



OECD RUSSIA CORPORATE GOVERNANCE ROUNDTABLE

MEETING DOCUMENTS
22-23 OCTOBER 2013
MARRIOTT GRAND HOTEL, MOSCOW, RUSSIAN FEDERATION

2013 ROUNDTABLE MEETING
- SUMMARY OF PROCEEDINGS

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SUMMARY OF PROCEEDINGS FROM THE OECD RUSSIA CORPORATE GOVERNANCE ROUNDTABLE MEETING OF 22-23 OCTOBER 2013

November 2013

The purpose of this report is to summarise the proceedings and report on the results of the Roundtable meeting that took place on 22-23 October 2013 in Moscow. The meeting addressed the following three main topics: i) challenges in compliance, monitoring and enforcement of Corporate Governance Codes (international experience); ii) recommendations for effective implementation and enforcement of the new Russian Corporate Governance Code, and iii) interaction between the new Code and the new listing requirements. The Roundtable adopted thirteen recommendations with a qualified majority at a voting in the plenary session of 23 October 2013.

For further information and all meeting documentation, please visit www.oecd.org/daf/corporateaffairs/russia or contact Anastasia Kossov (anastasia.kossov@oecd.org) or Héctor Lehuedé (hector.lehuede@oecd.org).

1. EXECUTIVE SUMMARY

1. The OECD Russia Corporate Governance Roundtable is a long term commitment involving a wide circle of Russian and foreign participants, expert groups, associations, firms and market participants who want to improve corporate governance in Russia. It has the support of the Moscow International Financial Centre Initiative, the Ministry of Economic Development and the Bank of Russia, among many other authorities.

2. During 2013, the Roundtable has been actively collaborating in the on-going initiative to update the Russian Code of Corporate Governance of 2002. On 15 May 2013, the Roundtable held a Technical Seminar to facilitate discussion of, and comments to, a revised draft text of the Code. The Roundtable Meeting held on 22-23 October in Moscow continued that dialog addressing the following issues: i) The first Panel focused on the international experience as to the main challenges in compliance, monitoring and enforcement of Corporate Governance Codes; ii) Then, several recommendations for effective implementation and enforcement of the new Russian Corporate Governance Code were developed in three parallel breakout groups which respectively represented the perspectives of issuers, investors and regulators; iii) Finally, the interaction between the new Code and the new listing requirements was debated on the second day.

3. The topics were addressed by high-level speakers from Russia and abroad (the UK, Germany, the Netherlands, Belgium, Italy, France, Spain, Sweden and Finland). Several background documents were provided to the participants to nourish the discussions. The meeting was opened by Alexander Afanasiev and Vladimir Gusakov (respectively CEO/Chairman of the Executive Board of the Moscow Exchange and Managing Director for Government Relations), Sir Suma Chakrabarti (President of the EBRD), Marcello Bianchi (Chairman of the OECD Corporate Governance Committee), Sergey Shvetsov (First Deputy Governor of the Bank of Russia and Head of the Bank of Russia Financial Markets Service) and Elena Kuritsina of the Bank of Russia (Deputy Head of the Bank of Russia Financial Markets Service). Vladimir Gusakov and Carolyn Ervin, Director of the OECD's Financial and Enterprise Affairs Directorate, closed the meeting.

4. The three parallel breakout sessions featured lively and fruitful debates which resulted in concrete recommendations. These recommendations were put up for vote and thirteen were adopted in the hope they will provide further guidance to the regulators, the Moscow Exchange, issuers, investors and other stakeholders as to the way to improve effective implementation, monitoring and enforcement of the new Corporate Governance Code.

5. The meeting was well attended by a wide circle of Russian and foreign participants, including representatives of issuers, investors, regulators, authorities, experts and other participants concerned with corporate governance in Russia in general and the implementation of the new Russian Code in particular. Participants had an opportunity to actively participate in the discussions and showed a strong engagement throughout the meeting. The meeting was co-organised by the OECD and the Moscow Exchange in partnership with the EBRD and it was co-sponsored by KPMG.

2. OPENING REMARKS

2.1. Vladimir Gusakov, Moscow Exchange

6. Mr. Gusakov opened the Roundtable Meeting highlighting that it was the fourth event of the OECD Russia Roundtable on Corporate Governance. He explained that in 2012 the Roundtable addressed a number of different key topics on corporate governance in Russia, while its work in 2013 was entirely devoted to the new Russian Corporate Governance Code.

7. The Roundtable, organised by the OECD and the Moscow Exchange works toward enhancing corporate governance policies and practices in Russia as well as towards fostering international understanding of the Russian corporate governance landscape. In this context, Mr. Gusakov also praised the important inputs to the update of the Code contributed by the OECD and the EBRD.

8. Furthermore, Mr. Gusakov emphasized that the Moscow Exchange is committed to corporate governance reform and the implementation thereof. As of 2013, the Exchange itself became a public company and as such constantly strives to live up to the highest corporate governance standards.

2.2. Sir Suma Chakrabarti, EBRD

9. Sir Suma outlined the EBRD's strong involvement with Russia and commitment to foster necessary reforms in companies and various economic sectors. In particular, Sir Suma emphasized his strong interest in the corporate governance area of work. As an active investor in the Russian economy the EBRD cares about good governance, transparency and the protection of shareholder rights and for that reason corporate governance is an essential component of the EBRD's due diligence. The EBRD is delighted to work with the Russian authorities as well as the OECD and the Moscow Exchange to help improve corporate governance in Russia.

10. Good corporate governance can increase the value of a company to investors. In this regard, the new Code can play an important role in marketing Russia to investors. Sir Suma further pointed out that the implementation, monitoring and enforcement of the Code will be fundamental to the success of the Code. Finally, he stressed that if a voluntary approach is adopted for the Code there will be low expectations about its potential impact, while a comply-or-explain approach would raise high expectations as to the quality of disclosure and the meaningfulness of explanations for non-compliance.

2.3. Marcello Bianchi, OECD Corporate Governance Committee

11. Mr. Bianchi pointed out that today all OECD Member countries have adopted corporate governance codes, of which not two are alike. The OECD, therefore, understands that the implementation of Codes requires adaptation to specific legal, economic and cultural circumstances. A lot of experience has been accumulated around the world about how to implement, monitor and enforce Codes since the early 1990s. The OECD Principles have seen two

versions since then and the OECD is now embarked in a new updating process. Russia should take advantage from all this accumulated knowledge.

12. Mr. Bianchi highlighted that the OECD is delighted to share its knowledge and the experiences of its member countries, but he stressed that the final success of the Code will depend essentially on the will of the Russian market participants. Effective compliance, monitoring and enforcement of the Code will require local skills, determination, commitment and ambition. These efforts in turn are likely to be rewarded by a better functioning of the capital market, higher valuations of shares and a lower risk premium which will help finance the modernizing of the Russian economy. He stressed that it is up to Russia to accept the invitation to move closer to global standards. He then further explained that the Corporate Governance Committee of the OECD is in charge of assessing the Russian Federation's corporate governance framework as part of Russia's on-going accession process to the Organisation. In this context, the Committee has applauded the updating of the Code and encouraged the authorities to introduce key reforms.

2.4. Sergey Shvetsov, Bank of Russia Financial Markets Service

13. On behalf of the Bank of Russia, Mr. Shvetsov thanked Mr. Charkrabarti, Mr. Bianchi, Mr. Gusakov for the involvement of their respective organisations in the work on the new Corporate Governance Code and he also praised the commitment of Elena Kuritsina.

14. He emphasized the pivotal role of the board in corporate governance. He described the central role boards occupy in the Code and that they will be crucial in implementing the provisions of the Code. While the Code's text can be considered a robust instrument, its effective implementation would be key. Therefore, the Bank of Russia, as the consolidated regulator of the market, very much welcomes the opportunity to obtain the advice and insights from international and Russian experts at the 2013 OECD Russia Corporate Governance Roundtable.

2.5. Elena Kuritsina, Bank of Russia Financial Markets Service

15. Ms. Kuritsina thanked the Moscow Exchange, the OECD and the EBRD for their support with and comments to the new Russian Code, which helped enhance the quality of the text. She pointed out that for the Code to be adequately implemented it is essential that its text is clearly structured and that it is thus clear to companies how the Code is to be implemented. She underscored that this issue has been put forward by virtually all international experts at the Technical Seminar of the OECD Russia Roundtable and beyond. Therefore, substantial efforts have been made to enhance the structure of the Code. For this reason, she explained, the text of the Code is still not fully finalised as of October 2013.

16. Ms. Kuritsina described that the Code will consist of main principles which will be further detailed in recommendations to the main principles. These recommendations will in turn be further developed and explained in comments to the recommendations. In this way, it is expected that not only will the implementation of the Code become clearer to companies, but it will also be easier to adapt the implementation of the Code to companies of different size and nature.

