

OECD Russia Corporate Governance Roundtable

AGENDA OF THE 2014 OECD RUSSIA CORPORATE GOVERNANCE ROUNDTABLE MEETING

Description: A one day Roundtable meeting addressing the following corporate governance challenges facing the Russian Federation:

- Related party transactions
- Corporate governance and business integrity
- Reports on Corporate Governance Code compliance

About the Roundtable: In December 2011, the OECD and the Moscow Exchange launched the OECD Russia Corporate Governance Roundtable, a 3-year programme 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 reforms and fine tuning of existing regulations while pressing for better implementation and effective enforcement. The Roundtable also aims to contribute to international understanding of Russian corporate governance developments and ongoing efforts.

Building on a longstanding co-operation between Russia and the OECD in corporate governance, it is a long term commitment involving a wide circle of Russian and foreign participants, expert groups, associations, and private sector participants who want to improve corporate governance in Russia. The Roundtable is supported by the Bank of Russia; the Ministry of Economic Development; Rosimuschestvo; the Ministry of Finance; and the Moscow International Financial Centre Taskforce, among others.

This year was supposed to be the final year of the Roundtable's operations under the sponsorship of the Moscow Exchange and the organisers agreed to focus this year's agenda on a few high-priority policy challenges facing Russia.

In July 2014, the Roundtable held a technical seminar with representatives from State-owned Enterprises to facilitate a discussion of corporate governance development among those companies, particularly on the nomination, election and remuneration of Executive and Supervisory Boards and on the audit of SOEs' performance.

This annual meeting of the Roundtable will in turn address the complex issue of related party transactions, and will host a debate about the synergies between good corporate governance and business integrity. Additionally, it will continue last year's work on monitoring reports for corporate governance codes to facilitate compliance and enforcement of the new Russian Corporate Governance Code.

Date and venue: November 19th 2014, Lotte Hotel, 8 bld.2 Novinskiy Boulevard, Moscow

Agenda - 19th November 2014

9:00 to 9:30 Welcome coffee

9:30 to 10:00 Opening remarks

- Sergey Shvetsov, First Deputy Chairman, Bank of Russia
- Alexander Afanasiev, CEO, Moscow Exchange
- Mats Isaksson, Head, OECD Corporate Affairs Division

10:00 to 13:00 **Related party transactions: international best practices and the Russian landscape**

Related party transactions are a major policy issue worldwide as they present a potential for abuse and expropriation of shareholders at the hands of insiders and controlling shareholders. These transactions can take many forms and involve parties with a diversity of relation, which present a real challenge for corporate governance.

A 2012 OECD paper on the subject illustrates that abusive related party transactions can constitute a particular challenge where ownership is concentrated and controlling shareholders as well as groups are predominant. Regional OECD reports from Asia and Latin America confirm this tendency. They also show that most frameworks deal with these challenges via a combination of three main elements: clear definitions, formal procedures and strong disclosure. The OECD Principles of Corporate Governance as well as recent international experiences highlight the importance of adequate rules and strong enforcement.

Coffee break
11:30 to 11:50

Defining who related parties are is an essential starting point. Most jurisdictions adopt their own legal provisions, although some opt to follow closely IAS24, from the International Accounting Standards Board, which offers a widely accepted definition for financial reporting. Within the decision making process of the board, independent directors, the audit committee, and internal/external auditors are all required to play a significant role in monitoring conflict of interest. Disclosure, within and outside of the company and in a manner that could facilitate proper monitoring by shareholders and stakeholders completes the framework.

In Russia, related party transactions indisputably remain a key corporate governance challenge. While the proposal to define related parties directly in the Civil Code was not retained, the Civil Code now features a new provision which cross-references to other laws. Accordingly, appropriate amendments to the Russian Joint Stock Company (JSC) Law and the Russian Limited Liability Companies (LLC) Law are under discussion.

This panel will address international experiences in dealing with related party transactions, which may serve as an input for enhancing Russian rules and practices. The panel will then discuss different approaches of regulating related party transactions in the Russian context as well as their key characteristics and likely consequences.

Speakers:

- Alyona Kucher, Partner, Debevoise & Plimpton LLP Moscow
- Anastasia Kossov, Policy Analyst, OECD Corporate Affairs Division
- Alessio Paccès, Professor, Erasmus University Rotterdam
- Denis Spirin, Corporate Governance Director, Prosperity Capital
- Kha Loon Lee, Board Member, CFA Society Malaysia
- Rostislav Kokorev, Deputy Director of Corporate Governance Department, Ministry of Economic Development of the Russian Federation

Moderators:

- Andrey Gabov, Head of Department, The Institute of Legislation and Comparative Law under the Government of the Russian Federation
- Héctor Lehuedé, Manager, OECD Corporate Affairs Division

Materials:

- Marcello Bianchi et al. (2014), Regulation and Self-Regulation of Related Party Transactions in Italy, ECGI Finance Working Paper No. 415 ([English](#))
- OECD (2012), Related Party Transactions and Minority Shareholder Rights ([English](#))
- OECD (2009), Guide on Fighting Abusive Related Party Transactions in Asia ([English](#))
- OECD (2012), Latin American Roundtable on Related Party Transactions ([English](#))

13:00 to 14:00 **Buffet lunch**

14:00 to 15:30 **Corporate governance and business integrity: key challenges for Russia**

Good governance is an important ally for business integrity, responsible business conduct and the prevention of corruption. Together, they aim to protect the company's assets and reputation while ensuring a sustainable development model that will generate profits for shareholders and stakeholders in the long run.

