



OECD Russia Corporate Governance Roundtable

MAY 2013 TECHNICAL SEMINAR BACKGROUND PAPER

*Additional Support for Karina Litvack's¹ background paper:
Contribution of International Investors to the review of the Russian Code of Corporate
Governance*

May 2013

These letters have been submitted in the context of Karina Litvack's paper on international investor's comments to the revised Code.

¹ Karina Litvack is an independent consultant and a renowned international expert on corporate governance. This report has been completed as an individual consulting engagement to present background information to participants of a Technical Seminar of the OECD Russia Corporate Governance Roundtable that will take place on 15 May 2013 in Moscow, Russian Federation, and may not reflect the views of the OECD, the Moscow Exchange or the OECD Russia Corporate Governance Roundtable.

Contact person
Louise Hedberg
Direct phone
+46 8 505 97 720

Date
Stockholm, 8 May 2013

OECD Russia Roundtable
c/o Héctor Lehuédé and Anastasia Kossov
Hector.lehuede@oecd.org
Anastasia.kossov@oecd.org

Re: Support of the “OECD Russia Corporate Governance Roundtable: May 2013 Technical Seminar Background Paper” by Karina Litvack

Dear Mr. Lehuédé,

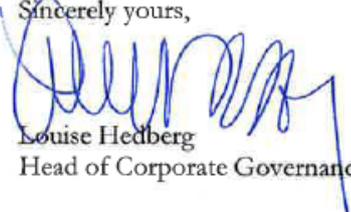
East Capital is the leading independent asset manager specializing in the emerging markets of Eastern Europe and China. The company, founded in 1997, bases its investment strategy on thorough knowledge of the markets, fundamental analysis and frequent company visits by its investment teams. East Capital actively manages EUR 3.9 billion in public equity, private equity and real estate of which approximately 60% is currently invested in Russia. East Capital is headquartered in Stockholm with offices in Hong Kong, Kyiv, Luxembourg, Moscow, Oslo, Paris, Shanghai and Tallinn.

As a long-term investor, we firmly believe that clear and dependable corporate governance standards are important to the long-term success of any market and the economic value of the companies who choose operate and seek a stock market listing on that market. I write to you today in support of the submission titled “OECD Russia Corporate Governance Roundtable: May 2013 Technical Seminar Background Paper” authored by Karina Litvack in May 2013 commenting on the “Proposed revisions to the Federal Financial Markets Service (FFMS) Code of the Russian Federation” as per invitation from the OECD-Russia Corporate Governance Roundtable. We have had an opportunity to review the submission and with this letter wish to communicate our support for the comments and recommendations presented in this submission.

We appreciate having the opportunity to express our views to you on this issue and believe that the suggestions outlined by this submission would send valuable signals to the international investment community, contributing to further the long-term success of the Russian market. We furthermore hope that the positive spirit of this collaboration is continued in forthcoming revisions of the Code later this year.

Thank you for your attention.

Sincerely yours,



Louise Hedberg
Head of Corporate Governance



ICGN

International Corporate Governance Network

OECD
2, rue André
Pascal 75775
Paris Cedex 16
France

By email ONLY:

Anastasia Kossov: anastasia.kossov@oecd.org
Héctor Lehuédé: hector.lehuede@oecd.org

3rd May 2013

Dear Ms Kossov and Mr Lehuédé

Re: OECD-Russia Corporate Governance Roundtable

We are writing on behalf of the International Corporate Governance Network (ICGN) to contribute our comments to the roundtable discussion on corporate governance policy reform in Russia. We hope that some of the points made below will be taken into account when amending the Russian Code of Corporate Governance. We note that for a number of markets good corporate governance has become a differentiator for companies when trying to attract national as well as international investors. Furthermore, to an increasing extent it is recognised that a good transparency and control regime helps to reduce corporate risks and supports stock price development.

By way of background, the ICGN is a global membership organisation of institutional and private investors, corporations and advisors from approximately 50 countries. Our investor members are responsible for investing or servicing global assets of U.S. \$18 trillion. The ICGN's mission is to establish and raise standards of widely accepted good corporate governance worldwide. In doing so, the ICGN encourages cross-border dialogue at conferences and influences corporate governance public policy through ICGN Committees. We promote best practice guidance, encourage leadership development and keep our members informed on emerging issues in corporate governance through publications and the ICGN website. For more information about the ICGN, its members and activities please visit our website: www.icgn.org.

The following suggestions are provided by ICGN members investing and engaging in the Russian market. Underpinning these points is a general focus on protecting the interests of minority shareholders and ensuring that they have exercisable rights that make investment in Russia less risky.