17. She highlighted that beyond the drafting, that was almost completed, the implementation of the Code as a credible corporate governance instrument would be key. In this regard, the roles of companies, investors and the regulator will be crucial. She concluded that the Code will become a living instrument which will help increase the issuers' valuations. Therefore,

the role of the Moscow Exchange in fostering the implementation of good corporate governance will be vital throughout the Exchange's interaction with issuers.

2.6. Alexander Afanasiev, Moscow Exchange

18. Mr. Afanasiev agreed with Ms. Kuritsina that indeed the Moscow Exchange will continue to play a leading role in improving corporate governance in Russian companies, which in turn should help increase their valuations. He further explained that Russia still lags behind in terms of corporate governance standards compared to a number of similar emerging markets. The reasons for this are primarily linked to issues of effective implementation, monitoring and enforcement. In particular, more needs to be done in the area of minority shareholder protection.

19. According to Mr. Afanasiev the new Code will be an important instrument and the implementation thereof will be critical to its success. Listing on the Moscow Exchange will be linked to improvements in corporate governance practices going forward. He also announced that the introduction of a premium segment will be considered for companies which live up to the highest standards of corporate governance.

3. FIRST PANEL: MAIN CHALLENGES IN COMPLIANCE, MONITORING AND ENFORCEMENT OF CORPORATE GOVERNANCE CODES

3.1. Participants

- Eddy Wymeersch, ECGI
- Anastasia Kossov, OECD
- Roger Barker, Institute of Directors
- Marcello Bianchi, CONSOB (Italian securities market regulator)
- Gian Piero Cigna, EBRD
- Chris Hodge, Financial Reporting Council
- Stilpon Nestor, Nestor Advisors

Moderator: Oleg Vyugin, Chairman, MDM Bank

3.2. Background materials

- New Code of Corporate Governance
- European Corporate Governance Codes and their Effectiveness, Eddy Wymeersch (2012) [English](#) [Russian](#)
- Can Corporate Governance Codes be Effective in Emerging Markets? – Insights from Turkey, India and Colombia, Anastasia Kossov (2013) [English](#) [Russian](#)
- Comply or Explain – The 20th Anniversary of the UK Corporate Governance Code, FRC (2012) [English](#)
- The Role of Stock Exchanges in Corporate Governance, Alissa Koldertsova and Hans Christiansen (2008) [English](#) [Russian](#)

3.3. Summary of the topic and the debate

20. Effective implementation, monitoring and enforcement are key in making Corporate Governance Codes work, as they determine their credibility as instruments that can promote behavioral change. The importance of effective supervision and enforcement for sound corporate governance is prominently recognized in the OECD Principles (Principle I.B.) and was also underlined in the 2009 OECD report *The Corporate Governance Lessons from the Financial Crisis*. When codes are used as a national standard or as an explicit substitute for legal or regulatory provisions, market credibility requires that their status in terms of coverage, implementation, compliance and sanctions is clearly specified.

21. **Mr. Vyugin** introduced the participants of the panel highlighting their significant expertise in corporate governance and outlined the structure of the debate. This panel described the international experience and outlined some of the best practices regarding effective implementation, monitoring and enforcement of corporate governance codes.

22. **Mr. Wymeersch** started his presentation by emphasizing that the issues of compliance, monitoring and enforcement constitute the core of corporate governance. In Europe,

these topics have been broadly analysed and debated in recent years. Today, all European countries have corporate governance Codes. All of these codes are comply-or-explain codes and the implementation of the provisions is mostly voluntary. All these codes are self-regulatory, although with nuances as there may be different levels of involvement of the state.

23. As to monitoring, Mr. Wymeersch explained that differences between European countries still persist. External monitoring is widely used and can be conducted by the authority in charge of the code or by activist investors. However, the latter usually focus on specific topics rather than on the code as a whole. Overall, monitoring activities indicate that compliance is often a box-ticking exercise and that there is still scope to improve the quality and substance of explanations provided for non-compliance. Portugal and Spain constitute interesting examples where the securities exchange commissions monitor and enforce their codes by verifying the quality of information of individual companies. Subsequently, these regulators use “name and shame” for companies with poor practices, i.e. these regulators publish their names and shortcomings in their report as well as on their website. On the contrary, the Financial Reporting Council in the UK does not report on compliance at individual company level, but rather presents aggregate results. In France, a monitoring commission for the French code has been introduced in June 2013. According to Mr. Wymeersch, it can be valuable to have an expert group of “wise men” engage with companies on issues related to compliance with a corporate governance code. Such self-regulatory bodies can adequately perform external monitoring activities and devise enforcement measures such as “name and shame”, for instance.

24. Mr. Wymeersch concluded that corporate governance codes should remain self-regulatory, at least in the case of Europe. At the same time external monitoring plays a key role on top of internal monitoring. He emphasized that corporate governance in general is rather a journey than a fixed destination. Significant progress has been made since 1992 and the Cadbury Code, but a lot still remains to be done.

25. **Ms. Kossov** highlighted that the three case studies illustrated in her paper (background materials) evidence that a “one size fits all” approach to corporate governance codes is not possible and that it is not simply a matter of transplanting the models from developed countries into emerging markets. However, she explained that these three case studies also provide evidence that there are several common factors which can have a positive impact on the effectiveness of corporate governance codes in emerging markets. She subsequently presented five of these factors.

26. The first factor is “a clear and realistic goal”. According to Ms Kossov, for a code to be effective the goals that it is expected to achieve should be clearly defined and these goals should also be realistic given the specific context of the country. She described to what extent Turkish and Colombian codes had clear and realistic goals while the Indian code did not. Secondly, she argued that public-private dialogue is important for an effective code. Not only should the authorities in charge of the code involve private sector associations, stock exchanges and other organisations to develop a legitimate code, but they should also involve them to promote the implementation of the code. She explained that in Turkey and Colombia the public-private dialogue was strong and the associations and stock exchanges actively promoted compliance with the Code. In India, the dialogue was more limited and less well coordinated.

27. A third factor is that there needs to be one clear leader with adequate resources. The authority in charge of the Code should take the leadership and ownership of the code and constitute the central entity to turn to for questions about the code. This authority should also have the appropriate human and financial resources related to the adoption, monitoring and enforcement of the code. She presented the strong roles of the Turkish Capital Markets Board

and the Colombian Superfinanciera. Then, Ms Kossov explained how regulatory conflicts and overlaps undermined the effectiveness of the Indian code. Finally, she presented the fourth and fifth factors which have a positive impact on the effectiveness of corporate governance codes in emerging markets and both concern monitoring. According to Ms Kossov, there needs to be an “optimal allocation” of monitoring and enforcement responsibilities, meaning that for a comply-or-explain approach to work, institutional investors need to be willing to monitor and enforce compliance with such Codes. Therefore, when there is no solid institutional investor base, the regulator needs to take a more active role in monitoring and enforcement. As the fifth factor, the case studies have shown that market-wide monitoring reports are useful and can contribute to the effectiveness of codes.

28. Ms Kossov concluded that while the countries she analysed adopted different approaches with different degrees of success, the process itself of devising appropriate codes was a valuable learning experience for all these countries.

29. Following these presentations, **Mr. Barker** developed the issue of corporate governance codes and concentrated ownership. According to him, corporate governance codes can work effectively in an environment of concentrated ownership if there is a high level of commitment and awareness among the stakeholders in a given market. Mr Barker highlighted that an EU survey on the implementation of corporate governance codes in European countries, many of which have concentrated ownership structures, found that there were no significant differences in implementation as among dispersed ownership countries and countries with a concentrated ownership environment.

30. The underlying reasons for the effective functioning of corporate governance codes in emerging markets are twofold according to Mr Barker. Firstly, companies appreciate the flexibility offered by these soft-law instruments. Secondly, codes provide a central benchmark for best practices and companies thus can, by implementing the code, demonstrate to the market that they adopt good corporate governance practices. This can eventually have a positive impact on their reputation and share price. However, there are several necessary conditions to make corporate governance codes work in countries with concentrated ownership. There needs to be a well-coordinated approach amongst all stakeholders and a high level of corporate governance awareness. In addition, there needs to be a high level of commitment from regulators and supervisors to promote their code. Moreover, business associations and director associations can play a significant role in promoting the code and in training directors on the code. Finally, he explained that the media and public opinion can play an important role meaning that there needs to be an on-going corporate governance debate in the country. Media can indeed intervene if companies’ practices diverge from the code in an unacceptable manner.

31. Mr. Barker concluded that in a country with concentrated ownership it is possible to have an effective corporate governance system with a code at its centre. Yet, it is not sufficient to simply rely on the interaction between companies and shareholders as it is the case in the UK. In concentrated ownership environments a more co-ordinated approach between all stakeholders in the society is fundamental.