Indicators of corruption affect the trust of market participants and investors. Russian companies can foster integrity within their corporate governance framework and serve as examples and inspiration to others. They can also differentiate themselves from the average and attract investors concerned about integrity. A solid set of corporate governance rules and procedures can foster integrity levels that render corruption unsustainable and unacceptable in Russian companies. When such settings are present, institutions and practices give rise to a system where the processes of corrupt activities are more likely to be mitigated by preventive measures, become harder to accomplish through sound checks and balances or are more quickly exposed and addressed by enforcement. Bribery and theft at the corporate level are thus meaningfully discouraged.

The issue of combating corruption was the focus of discussions under the 2013 B20 Russian Presidency. The B20 Guiding Principles of Anti-corruption became the cornerstones of this process. The Task Force on

Transparency and Anti-corruption proposed practical recommendations, which were presented to the G20 countries. This work was continued in 2014, during the G8 Russian presidency. The recommendations focused on areas where business can and should be part of the solution.

This panel will explore best corporate practices that aim to improve the corporate governance framework to foster better business integrity.

Speakers:

- Aneta McCoy, Principal, AM Advisory Group
- Elena Bezdenezhnykh, Deputy CEO, Norilsk Nickel
- Elena Panfilova, General Director, Transparency International Moscow
- Mikhail Konstantinov, Head, Corporate Governance and Property Division, Inter RAO UES
- Tanya Khavanska, Policy Analyst, OECD Anti-Corruption Division
- Tihana Bule, Policy Analyst, OECD Investment Division

Moderator:

- Andrei Bougrov, Member of the Board, RSPP

Materials:

- OECD Guidelines for Multinational Enterprises ([English](#)) ([Russian](#))
- OECD-UNODC-World Bank (2013) Anti-corruption, Ethics and Compliance Handbook for Business ([English](#))
- B20-G20 Partnership for Growth and Jobs. Recommendations from Business 20 (2013) ([English](#))

15:30 to 15:50 Coffee break

15:50 to 17:30 Reports on Corporate Governance Code compliance

Russia has recently adopted a new Code of Corporate Governance requiring annual reporting under a comply-or-explain system which will be monitored by the Bank of Russia and will aim to raise the governance standards of Russian issuers.

Investors also play a key role and it is broadly considered that a “comply-or-explain” approach most likely to be effective if investors actively monitor and consider compliance with the Code in their investment decision making. In some countries, institutional investors, particularly those investing public funds, are required to disclose how they take these inputs into consideration.

The influence of investors is however limited in jurisdictions with concentrated ownership and low free floats. Hence, the need for effective public monitoring and enforcement. In most European countries, authorities/organisations responsible for the national corporate governance code produce regular monitoring reports on companies’ compliance. Such monitoring reports have proven to be effective tools which drive the implementation of best practices in corporate governance by providing visibility to the companies’ efforts.

International experience shows that in the absence of credible private and public enforcement of comply-or-explain codes, issuers lack

sufficient incentives to implement best practices in corporate governance, in particular the most challenging ones, as their efforts are not rewarded, particularly because they are not distinguishable from the behaviour of those that do not aim to comply in a meaningful way.

This panel will provide a forum to discuss concrete experiences and best practices regarding how to boost issuer's incentives to comply with corporate governance codes and how it can be best monitored by investors and the regulator:

Speakers:

- Elena Kuritsina, Director of the Financial Markets Access Department, Bank of Russia
- Victoria Semerikova, Head of Corporate Technologies Division, Rosimuschestvo
- Elena Dubovitskaya, Director, PricewaterhouseCoopers
- Gabriela Figueiredo, Advisor to the Board, Portuguese Securities Commission
- Andrey Gaidamaka, Vice President of Investor Relations, LukOil; the Chairman of the Committee issuers of the Moscow Exchange
- Gian Piero Cigna, Legal Counsel, EBRD
- Stefan Georgiev, Head , ISS Eastern Europe and Russia

Moderator:

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

Materials:

- 2014 Russian Corporate Governance Code ([English](#)) ([Russian](#))
- Anastasia Kossov (2013), Can Corporate Governance Codes be Effective in Emerging Markets? ([English](#)) ([Russian](#))
- Eddy Wymeersch (2012), European Corporate Governance Codes and their Effectiveness ([English](#)) ([Russian](#))
- Overview of monitoring reports of European corporate governance codes ([English](#))

17:30 to 18:00 Closing remarks

- Elena Kuritsina, Director of the Financial Markets Access Department, Bank of Russia
- Vladimir Gusakov, Managing Director of Government Relations, Moscow Exchange
- Mats Isaksson, Head, OECD Corporate Affairs Division

18:00 to 19:00 Cocktail reception

Contact

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