I Transparency

- Issuers should always keep their website up to date as a first point of information for investors.
- A notice of meeting, the annual report, financial statements and other indicators should be made available in English.
- All documentation should be made available well ahead of the general meeting, and at least 21 days in advance.

- Information that helps shareholders take better informed voting and investment decisions should be made publicly available and provided to shareholders or interested parties on request.
- The share capital should be stated in the articles of association, website, annual report and/or notice to the general meeting.

II Shareholding Structure

- The breakdown of shareholdings between government, founder, local institutional and individual investors, and foreign investors should be disclosed for a better understanding of corporate control and related parties.

III Board Elections

- Board nominees should be named and a short CV made available (including external mandates, experience, age, profession, potential ties with management and qualifications).
- Remuneration should be disclosed on an individualized basis.
- Related party transactions between nominees and company should be disclosed.

IV Audit Committee

- At least one financial expert must be a member of the Audit Committee

V Financial Statements

- The name of the lead audit partner and the audit firm should be disclosed in the annual report.
- Auditor's remuneration should be disclosed in the annual report.
- The use of symbols instead of denominators should be abandoned.
- All reports should use only one currency.

VI Board Composition and Committees

- The Board of Directors should have at least one third independent members (depending on the ownership structure).
- The Board should form committees of at least three members to improve its working efficiency on matters of audit, risk, board appointments and effectiveness and executive compensation.

VII Mergers and Acquisitions

- Full financial details should be disclosed when mergers and acquisitions are being proposed.
- The proposed transaction should be justified to shareholders in the context of the benefit accruing to minority shareholders.
- The auditor's report regarding the transaction should be disclosed.

We hope that suggestions provide a sense of the major concerns of global institutional investors and will contribute to the continued improvement of corporate governance policies and practices in the Russian market.

Please do not hesitate to contact Kerrie Waring, Acting Head of the ICGN Secretariat, at kerrie.waring@icgn.org, if the ICGN can be of further help on this matter.

Yours sincerely,



Michelle Edkins
Chairman of the ICGN Board of Governors



Alexander Juschus
Co-Chair, ICGN Shareholder Rights
Committee



Bram Hendriks
Co-Chair, ICGN Shareholder Rights
Committee

Cc: ICGN Board Members
ICGN Shareholder Rights Committee



The OECD Russia Corporate Governance Roundtable
C/o Héctor Lehuedé and Anastasia Kossov

Hector.lehuede@oecd.org
Anastasia.kossov@oecd.org

Mn Services N.V.
P.O. Box 30025
2500 GA The Hague
The Netherlands

Prinses Beatrixlaan 15
The Hague
T +31 (0)70 316 01 60
F +31 (0)70 316 04 75
www.mn.nl

Our reference RussiaCode
Please quote our reference on all correspondence.

CoC: 27191631

Date 8 May 2013

Dear Hector and Anastasia,

MN is a Dutch fiduciary manager for over twenty Dutch and six UK pension funds with over USD 100 billion assets under management. MN has investments in Russian companies in bonds and equities.

We welcome the opportunity to submit comment to the OECD-Russia Corporate Governance Roundtable regarding proposed revisions to the Russian Federation's Code of Corporate Governance ("the Code"). We would like to express our support for the international investor submission which was coordinated by Karina Litvack and which we signed. In addition to signing this submission we would also like to use the opportunity to send this individual letter and our comments separately.

While we strongly support the introduction of the updated Code in Russia, we are concerned that the overall language of the code is very aspirational. While we value the good intentions of the code we wonder about its implementation and effectiveness. We would encourage the Code to make certain requirements mandatory for companies that will be listed on the "Novyj Rinok" listings segment and to introduce a timeframe for making some of the provisions of the code that are initially best practice and aspirational mandatory at a later stage for all issuers overtime.

We would also like to know more about how the exchange / regulator is planning to monitor the adherence to the code

Finally, after having read the original version of the Code in Russian language we feel that the language of the code is not very "user friendly" and that the recommendations scattered all over the place. We would recommend to make the Code more concise and to make a numbered list consisting of only key recommendations that the code makes. We feel that this greater clarity and overview of the key provisions will make it easier for regulators and investors to monitor adherence to the code. This will also make it easier for proxy voting agencies such as to



evaluate the extent to which companies comply with provisions of the Russian code like they do for other markets with the CG codes.

We are reattaching the full international investor submission with our endorsement and support.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Narina Mnatsakanian', written in a cursive style.