32. **Mr. Nestor** followed, providing a historical overview of corporate governance codes and specifically addressing the issue of corporate governance commissions. He started by explaining that corporate governance was not invented with the Cadbury Code of 1992, but it existed well before and was ordered by company law on the one hand and by the people responsible for running the companies on the other hand. He stressed that today there are still tensions between policy centred views which advocate structures and policies in corporate

governance and people centric views, i.e. the view implying that people should run their companies freely. Mr. Nestor explained how the Cadbury Code was driven by corporate scandals in the UK and that the Cadbury Committee thus brought forward that companies need to be monitored more actively by their shareholders. These recommendations were first a 4-page set of best practices. It has since evolved into a 28-page code. Following the Cadbury Code, the OECD principles were first published in 1999 and took corporate governance to an international level. Mr. Nestor insisted that, unlike it was frequently misunderstood, the OECD Principles were not addressed at companies but at governments and policy makers. The last decade has seen a number of developments in corporate governance, especially in the banking sector. Corporate governance has been clearly recognised as a core element in banking supervision. Mr. Nestor highlighted that rating agencies have now integrated corporate governance in more detail into their templates to rate credit risk. Therefore, today corporate governance reaches beyond equity markets and beyond the concerns of the Cadbury Committee.

33. Mr. Nestor continued explaining that a good code needs to be structured in a way that it can be easily implemented by companies. The provisions need to be specific and well crafted. A clear owner of the code also needs to be defined. According to him, in a great majority of countries the owners of codes are commissions. These commissions can be convened by either public bodies, for example the regulator or by private bodies such as associations or stock exchanges, and are often composed of high-level individuals who are actively involved in company governance, i.e. representatives of companies or large investors rather than academics and consultants. The commissions should develop tools to measure the implementation of the code, publish annual market-wide monitoring reports on how companies implement the code and finally keep the code alive by reviewing it as required.

34. **Mr. Hodge** was the next speaker and he outlined the key elements of corporate governance codes' lifecycles. Depending on the phase the code is in, different stakeholders, such as commissions, associations, regulators, shareholders or other market participants, can play different roles, but the key elements, according to him, include setting a clear goal for the code, education and training of directors on the code, disclosure and verification thereof, enforcement and reviews of the code.

35. Mr. Hodge then developed the topic of what constitutes a proper explanation in the context of comply-or-explain codes. He pointed out that proper explanations have to be: i) clear, in a sense that the explanations are not only understandable but also informative about the measures the company put in place instead of the provision which was not complied with and ii) acceptable, i.e. the approach taken by the company must be a broadly acceptable measure for a company to take. He highlighted that in the UK it is the role of the regulator to assess whether the explanations are overall clear but it is the role of the market to assess whether the explanations provided by companies are acceptable. The lack of clarity is still an issue, even in the UK where the comply-or-explain approach has been in place for over 20 years. Mr. Hodge, who chairs the European Corporate Governance Code Network, further explained that the Network developed a number of criteria to define appropriate explanations. The criteria used in the UK include: 1) companies should explain what their actual practices are if they differ from what is recommended by the Code and elaborate why this approach is the right one for the company; 2) companies should state which additional risk may arise from their non-compliance with the Code's provision; 3) if non-compliance is temporary, companies should give a timetable outlining by when they expect to comply.

36. On the enforcement side, Mr. Hodge explained that the Financial Reporting Council in the UK can get in touch individually with companies and ask for clearer explanations. Other countries such as Denmark follow a similar approach. If the explanations remain unclear, in

theory, the regulator or listing authority could make use of enforcement powers such as fining or delisting. However, in practice, these sanctions have never been applied for unclear explanations. These sanctions are an option the regulator has, but there is generally a strong reliance on shareholders as to enforcement.

37. Subsequently, **Mr. Cigna** highlighted the importance of the investors' role as well as the expectations of investors. He expressed his concern that institutional investors too often speak with individual voices while it would be preferable and more impactful if they co-ordinated their comments and concerns. He put forward the example of the Direct Finance Institution Initiative on Corporate Governance of the EBRD which aims at raising awareness for good corporate governance amongst different stakeholders. A large Russian bank recently expressed its interest in joining the initiative. According to Mr. Cigna, an important area for fostering better implementation of corporate governance codes is to have investors speak with a common voice.

38. Building up on Mr. Nestor's description of the inherent conflicts between people and structure in corporate governance, Mr. Cigna highlighted that as an investor he certainly cares about both but that he prefers to have the opportunity to rely on a solid structure when he has a minority stake. In this regard, meaningful disclosure is also strongly valued by investors. Giving the examples of some of Russia's neighbouring countries such as Kazakhstan, Mr. Cigna emphasized that a qualitative rather than quantitative approach to corporate governance needs to be adopted. With regard to board committees it is therefore not worthwhile to require a high number of committees to be formed, but it is important to ensure that directors who are both independent and competent fill the seats in those committees. He explained that it is not possible to effectively express independence without the adequate competence.

39. Mr. Cigna concluded that implementation is key and that a certain degree of pressure from shareholders as well as from regulators is necessary. He added that a corporate governance code is not an end in itself but, if it is properly implemented, a good first step towards better disclosure and better corporate governance.

40. **Mr. Bianchi** was the last speaker to take the stage and he elaborated on the issue of corporate governance in countries with concentrated ownership, which was discussed earlier by Mr. Barker. He highlighted that there can be a controlling shareholder even if he does not have the controlling stake of the equity and that control enhancing mechanisms such as pyramidal structures can exacerbate this. In the presence of a controlling shareholder the conflict of interest is between the controlling and minority shareholders. According to Mr. Bianchi this is a stronger form of conflict compared to the conflict of interest between management and the shareholders as it is the case in countries with dispersed ownership. In particular, serious problems of related party transactions and tunnelling can arise. Mr. Bianchi described the Italian experience of regulating related party transactions, where the Italian corporate governance code proved to be an ineffective tool for regulating this matter as compliance was low. Subsequently, regulations allowed for a more effective approach in Italy. However, in other areas such as independent directors related provisions and the definition of independence criteria for directors the Code proved to be an important and adequately flexible tool.

41. Subsequently, Mr. Bianchi came back to the five criteria for effectiveness of corporate governance codes identified by Ms. Kossov in her presentation, in order to assess the effectiveness of the Italian Code. Firstly, Mr. Bianchi stressed that the existence of a clear and realistic goal is fundamental for the success of codes and expressed his concern that it is not fully clear whether the Italian Code is setting minimum standards or advocating best practices. Secondly, he highlighted that public-private dialogue is key and that in the Italian context there

has been dialogue among numerous stakeholders with different incentives. Thirdly, he acknowledged that a central leader in the process is key and that he has seen a decline in the leadership from the Italian Stock Exchange. Fourthly, he stated that monitoring played a major role as to the effectiveness of the Italian Code. Fifthly, he stressed the importance of market-wide monitoring reports in Italy.

42. **Mr. Vyugin** then opened the debate with the audience and two questions were asked with regard to the role to be played by the regulator as to monitoring and enforcement. In this context, it was particularly argued by some participants that the Russian code should be purely voluntary, both in substance and disclosure and hence be used by companies for guidance purposes only. The moderator then invited the panel to comment on these questions. Speakers suggested that while it should not be mandatory to comply with the provisions of the Code, the regulator should ensure that it becomes mandatory to disclose whether the company complies with the code and disclose explanations if the company does not comply. They also stressed that this disclosure is essential for transparency to operate. Likewise, it is important to sanction those who obscure their corporate governance practices.

43. Speakers also emphasized that for investors it is important to be able to rely on good quality disclosure. Therefore, in their opinion, the code should not be purely voluntary in its form. Where pure self-regulation works well, there is no risk of provisions becoming mandatory. They also mentioned that codes without regulatory backing cannot work in jurisdictions with controlled ownership structures. The nature of the Russian Code, it was argued, should hence depend on what the code is expected to achieve. Evidence shows that purely voluntary codes are unlikely to be effective instruments of corporate governance, especially in emerging markets where corporate governance awareness remains weak. They concluded that in Russia, as in many other countries, there is a need for solid and meaningful disclosure.

4. BREAKOUT SESSIONS AND ADOPTION OF RECOMMENDATIONS

44. The afternoon of the first day of meeting was devoted to the development of recommendations for effective implementation and enforcement of the new Russian Code. The recommendations were developed in three breakout sessions which reflected i) the issuers' perspective (Session A), ii) the investors' perspective (Session B) and c) the regulators and gatekeepers' perspective (Session C).

45. The recommendations of these three groups were proposed to the plenary of the Roundtable the following morning. An electronic voting system, allowing all participants to accept or reject a recommendation on a confidential basis, was used for this purpose. The organisation team adopted an editorial decision to require a 75% approval of the participants present at the plenary for adoption of recommendations. The plenary session was moderated by Alexander Chmel, Moscow School of Management SKOLKOVO, and included the participation of the three moderators of the breakout sessions, who presented the results and the proposals to the participants.

