is also a member of the Supervisory Board of "Russian-Chinese Law Society", and the author of the concept of the "T-systemic" - strategy development, methods and abilities: individuals, communities, corporations, spatial development.

Pavel Nezhutin

Since 2011, Pavel Nezhutin has been Director of Corporate Governance at Rostelecom. Prior to that, from 2007 to 2011, he was the company's Corporate Secretary. In 2004, Pavel graduated in Securities and Financial Engineering from the Financial University under the Government of the Russian Federation. In 2010, Pavel won the fifth national "Director of the Year" award organised by the Russian Independent Directors Association (IDA), in the category "Corporate Governance Director - Corporate Secretary". In doing so, the Expert Council of the award acknowledged Pavel's personal contribution to the development of corporate governance at Rostelecom.

Rostislav Kokorev

Rostislav Kokorev is Head of Division, Department of Government Relations of Moscow Exchange, leading researcher of the Faculty of Economics of the Lomonosov Moscow State University, Member of the Corporate Governance Expert Council at the Bank of Russia. Born in 1966. Graduated with honors from the Lomonosov Moscow State University in 1988. Ph.D. in Economics (1993). In 2007-2014 – Deputy Director, Department of Innovation Development & Corporate Governance, Ministry of Economic Development of the Russian Federation. Prior to joining the civil service he worked in the Fund "Bureau of Economic Analysis" (BEA), the Academy of National Economy (ANE) under the Government of the Russian Federation and the International Confederation of Consumer Societies (KonfOP). Spheres of professional and scientific interests include: corporate legislation and corporate management, functioning and state regulation of the stock market and collective investments, pension reform; teaching and consulting activities in the field of financial markets; protection of rights of consumers of financial services, financial literacy of population.

Sara Sultan

Ms. Sara Sultan joined the OECD Directorate for Financial and Enterprise Affairs in 2007 and has worked as a Policy Analyst in the areas of corporate governance and private sector development. She specialises in state-owned enterprise (SOE) governance, and has authored a number of reports including on SOE internationalisation, competitive neutrality and board practices. She serves the Working Party on State-Ownership and Privatisation Practices in addition to managing outreach in the Southern Africa region. Prior to joining the OECD, Ms. Sultan worked in the field of international development. She has a M.P.A. from the Institut d'Études Politiques de Paris (Sciences Po) and a B.A. from the University of California, Berkeley. She is a native of the San Francisco Bay Area.

Sergey Shvetsov

Sergey Shvetsov was born on 27 December 1970 in Moscow. In 1993 he graduated from the Faculty of Economics of the Lomonosov Moscow State University named after M.V. in economic cybernetics. Sergey is fluent in English. From 1993 to 1996 he worked as an economist of the 2nd grade, leading economist, area head of the International Finance Division of the Department of Foreign Transactions of the Central Bank of the Russian Federation. In 1996 he became Deputy Head and Chief of the Ost-West Handelsbank AG Representative Office in Moscow. Since 2001 Mr. Shvetsov has been working for two years as Head of Open Market Operations Department of the Bank of Russia and from 2003 to 2011 he was the Head of the Market Operations Department of the Bank of Russia. In 2011 Mr. Shvetsov was appointed as Deputy Chairperson of the Central Bank of Russia and worked in that position until 2013. From 1 September 2013 to 2 March 2014 he acted as the first Deputy Chairperson of the Bank of

Russia and head of the Bank of Russia Financial Markets Service. Since 3 March 2014 Mr. Shvetsov acts as the first Deputy Chairperson of the Bank of Russia. Up until now he is a member of the Board of Directors of the Bank of Russia and a Member of the Supervisory Board of Sberbank of Russia. Also before 2011 Mr. Shvetsov was a member of the Board of Directors of MICEX, Moscow Exchange, and until 2013 he was the Chairman of the Supervisory Board of the Moscow Exchange.

Vladimir Gusakov

Vladimir Gusakov has been Managing Director of Government Relations at the Moscow Exchange since October 2013 (in 2009-2013, as vice-president and managing director of corporate development he led the corporate reform of the MICEX group of companies). Between 2004 and 2007, he was deputy head of the Federal Financial Markets Service. He held executive positions at a number of government authorities: Russian Federal Property Fund; Ministry of Finance; Agency for Restructuring Credit Organizations. He also used to work at commercial institutions serving as a deputy head at Bank Imperial and National Reserve Bank; State Investment Corporation and at the Moscow Interbank Currency Exchange. Mr. Gusakov is a co-chairman of the Supervisory Board of the National Finance Association, a chairman of the Advisory Council on Investment Legislation under the Financial Market Committee of the State Duma. In July 2015 Mr. Gusakov was awarded the Honorary diploma of the State Duma of the Russian Federation, in April 2016 - the Honorary diploma of the Bank of Russia. In 2016, Vladimir took the 1st place in the category of Best Director of Government Relations. Since 2008, Vladimir Gusakov has been continuously serving on the Supervisory Boards at a number of SOEs. Throughout these years, Vladimir has been nominated the best independent director and he best chairman of audit committee. In October 2016, Vladimir Gusakov took the 1st place in the Top-1000 Russian managers, organized by the Federal Agency for State Property Management and the National Association of Corporate Directors for his significant contribution in corporate governance in the government sector.

William Forester Owens

Bill Owens was born on 22 October 1950 in Ft. Worth, Texas (USA). Bill Owens started his professional career as a consultant of one of Big8 companies, Touche Ross & Co. (currently Deloitte), also worked in the oil sector. During 1995-1999 he served as Treasurer of the State of Colorado, and then in the period from 1999 to 2007 he was elected as the governor of the state twice. For five years (during 2007-2012) Mr. Owens was an independent director of OJSC Far Eastern Shipping Company (FESCO), Russian shipping, logistics and port company listed on Moscow Exchange. Mr. Owens served as Chairman of FESCO's Strategy Committee and also was Managing Director of Renew Strategies, a Colorado-based water and land development company. Currently Bill Owens is the Senior Director of Greenberg Traurig, Chairman of the Supervisory Board of the PJSC Credit Bank of Moscow, as well as a member of the Board of Directors in companies Key Energy Services (NYSE), Cloud Peak Energy (NYSE), Bill Barrett Corporation (NYSE) and Federal Signal Corporation (NYSE).

ANNEX 2: BACKGROUND MATERIAL

- 2014 Russian Code of Corporate Governance: [\(English\)](#) [\(Russian\)](#)
- OECD Guidelines on Corporate Governance of State-Owned Enterprises [\(English\)](#) [\(Russian\)](#)
- Broadening the Ownership of State-Owned Enterprises: Comparison of Governance Practices (OECD, 2016) [\(English\)](#)
- Risk Management by State-Owned Enterprises and their Ownership (OECD, 2016) [\(English\)](#)