Narina Mnatsakanian
Senior Advisor Responsible Investment and Governance

MN
Prinses Beatrixlaan 15
2595 ak Den Haag
The Netherlands
T +31 70 316 03 16
M +31 646 29 4803
www.mn.nl



22 May 2013

Federal Financial Markets Service
119991
GSP-1
Moscow
Leninsky Prospect, 9
Russia

Dear FFMS,

We are grateful for the opportunity to comment on the changes that are being proposed to the Corporate Governance Code (the "Code"). This letter provides a summary of our views that supplement the recommendations.

BlackRock is one of the world's leading asset management firms. We manage \$3.936 trillion as of 31 March 2013 on behalf of institutional and individual clients worldwide through a variety of strategies including equity, fixed income, cash management, alternative investment, real estate and advisory products. Our client base includes corporate, public, multi-employer pension plans, insurance companies, endowments, foundations, charities, corporations, official institutions, banks, and individuals around the world.

As a fiduciary for our clients, BlackRock supports the creation of a regulatory regime that increases transparency, protects investors and facilitates responsible growth of capital markets, while preserving consumer choice and assessing benefits versus implementation costs. As a sizeable investor in Russia we understand the unique characteristics of the market, where state involvement and ownership structures dominated by controlling shareholders are the norm.

BlackRock believes that corporate governance is an integral part of the asset manager's fiduciary duty to enhance the value of our clients' assets and to ensure management are running the company in the best long-term interests of shareholders. We believe strongly that shareholders play a central role in making any corporate governance framework effective, and that the framework should be based on the premise of 'comply or explain'. We operate from the understanding that there is no universally applicable corporate governance model, strongly supporting the objective of the consultation paper to advance and improve the use of 'comply or explain'. We are encouraged by reforms such as the establishment of a premium segment (Novy Rynok). As a major investor, BlackRock is keenly interested to ensure a robust corporate governance regime, one that protects the interests of our clients as long-term shareholders.

We hope you will find our feedback insightful.

Board and Committee Independence

We welcome the Code's comprehensive definition of board independence and agree with the requirement for at least a third of the board to be independent according to those criteria. However, the Code could usefully recommend an increase to at least 50% of the board being composed of independent directors in cases where there is a large number of securities in free float. Furthermore, we welcome the recommendation for the establishment of board sub-committees which can focus on specific aspects of board work and that these be chaired by independent non-executive directors. We welcome the Code's recommendation that the Audit Committee be fully independent. However, it would be more positive if there were greater emphasis on the role of the Audit Committee in overseeing risk management and internal controls, with a special emphasis on related party transactions, fraud, bribery and corruption. We welcome the comprehensive definition of the tasks of the Nomination Committee. However, it would be more positive for investors if the Code would place greater emphasis on the need for more formal and transparent processes for the identification, selection, appointment and induction of executive and non-executive directors alike.

Communication

We welcome the Code's emphasis on communication with shareholders, as we believe that engagement is a means to protect and enhance the value of our clients' assets. However, we would regard it as a positive step if the Code would recommend the direct participation of board members in the engagement process with minority shareholders.

Disclosure of Information and Major Corporate Actions

We welcome the need to provide investors with better access to information (article 6.2). However, the Code would be significantly improved if it placed greater emphasis on the need for English language translations to be published simultaneously alongside Russian texts. Furthermore, we are encouraged by the definition of the completeness of information (article 6.4) and material transactions (article 7.1) and believe that the Code would be further – significantly – improved if these articles included a direct reference to related party transactions and concert parties for the former, and a direct reference to the issue of aggregate transactions for the latter article. Finally, we would welcome under article 7.1 a recommendation for a clear description of the role of the board in general, and its independent directors in particular, concerning material transactions and how these are reviewed and approved. These changes would ensure a greater level of information in the public domain that would enable investors to hold boards and management to account.

We thank you for the opportunity to address and comment on the issues raised in this call for evidence. We are prepared to assist the FFMS in any way we can, and look forward to continued dialogue on these important issues.

Please contact any of the undersigned if you have comments or questions regarding BlackRock's views developed in the response.

Sincerely,



Mikkel Skougaard
Vice President
Corporate Governance & Responsible Investment
EMEA
+44 (0)20 7743 2038
mikkel.skougaard@blackrock.com
12 Throgmorton Avenue
London, EC2N 2DL



Joanna Cound
Managing Director
Head of EMEA Government Affairs & Public Policy
+44 (0)20 7743 5579
joanna.cound@blackrock.com
12 Throgmorton Avenue
London, EC2N 2DL