4.1. Session A: The issuers' perspective

Participants:

- Martina Barcaroli Bruley des Varannes, Ciments Français
- Eric Andrieux, Michelin
- Paul Ostling, Brunswick Rail
- Mikhail Kuznetsov, ACDM
- Petr Pavlikov, MTS
- Oleg Tsvetkov, Severstal
- Andrey Zhemchugov, TransContainer
- Evgeniy Savitskiy, MegaFon

Rapporteur: Alexander Ikonnikov, IDA

46. Issuers are at the core of any code implementation. Everything starts with them and the manner and approach they take towards voluntary compliance. In this session, the issues of implementation, monitoring and enforcement of the new Code were discussed from their perspective. The session moderated by Mr. Ikonnikov centered on three guiding questions which helped lead the debate and the development of the recommendations. First, the underlying factors of what motivates issuers to comply with the Code have been considered. Secondly, the roles to be played respectively by the board, independent directors, company secretaries and executive management have been debated. Thirdly, the participants discussed to what extent Russian companies are currently ready to implement the Code. Overall, the session resulted in eight proposed recommendations. At the Plenary, all but one of them were adopted.

Recommendations:

- *A comply-or-explain approach would be appropriate for the new Code but emphasis should be put on the need for meaningful explanations.*

Explanation: A comply-or-explain mechanism would complement the Russian corporate governance framework with more flexibility. Issuers would thus be able to implement best practices which they deem appropriate given their size, shareholding structure and other specificities. Formal and empty explanations should not be acceptable and monitoring of their quality would be necessary.

Voting by Plenary: Adopted by 91.1% of the votes.

- *There is a need for a clear owner and custodian of the Code, with authority, resources and mandate to oversee the implementation of the Code.*

Explanation: Whether the owner is the Bank of Russia or another entity, the existence of a clear owner is crucial to the implementation of the Code. The owner would be expected to assess the functioning of the Code, analyse possible amendments and perhaps also provide issuers and other market participants with guidance about implementation. This requires enough authority to give instructions and impose sanctions, as well as the resources necessary to conduct such activities.

Voting by Plenary: Adopted by 86.9% of the votes.

- *There should be a transition period which would allow issuers to adapt their corporate governance practices and processes in order to comply with the Code. After this period only substantial meaningful explanations should be acceptable.*

Explanation: Issuers may need time to adapt their corporate governance practices and processes in line with Code's provisions. During this transition period companies may explain that they do not comply because internal changes to internal processes and documents are required. After the transition period, this should not be acceptable. While it may take time for issuers to comply with every provision of the Code, they should be encouraged to set progress targets and areas of priority for their efforts in the following year. They should also report on their performance vis-a-vis such targets.

Voting by Plenary: Adopted by 88.1% of the votes.

- *The owner of the Code should issue a minimum common framework for reporting compliance with the Code in order to ensure completeness and facilitate comparability.*

Explanation: It would be useful to have a common framework which would allow making sure that all aspects of the Code have been duly considered, complied with or explained as appropriate. In addition, a common framework would foster the comparability of disclosure. For example, such a document could take the form of a reporting template, checklist or survey.

Voting by Plenary: Adopted by 79.2% of the votes.

- *The owner of the Code should publish a market-wide monitoring report on an annual basis and should engage in company specific monitoring of reporting on compliance with the Code.*

Explanation: The owner of the Code could collect, analyse and disclose information about how all Russian issuers implement the Code. These reports should rank companies with regard to implementation of best practices, which would reward efforts, provide incentives and highlight areas where certain provisions may need to be reviewed. Without monitoring the veracity of information disclosed and its extent may vary from issuer to issuer. The assumption that disclosure on compliance with the Code reflects reality should be subject to regular verification. The mere fact that monitoring is taking place is likely to have a positive impact on the discipline with which issuers report. For better accessibility of information to international investors, business partners, journalists and other stakeholders, these reports should be also available in English.

Voting by Plenary: The recommendation was rejected (achieved only 70.6% of the votes).

- *Private sector associations should provide specific guidance on the Code to their members, i.e. their suggestions or interpretations on how to best comply with the Code's recommendations.*

Explanation: Associations should disseminate information to their members regarding specific issues related to the substance of the Code as well as on compliance, monitoring and enforcement of the Code. These associations should play an important role in interpreting and discussing best practices in relevant areas with their members.

Voting by Plenary: Adopted by 82.9% of the votes.

- *The board should be involved in and responsible for the preparation and approval of the reporting on compliance with the Code.*

Explanation: The ultimate responsibility for the quality of corporate governance practices of an issuer lies with its board. Therefore the board should actively contribute to monitoring corporate governance internal practices and formally approve the reporting on compliance with the Code.

Voting by Plenary: Adopted by 81.9% of the votes.

- *The Moscow Exchange should introduce a premium segment for companies with high levels of compliance with the Code's provisions.*

Explanation: The use of an opt-in listing segment with stronger corporate governance requirements and high levels of compliance with the Code, would contribute to fostering and recognizing best practices among listed companies and would recognize and highlight these issuers and their governance practices.

Voting by Plenary: Adopted by 75.4% of the votes.

4.2. Session B: The investors' perspective

Participants:

- Louise Hedberg, East Capital
- Gian Piero Cigna, EBRD
- Gerard Fehrenbach, PGGM Investments
- David Shammai, APG Investments
- Mikkel Skougaard, BlackRock
- Elena Dubovitskaya, PwC
- Alexander Branis, Prosperity Capital Management
- Maxim Arefyev, Russian Direct Investment Fund

Rapporteur: *Karina Litvack, Karina Litvack Advisory Services Ltd.*

47. In a submission to the Roundtable's Technical Seminar in May 2013, international institutional investors expressed their keen interest in proper implementation and enforcement of the new Code. In this session, Russian and international investors formulated concrete recommendations to achieve this. The lively debate in this session put particular emphasis on the importance of the protection of minority shareholder rights and the emphasis of substance over form. The introduction of the updated Code was overall welcomed by investors and a number of concrete proposals were discussed. In total, the investor session produced ten recommendations which were put up for vote. Half of them were adopted by the Plenary.

Recommendations:

- *Issuers should comply with the Code by emphasising key issues, especially those related to minority shareholder protection, where gaps in legislation and enforcement remain.*

Explanation: Key issues such as minority shareholder rights belong within legislation. However, as issuers comply with the Code, they should first focus on provisions that are central to their corporate governance system and could have an impact on long-term shareholder value, i.e. measures that are material to investment and voting decisions.

Voting by Plenary: The recommendation was rejected (achieved only 74.0% of the votes).

- *Issuers should provide high-quality narrative explanations via a common reporting format developed by the regulator, in order to allow investors (and other users of this information) to compare how different issuers implement the Code.*

Explanation: Common reporting frameworks foster comparability. Investors would welcome the opportunity to assess explanations, regarding both compliance and non-compliance, and compare compliance data between companies and over time. Therefore, there should be some form of guidance for issuers to ensure that their reporting is consistent. In the short to mid-term, templates or surveys could be used for this purpose.

Voting by Plenary: The recommendation was rejected (achieved only 71.8% of the votes).

- *Disclosure on compliance with the Code should be made simultaneously in Russian and in English.*

Explanation: As investments in Russia are increasingly of international character, annual reports, including the reporting on compliance with the Code, should be made available in Russian as well as in English. If investors can understand the information in a timely manner, it will help them be more active owners who monitor and enforce compliance with the Code.

Voting by Plenary: The recommendation was rejected (achieved only 61.2% of the votes).

- *In their reporting on compliance with the Code, issuers should set objectives and highlight areas in which they intend to improve over time.*

Explanation: While it may take time for issuers to comply with every provision of the Code, they should be encouraged to set progress targets and areas of priority for their efforts in the following year and beyond. They should also report on their performance vis-à-vis such targets and priorities.

Voting by Plenary: Adopted by 77.0% of the votes.

- *The owner of the Code shall engage in extensive monitoring efforts to ensure the veracity and completeness of the disclosed information.*

Explanation: The owner of the Code could undertake elaborate scanning of the companies' corporate governance practices and proactively contact companies to for clarifications in case disclosed information on compliance appears contradictory, inconsistent or incomplete.

Voting by Plenary: Adopted by 92.5% of the votes.

- *Market-wide monitoring reports on compliance with the Code should be produced annually by the owner of the Code in order to facilitate comparisons between companies, sectors and progress over time.*

Explanation: Monitoring reports outlining how Russian issuers implement the Code will serve as a benchmark to position a given investee company and as a general overview of market practice in Russia. Such reports should give an overview in percentage terms of the shares of compliance for each provision, analysing the explanations given by issuers, and where necessary, consult investors on market perception to provide a better idea of the big picture.

Voting by Plenary: Adopted by 92.4% of the votes.

- *The owner of the Code should establish an advisory board to oversee its implementation of the Code, composed of issuers, independent long-term investors and other experts.*

Explanation: While the owner of the Code must own, finance and carry out the monitoring of Code compliance, it should establish an advisory board composed of key market actors whose function is to: 1) ensure an effective link between the market and regulator, 2) serve as a forum for individual investment institutions to raise concerns, and 3) communicate transparently to the market. In addition, this authority should consider retaining the drafting committee as potential participants in this body.

Voting by Plenary: Adopted by 78.8% of the votes.

- *Institutional investors and asset managers would strongly encourage companies to involve their boards of directors in meaningful dialogue with investors, including about their compliance with the Code.*

Explanation: Institutional investors value a closer, more open relationship with the directors who represent their interests.

Voting by Plenary: The recommendation was rejected (achieved only 68.4% of the votes).

- *Investors should disclose the policies governing how they integrate compliance with the Code into their investment decisions.*

Explanation: The credibility of the Code will be enhanced if institutional investors make public how they take the Code into account in their investment decisions. If issuers are aware of the role that their compliance with the Code's provisions plays in investors' decisions, they will see a strong incentive to comply.

Voting by Plenary: The recommendation was rejected (achieved only 65.5% of the votes).

- *A premium listing segment should be introduced by the Moscow Exchange for issuers that wish to subscribe to higher transparency and corporate governance requirements.*

Explanation: A premium segment would attract companies that wish to improve their valuation by demonstrating substantive adoption of the Code's high standards. In turn, investors, in particular international institutional investors, are interested in investing in well-governed Russian companies. However, a key condition of success for the premium segment is the introduction of an independent commercial arbitration mechanism to review possible breaches.

Voting by Plenary: Adopted by 86.6% of the votes.

4.3. Session C: The regulators and gatekeepers' perspective

Participants:

- Pavel Philimoshin, Bank of Russia
- Anna Vasilenko, Moscow Exchange
- Svyatoslav Abramov, Ministry of Economic Development
- Susanna Tolppanen, NASDAQ OMX
- Marcello Bianchi, CONSOB (Italian Securities Market regulator)
- Jochen Biederman, Former Senior Vice President of Deutsche Börse
- Chris Hodge, Financial Reporting Council
- Sergio Rodriguez, CNMV (Spanish Securities Market Regulator)

Rapporteur: Igor Korotetskiy, KPMG

48. Public monitoring and enforcement of codes plays a fundamental role, in particular in jurisdictions with weak private monitoring and enforcement. Session C has served as a platform where regulators and gatekeepers exchanged their views and developed consensus-based recommendations in a lively debate. Overall, the session resulted in seven recommendations which were put up for vote, three of which were adopted by the Plenary.

Recommendations:

- *A comply-or-explain approach will be beneficial to complement existing hard law rules and, in case of non-compliance, explanation should be meaningful.*

Explanation: At the OECD Russia Corporate Governance Roundtable Meeting in 2012, participants agreed that for Russia the hard law approach is the traditional way of inducing behaviour, but that the framework could greatly benefit from some elements of soft regulation. Indeed, a comply-or-explain code could serve this purpose as it would not mandate best practices but leave issuers the flexibility to implement the provisions which are relevant for them and explain their reasons for deviating from other provisions. Under a comply-or-explain code, companies are encouraged to comply (see above) and, in case they cannot or decide not to comply, to explain why. The explanation must be a meaningful and rational justification for not adopting the conduct required in the Code.

Voting by Plenary: Adopted by 91.4% of the votes.

- *The Bank of Russia should take the ownership of the Code and lead the corporate governance debate in Russia. As the owner of the Code, the Bank of Russia should update it on a regular basis and involve various stakeholders in this process and provide specific guidance on the Code.*

Explanation: The existence of a clear owner is relevant as issuers and other market participants can thus address a central entity in case they have queries regarding the implementation of the new Code and regarding the substance of its provisions. As the owner of the Code, the Bank of Russia is in the best position to advise if substantive questions on interpretation of the Code arise and for initiating subsequent updates of the Code. All interested parties should be involved in the update of the Code.

Voting by Plenary: The recommendation was rejected (achieved only 61.3% of the votes).

- *Market-wide monitoring report should be provided on an annual basis. The Bank of Russia should be engaged in company specific monitoring of reporting on compliance with the Code.*

Explanation: Market-wide monitoring report on compliance with the Code should be prepared. These reports should rank companies with regard to implementation of best practices, which would reward efforts, provide incentives and highlight areas where certain provisions may need to be reviewed. This report will provide a good overview of the situation in the market and the level of adoption of the Code. The Bank of Russia will thus also have a solid basis for the planning of further reforms and updates to the Code. Monitoring the reporting of individual companies and interacting with issuers in cases of inconsistencies or boilerplate reporting, will provide the incentives to correct it and thus provide the market with better information.

Voting by Plenary: The recommendation was rejected (achieved only 61.0% of the votes).

- *The Bank of Russia should issue a minimum common framework for reporting compliance with the Code in order to ensure completeness and facilitate comparability.*

Explanation: A common framework for reporting on the Code would foster the comparability of disclosure and ensure that issuers consider all provisions of the Code. For example, such a

document could take the form of a reporting template, methodological recommendations or survey.

Voting by Plenary: The recommendation was rejected (achieved only 65.2% of the votes).

- *The Exchange should thoroughly monitor compliance with the Code as required in the listing rules.*

Explanation: The Exchange should be strict and adapt high standards in monitoring compliance. At the same time, the Exchange should have staff available to assist issuers if they have questions on corporate governance issues in general and compliance with the Code in particular.

Voting by Plenary: Adopted by 82.0% of the votes.

- *The creation of an opt-in premium segment should be advanced.*

Explanation: A premium segment would attract companies that wish to improve their valuation by demonstrating substantive adoption of the Code's high standards, which are outlined in the Code. In turn, investors, in particular international institutional investors, are interested in investing in well governed Russian companies.

Voting by Plenary: The recommendation was rejected (achieved only 71.5% of the votes).

- *Sanctions regime for misleading disclosure should take into account the size of the company and the significance of a violation.*

Explanation: A weighted approach that takes into account all relevant circumstances should be applied defining sanctions for misleading disclosure.

Voting by Plenary: Adopted by 80.3% of the votes.

5. SECOND PANEL: INTERACTION BETWEEN THE NEW CODE AND THE NEW LISTING REQUIREMENTS

5.1. Participants

- Ekaterina Nagaeva, Moscow Exchange
- Sergey Kharlamov, Bank of Russia
- Denis Spirin, Prosperity Capital Management
- Victoria Semerikova, Rosimuschestvo
- Andrei Gaidamaka, Lukoil
- Susanna Tolppanen, NASDAQ OMX
- Jochen Biederman, Former Senior Vice President of Deutsche Börse
- Sergio Rodriguez, CNMV (Spanish Securities Market Regulator)

Moderator: Vladimir Gusakov, Moscow Exchange

5.2. Background materials

- New Code of Corporate Governance
- FFMS Order on the approval of the Regime of the securities admission to organized trading [English](#) [Russian](#)
- The Role of Stock Exchanges in Corporate Governance, Alissa Koldertsova and Hans Christiansen (2008) [English](#) [Russian](#)

5.3. Summary of the topic and the debate

49. Listing requirements in Russia and numerous other jurisdictions have links to corporate governance codes. The regulator adopted new listing requirements in the summer 2013 and the Moscow Exchange is expected to implement its new listing rules in the second quarter of 2014.

50. **Mr. Gusakov** initiated the panel outlining that the following discussion would constitute the first public information provided on how the regulator and the Moscow Exchange envision their approach to the listings of issuers in Russia in the near future. The panel would also shed light on how the interaction between the new listing rules and the new Code is viewed by issuers, investors and by international experts.

51. **Mr. Kharlamov** of the Bank of Russia opened the debate. Before the merger of the Federal Financial Markets Service (FFMS) into the Bank of Russia, he was in charge of the development of the listing requirements within the FFMS. He started by highlighting that new listing rules will allow the Moscow Exchange to be even more effective and contribute to the development of Moscow as an international financial center. He emphasized that the new listing rules are less complex and more straightforward than the previous rules. Now, the segmentation has been simplified and the role of the Exchange with regard to listing and delisting has been enhanced by giving it more extensive powers. The new listing rules comprise three listing segments, including the First Tier Segment and the Second Tier Segment. While extensive list of requirements for admission to the First Tier Segment is set down by the regulator, requirements

for the admission to the Second Tier are more flexible and some quantitative and qualitative provisions were left to the discretion of the Exchange.

52. Mr. Kharlamov then explained that for listing the requirements revolve around free float requirements, the period of existence of the company, financial disclosure requirements as well as corporate governance requirements. The corporate governance requirements pertain to the number of independent directors, the existence of an audit committee, a nomination committee and a remuneration committee and the employment of a corporate secretary. Furthermore, the issuer shall have a document determining the dividend policy of the issuer approved by its board of directors as well as an internal audit policy. Finally, the issuer needs to respect the requirements on the general meeting of shareholders.

53. Subsequently, Mr. Kharlamov pointed out that the Exchange has the power to admit issuers to its quotation lists even if they are not fully compliant with the corporate governance requirements. However, this can only be the case subject to several conditions, i.e. the company has to be compliant with the other listing requirements and has to present a plan to the Exchange outlining how and by when the issuer aims to comply. This plan has to be validated by the board as well as by the controlling shareholder owning over 50% of the shares.

54. **Ms. Nagaeva** welcomed that the new listing rules and the new Code are being adopted at roughly the same time. She outlined that in Russia, the first introduction of corporate governance requirements into listing rules dates back to 2005. Ever since, the number of issuers has increased and their corporate governance has improved.

55. She then presented the timetable for the implementation of the new listing requirements. The Exchange expects to register its listing requirements in January 2014 and disclose them around February 2014. In the second quarter of 2014 the new listing requirements should come into force. She stressed that a 2-year transition period will be granted to issuers admitted to the List on the date new listing rules will come into force. This period is also expected to be used for dialogue between issuers, the Exchange and the owner of the code. While no issuer will be delisted during this period (except for those departing from some specific requirements), the Exchange will collect quarterly reports from issuers on their compliance with the new listing requirements. The Exchange intends to use its website to “name and shame” those companies which do not comply. She also underlined that the listing requirements may be modified if it is necessary. Within one month after the transition period the Exchange will conduct a general checking and move non-compliant companies to a lower level or transfer them to the non-quotation segment of the List.

56. Ms. Nagaeva pointed out that it was impossible to provide cross references to the Code within the listing requirements for the simple reason that the regulator issued them in September 2013 while the Code was not finalised yet. Therefore, certain corporate governance requirements are detailed directly within the listing rules. Nevertheless, the content and wording have their origin in the draft text of the Code. She further explained that the new listing requirements stipulate that director independence criteria are established by the Exchange in accordance with the “best corporate governance standards”. The latter are to be understood as the new Code, which will serve as a benchmark to the Exchange.

57. Finally, Ms. Nagaeva welcomed the call for a premium segment of the Moscow Exchange which has been clearly expressed at the Roundtable Meeting. She stressed that today, there are already several Russian companies with exemplary corporate governance practices and that a premium segment for such issuers will rightly reward their efforts, while also benefiting issuers, investors and the Russian financial market as whole.

58. The next speaker to take the stage was **Mr. Spirin**, who highlighted that on paper it appears that there is little interaction between the new Code and the new listing rules. However, he emphasized that the role of the Exchange is central as it is indeed in a position to effectively foster the implementation of the high corporate governance standards as enshrined in the listing rules and the Code, as well as to use the Code as a benchmark.

59. Mr. Spirin then mentioned that it could be argued that a form of conflict of interest may arise with respect to the role of the Exchange. On the one hand, portfolio investors will expect that the Exchange strives towards encouraging high corporate governance standards. On the other hand, some issuers may be reluctant to introducing certain best practices. Mr Spirin expressed his trust that the Exchange will strive towards enhancing corporate governance practices. In this context, he also welcomed the introduction of the premium segment.

60. **Mr. Biedermann** followed, and he pointed out that Russia is moving in the right direction with the adoption of both the new Code and the new listing requirements. He emphasized that nevertheless it is important to bear in mind that the roles of the regulator and the Exchange should be those of facilitators and that interactions between companies and investors are crucial for building sound corporate governance. Moreover, he highlighted that it is important that corporate governance requirements of all kinds remain flexible and adapt to economic realities. In this regard, he stressed that stock exchanges generally tend to react quicker and be more flexible than regulators.

61. **Ms. Semerikova** expressed that Rosimuschestvo's paradigms and approach to corporate governance in State-owned Enterprises (SOEs) are in line with the provisions of the new Code. Rosimuschestvo is committed to enhance the transparency of SOEs, the quality and independence of their directors as well as the profitability of a number of SOEs. She insisted that significant efforts have been put into practice by Rosimuschestvo to improve the corporate governance of Russian SOEs and that more efforts will be made going forward. She concluded that the Code is a good instrument and that Rosimuschesvo as a shareholder is committed to making sure that it will be effectively implemented in SOEs.

62. Subsequently, **Mr. Gaidamaka** expressed on behalf of issuers that they are genuinely interested in improving their corporate governance to attract large long-term investors, both from Russia and internationally. According to him, in Russia there are sufficient rules but insufficient large long-term investors who would benefit from the effective implementation of such rules. Therefore, he deems it crucial that the regulator facilitates the creation or attraction of such long-term investors. He also suggested that the Exchange should take the leadership in fostering the implementation of the Code as the Exchange is strongly interested in developing the Russian market. He warned that implementation may be not as straightforward and unproblematic in all cases. In particular, he expressed his concern that the pool of directors who are independent but also competent to adequately fill this function is limited.

63. **Ms. Tolppanen** presented the Finnish experience, where the stock exchange is in charge of monitoring the Finish Code. There, a comply-or-explain code operates well on their rather small market and the stock exchange, rather than the regulator, has the ownership of the code and is responsible for monitoring it. She agreed that stock exchanges can be more flexible than regulators and succeed in convincing issuers that corporate governance codes are effective tools and opportunities rather than costs.

64. **Mr. Rodriguez** presented the Spanish example where the regulator is in charge of the code. The Spanish Securities Market Law stipulates that companies need to disclose for each

provision of the Code whether they comply or provide explanations if they do not. He stressed that the regulators main concern is to ensure that the information provided to the market is complete. Therefore, the regulator is very active in monitoring the veracity of the information and the quality of explanations. The results are regularly published on its website.

6. CLOSING REMARKS

6.1. Vladimir Gusakov, Moscow Exchange

65. On behalf of the Moscow Exchange, Mr. Gusakov laid emphasis on the central role of the OECD in improving corporate governance in the Russian Federation. He reminded the audience that the OECD Principles are the global benchmark for corporate governance practices and that the OECD provides valuable knowledge and experience to Russian experts. In particular, he emphasized that the OECD Russia Corporate Governance Roundtable has established itself as the key corporate governance event in Russia. Not only is the Roundtable influential in Russia, but it also effectively fosters international understanding of Russian corporate governance developments and efforts.

66. Vladimir Gusakov reminded the audience that in its first year, in 2012, the Roundtable addressed a variety of topics which were crucial to corporate governance in Russia. During 2013 the Roundtable's work was entirely devoted to the update of the Russian Corporate Governance Code. In this respect, the Roundtable served as a key forum which reunited the Russian corporate governance community as well as international experts to work towards a solid and effective Code. As for 2014, he explained that the topics addressed by the Roundtable are in the process of being defined and that the organisers are also welcoming suggestions from the Roundtable participants. The suggestions can be sent to roundtable@moex.com for consideration.

67. Finally, Mr. Gusakov thanked all speakers and moderators who contributed to the success of the different panels and sessions of the Roundtable. He also expressed his gratitude to those involved in the organisation of the 2013 Roundtable Meeting.

6.2. Carolyn Ervin, OECD

68. Ms. Ervin pointed out that the Roundtable meeting resulted in numerous interesting ideas and solutions. She further expressed her certitude that the discussions and recommendations which were developed are likely to be of great use to Russian stakeholders as the Code moves towards its implementation phase. Ms. Ervin also reminded participants that the Roundtable project was possible thanks to the generosity of the Moscow Exchange and she also thanked the EBRD and KPMG for their co-sponsoring of the event.

69. Ms. Ervin then referred to a speech President Putin gave at an investor forum in Moscow earlier in October. This speech, she explained, provided her with evidence that efforts to devise corporate governance reforms and the new Russian Corporate Governance Code are of great momentum for Russia's future. While the President did not mention corporate governance explicitly, he pointed to the future, expressing that Russia needs more innovation, more SMEs, better quality jobs and more investment. In the Q&A session, President Putin mentioned that corporate governance is improving in Russia. According to Ms. Ervin, the OECD agrees with this statement.

70. She emphasized that the OECD recognizes that improving corporate governance is important for the development of countries. First, it leads to better performance of companies

which translates into better jobs and growth. Second, it delivers more investments which is important for Russia. Indeed, corporate governance can play a key role in increasing the trust of investors. A number of studies illustrate that in Russia in particular investors reward companies with good governance as illustrated by increasing price-to-earnings ratios. Because of this, corporate governance is a key part of the action plan to establish Moscow as an international financial center. The OECD also sees that government pursues a number of reforms in this regard. Moreover, many companies are trying to improve their corporate governance levels.

71. Finally, Ms. Ervin concluded that improving corporate governance in Russia and developing its financial markets will benefit the future generations of Russian companies, created by those entrepreneurs who will raise look to capital in Russia in the future. She expressed that the OECD believes that Russia is currently on a major step to modernise its economy and that good corporate governance and the new Code will contribute to it. In the end, she explained, it is up to the Russian stakeholders to make the Code work effectively and to benefit from the improved corporate governance in their country.

ANNEX ONE: SPEAKERS' BIOGRAPHIES ¹

Alexander Afanasiev

Alexander is Chairman of the Executive Board and CEO of the Moscow Exchange. He was born in 1962, graduated from the Moscow Financial Institute with a degree in international economic relations and also holds a PhD in economics. Alexander has been working in the Russian bank industry since 1991. In the Bank of Russia he participated in creation of the Russian Project Finance Bank, the first investment bank with foreign capital in Russia, and then served as its Managing Director. In 1996 he joined the executive board of Joint Stock Bank "Imperial". From September 1998, he worked as a Deputy CEO for Bank WestLB Vostok (ZAO), a subsidiary company of the German banking group WestLB AG. In 2005 Alexander was appointed Chairman of the MICEX FX Market's Council. He also co-chairs the National Foreign Exchange Association and National Securities Market Association.

Dr. Roger Barker

Dr. Roger Barker is Director of Corporate Governance and Professional Standards at the Institute of Directors (UK). He is Senior Advisor to the Board of ecoDa (European Confederation of Directors' Associations) and Chairman of the ecoDa education committee. He is a board member of European Women on Boards ASBL. He sits on several corporate governance advisory boards, including those of the Institute of Chartered Accountants in England and Wales (ICAEW) and ISS European Governance Exchange. Roger is a visiting lecturer at the Said Business School (University of Oxford), ESSEC (Paris), UCL (London), Birkbeck (London) and the Ministry of Defence (UK). He is also the author several books and publications on corporate governance. During the first part of his career, Roger worked as an investment banker at UBS and Bank Vontobel. He is the holder of a doctorate on corporate governance from Oxford University, where he was a Lecturer at Merton College, and also has undergraduate and postgraduate degrees in economics, finance and political science from the universities of Cambridge, Southampton and Cardiff.

Marcello Bianchi

Marcello Bianchi is the Director of the Corporate Governance Division at the Commissione Nazionale per le Società e la Borsa (CONSOB), the Italian Stock Exchange and Public Companies Authority, where he has been working since 1990. At CONSOB, he has 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. 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 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

¹ Alphabetical order, not including participants of the break-out sessions.

regulations, the role of institutional investors in corporate governance and bank-firm relationships. Marcello has been a member of the OECD Corporate Governance Committee since its creation in 1997, and has been the Chair since 2007.

Dr. Jochen Biedermann

Dr. Jochen Biedermann worked more than 14 years in different leading positions for Deutsche Börse Group, the German Stock Exchange. From 2010 to 2013 he was in charge of Deutsche Börse's International Affairs unit, leading a multinational team in charge of business development and sales activities in Russia/CIS, Central and Eastern Europe, Turkey, MENA, India, and with selected German clients. Starting in 2005, he established Deutsche Börse's business in Russia, including opening up a representative office in Moscow in 2007 and negotiating a partnership agreement with Moscow Exchange. Jochen represented Deutsche Börse in different intergovernmental working groups and worked with regulatory authorities, ministries and the German Chancellor's office in questions of capital market regulation and international cooperation. He holds a diploma in Mathematics & Computer Science from the University of Göttingen and a Ph.D. in Mathematics from the University of Cottbus, Germany.

Sir Suma Chakrabarti

Sir Suma Chakrabarti is the President of the European Bank for Reconstruction and Development (EBRD). He has extensive experience in international development economics and policy-making, as well as in designing and implementing wider public service reform. Most recently he held the position of Permanent Secretary at the British Ministry of Justice and was its most senior civil servant. Prior to this, from 2002, he headed the UK's Department of International Development where he worked closely with economies undergoing substantial reform in Eastern Europe, the former Soviet Union and the Middle East and North Africa. He is notable for playing a key role developing the UK's successful Know-How Fund for Central and Eastern Europe and worked with the European Commission in improving its programmes in the Middle East and North Africa. He also worked in the late 1990s in the UK Treasury, where he was responsible for UK public expenditure, and in the early 2000s in the Cabinet Office, where he led on cross-departmental strategic issues and subsequently the management of the Cabinet agenda.

Alexander Chmel

Alexander Chmel is a Fellow of ACCA and a PhD in Economics. Alexander is a programs co-director at Executive Education at SKOLKOVO Moscow School of Management. He has more than 20 years of experience in audit and consulting. Alexander has actively participated in audits of major Russian and international companies' IFRS and statutory financial statements since 1993. He also has managed several consulting projects associated with reforming the utilities industry and implementing IFRS methodologies in Russia. Alexander was a partner leading PwC multidisciplinary service teams in the course of the only Russian utilities successful IPO (November 2006) and the only Russian utilities SPO, with a GDR listing on the London Stock Exchange (October 2007). He is a member of Boards of Directors of OAO ENEL OGK-5, OAO TGk-9 and the Supervisory Board of the Independent Directors Association (IDA). Alexander is the author of a number of articles on modern developments in corporate reporting, corporate governance, corporate responsibility and current trends in business education.

Gian Piero Cigna

Gian Piero Cigna is an Italian qualified attorney and the corporate governance specialist in the Legal Transition and Knowledge Management Team at the European Bank for Reconstruction and Development (EBRD) in London. Prior to joining the EBRD, he worked on company law, corporate governance and capital markets related issues at the European Commission and at the Italian Ministry of Economy. He practiced law in an international law firm in Italy, Albania and Romania and acted as consultant to international organisations and various state institutions and ministries in Eastern Europe. He has been responsible for the EBRD Corporate Governance Legal Reform Projects since 2004, and led legal reform projects in a number of jurisdictions (Albania, Armenia, Kazakhstan, Kyrgyz Republic, Romania, Russia and Serbia) especially on corporate governance code and company law development and implementation as well as a number of research and standard-setting projects. His publications include several essays on corporate governance, capital markets and banking law most recently with a focus on emerging markets in eastern Europe and Central Asia.

Carolyn Ervin

Carolyn Ervin is the OECD Director for Financial and Enterprise Affairs (DAF). Her Directorate helps governments to improve the domestic and global policies that affect business and markets in the fields of anti-corruption, corporate governance, competition law and policy, investment, financial markets, insurance and private pensions. During over twenty years at the OECD, Carolyn has held posts in several areas. She was director of the secretary-general's office from 2000 to 2005. As counselor in DAF in the 1990s she led the project to negotiate the OECD Anti-Bribery Convention and was a main drafter of the OECD Jobs Study. During the 1980s and 1990s she handled programme and budget issues in the secretary-general's office, and helped to set up the Centre for Co-operation with the Economies in Transition. Prior to joining the OECD Carolyn spent six years in the United States diplomatic service. She is a U.S. citizen, has a B.A. and an M.A. in Economics from Stanford University.

Andrei Gaidamaka

Andrei Gaidamaka is the Vice-President in charge of investor relations at Lukoil. From 2002 on, he held the position of executive director of investment analysis and investment relations of the strategic planning and investment analysis department. In 2005, he has been designated director of the investment analysis and investor relations department. As of 2011, he was the deputy director of the strategic planning and investment analysis department of Lukoil. Andrei graduated from the Moscow Lomonosov State University in 1995 with a degree in Economic Theory.

Vladimir Gusakov

Vladimir Gusakov is the Managing Director for Government Relations at the Moscow Exchange. From 2004 to 2007 he has been the deputy director of the Federal Financial Markets Service. He has also held several positions with Russian authorities including: Federal Property Fund, Finance Ministry and the Agency for Restructuring of Credit Organisations. In addition, he has also accumulated experience of working in the private sector. Vladimir is also a director on several boards of State-owned companies, including Russian Railways, Agency for Housing Mortgage Lending, Rosagroleasing (chairman since 2012) as well as the National Securities Market Association. Vladimir Gusakov is chairman of the Expert Council on investment legislation in the State Duma Committee on Financial Markets, a member of the Expert Council on Corporate Governance of the Bank of Russia Service for Financial Markets,

Russian Lawyers' Association, the Committee on the management of the National Register of Independent Directors of the RSPP, the National Board of Professional Corporate Registry directors and the Institute of Internal Auditors. In 1984 he graduated from the People's Friendship University with a degree in Mathematics. He is a PhD in Physical and Mathematical Sciences and an Associate Professor. In 2003, he graduated from the G.V. Plekhanov Russian Economic Academy with a degree in Finance. In 2008, he graduated from the President's Russian Academy of Public Administration with a degree in Law. Vladimir received the Best Independent Director award in 2011 and won the Best Independent Director award of ARISTOS 2012.

Chris Hodge

Chris Hodge is Director of Corporate Governance at the Financial Reporting Council, the UK's independent regulator responsible for promoting high quality corporate governance and reporting. Chris is responsible for updating and monitoring the effectiveness of the UK Corporate Governance Code which sets governance standards for companies listed in the UK and which was the first code to follow the "comply or explain" principle. He is also responsible for the UK Stewardship Code, which sets out principles to be followed by institutional investors in order to enhance their engagement with the companies in which they invest. Chris chairs the European Corporate Governance Codes Network, a group of organisations responsible for their national corporate governance codes in European Union and European Economic Area countries. He is also a member of the Hellenic Corporate Governance Council, which oversees the Greek national corporate governance code. Prior to joining the FRC, Chris held various roles at the Department of Trade and Industry.

Alexander Ikonnikov

Alexander Ikonnikov is Head of Board Practice at Board Solutions and a leading Russian expert in corporate governance, boards of directors and shareholder activism. Since the inception of the Independent Directors Association (IDA) in Russia, Alexander has been the Chairman of the Board. At different periods in his managerial career he has led the Department of External Economic Affairs at the Ministry of Fuel and Energy, worked as the Deputy CEO of NAUFOR and led the Russian Investor Protection Association as its CEO. He has experience serving on the board of directors as an independent director in telecommunication, consumer companies, investment fund and post-trading financial organizations. Alexander graduated from the Russian Oil and Gas Institute with an engineering degree and earned his PhD in economics. He has received his Director Certification by the UK's Institute of Directors. Yale School of Management recognized Alexander as "2010 Rising Star of Corporate Governance" for outstanding work in, and contribution to, the field of Corporate Governance.

Sergey Kharlamov

In September 2013, Sergey Kharlamov was appointed Deputy Head of the Bank of Russia Financial Markets Service. Here he co-ordinates the activities of the Department of Licensing and State Registration and the Department for Regulating Financial Market Activities. From 2004, Sergey was Deputy Head of the Federal Financial Markets Service; he holds the civil service rank of Full State Councillor of the Russian Federation (2nd Class). In 2001, he started work for the Russian Federal Securities Commission in the post of adviser to the Department for Regulation of Stock Market Infrastructure. He subsequently became deputy head and then head of the Department. In September 2002, he was appointed as a member of the Russian Federal Securities Commission. He

graduated from the Mozahaisky Institute of Military Engineering (Leningrad) in engineering and mathematics.

**Igor
Korotetskiy**

Igor Korotetskiy is the Head of Corporate Governance and Sustainability in KPMG Russia. For more than 10 years he has been working in the field of Corporate Governance and Sustainability implementing projects for large Russian and foreign companies in various industries such as Metals & Mining, Finance and Banking. Igor's experience includes a lot of consulting projects, for example corporate governance system assessment, corporate development programs, privatization programs and sustainability strategy development. Prior to joining KPMG Igor worked for the Russian Institute of Directors. He graduated from the Moscow State University with bachelor's and master's degrees in Economics. In 2013, Igor has been included in the Top 1,000 Best Russian Managers list presented by the Russian Managers Association and Kommersant Publishing House "Corporate Governance Director" nomination. Igor also has a number of practical articles published in leading business publications. In addition, Igor delivers lectures and master classes at the Higher School of Economics and the Financial University under the Government of the Russian Federation.

**Anastasia
Kossov**

Anastasia Kossov is a Policy Analyst at the Corporate Affairs Division of the OECD, where she works in the organization of the OECD Russia Corporate Governance Roundtable. Anastasia has authored the background paper for the October 2013 Roundtable Meeting on the effectiveness of corporate governance codes in emerging markets. Prior to joining the OECD, Anastasia has been a Senior Associate at L.E.K. Consulting, an international strategy consulting firm, where she worked on large corporate strategy projects in Europe, Asia-Pacific and the USA as well as on over 30 M&A due diligences. She holds a degree in Economics and Management from the Paris-Dauphine University as well as a Master's degree in Law and Accounting from the London School of Economics.

**Elena
Kuritsina**

In September 2013, Elena Kuritsina was appointed Deputy Head of the Bank of Russia Financial Markets Service. In that position, Elena co-ordinates the Department for Organising and Implementing Supervisory Measures for the Securities Market, the Department for Information and Monitoring of Financial Markets and the Department for Equity Securities. Her work has largely been connected with the Russian FFMS and Federal Securities Market Commission. In 2000, she entered the civil service, working for the Russian Federal Securities Market Commission's Department for Organising and Implementing Supervisory Measures for the Securities Market; in July 2003, she was appointed to the post of head of the Department for Regulation of Stock Market Infrastructure, and from May 2004 she was head of the Department for Organising and Implementing Supervisory Measures for the Securities Market. In 2007, Elena was appointed by order of the Government of the Russian Federation to the post of Deputy Head of the Federal Financial Markets Service. She graduated with distinction in Jurisprudence from Moscow State Open University.

**Karina
Litvack**

Karina Litvack is a corporate governance and sustainable investment expert with a 25-year career in finance and sustainable business practice. Until December 2012, she ran Governance and Sustainable Investment at F&C Investments, a

UK institutional investor, where she acted on behalf of client portfolios collectively worth approximately £160 billion, focusing on company research, shareholder activism and public policy engagement. She currently serves on several boards and advisory bodies, including: the Board of Directors of the Revenue Watch Institute, the sustainable development advisory panels of Lafarge, Danone and SAP, the Independent Advisory Panel of the Access To Nutrition Index and the Transparency International-UK Advisory Council. She previously served on the London Stock Exchange Primary Markets Group, the Association of British Insurers' Investment Committee and the Board of the Extractive Industries Transparency Initiative. Karina holds an MBA in Finance and International Business from Columbia University Graduate School of Business and a BA in Political Economy from the University of Toronto.

**Ekaterina
Nagaeva**

Ekaterina Nagaeva is Deputy Director of Listing Department of the MICEX Stock Exchange. She was Head of Issuers Control Division of the Listing Department of the MICEX Stock Exchange since August 2005. Between 2001 and 2005, Ekaterina was the Deputy Head of Issuer Relations Department of SKRIN (Comprehensive Information and News Disclosure System), where she was responsible for the development and support of a complex disclosure system. Ekaterina graduated from the Plekhanov Russian University of Economics in 2000.

**Stilpon
Nestor**

Stilpon Nestor is the Managing Director and a Senior Advisor of Nestor Advisors Ltd, a London based consultancy focusing on corporate governance and organisation. He has served some of the largest companies and financial institutions in the EU; several large companies in the European, Asian and Middle-Eastern emerging markets across a variety of sectors; and various IFIs including the World Bank/IFC, the EBRD and FMO. Until March 2002, Stilpon was the Head of the Corporate Affairs Division at the OECD, leading the team which produced the global corporate governance benchmark, the OECD Principles of Corporate Governance. Stilpon is a non-executive director of the European Investment Bank and of ACC, one of the largest contractors in the Gulf. He is also a regular public speaker on various aspects of governance in events organised by, among others, the Institute of International Finance and the UK Financial Services Authority. He has legal background with an LL.M. from Harvard Law School.

**Sergio
Rodriguez**

Sergio Rodriguez is Senior Officer at the Financial and Corporate Reports Department of the CNMV (Spanish Stock Exchange Commission), which is responsible for corporate governance issues. He is in charge of the development of the supervision procedure of corporate governance for listed companies and supervises annual corporate governance reports of listed companies. Sergio is also the representative of the CNMV in the European Corporate Governance Codes Network. In 2012, he has been member of the Corporate Governance Advisory Group within the ESMA Corporate Finance Standing Committee for the consultation regarding the role of the proxy advisory industry, and he is the alternate of the Head of Corporate Governance issues of the CNMV at ESMA. At the CNMV, he worked as internal control senior auditor and previously as senior auditor at Arthur Andersen / Deloitte and he is CIA (Certified Internal Auditor). For the last six years, Sergio has also been professor of Operations Management at Francisco de Vitoria University.

Victoria Semerikova

Victoria Semerikova is the Head of the Department of Corporate technologies of the Federal Agency on the Management of State Property (Rosimuschestvo). Since February 2013 she performed functions of the Advisor to the Head of the Rosimuschestvo. From 2006 till 2013 she occupied leading positions in the Department of corporate strategy and development of the VTB Bank. Later she moved to the position of the Director of the Department of affiliated banks. Her area of responsibility included start-up projects to expand VTB Group presence, projects on assets acquisition, as well as special management effectiveness projects in the countries of VTB Group presence. She was a member of the Audit Committee of the VTB Branch in Armenia. From 2005 to 2006 she was employed at Ernst&Young audit company in the department of auditing telecom industry. In 2004 Victoria received a Bachelor with distinction from the Russian Academy of Economy named after Plekhanov, and in 2006 she got a Master of Management in the same Academy.

Sergey Shvetsov

Sergey Shvetsov has been Deputy Governor of the Central Bank of Russia since February 2011, and in August 2013 was appointed to the post of first Deputy Governor of the Bank of Russia and head of the Bank of Russia Financial Markets Service. At the same time, he is a member of the Board of Governors of the Bank of Russia, a Member of the National Council for Financial Stability and the Chairman of the Supervisory Committee of the Moscow Exchange. Until 2011, he was head of the Bank of Russia Open Market Operations Department and the Market Operations Department; from 1996 to 2001, he was Deputy Head and Chief of the Ost-West Handelsbank AG Representative Office in Moscow. From 1993 to 1996, he worked at various levels within the Bank of Russia. He graduated from the Economics Faculty of Lomonosov Moscow State University in economic cybernetics.

Denis Spirin

Denis Spirin is Director of Corporate Governance at Prosperity Capital Management since 2007. He joined Prosperity from NTP Group, a Moscow based consulting holding company, where he managed shareholders' rights defense projects and M&A for the firm from 2004-2007. From 2002 to 2004 he worked at the Scientific Centre of Legal Information at the Ministry of Justice as a legal advisor. Denis has Cum Laude Diplomas from the Moscow State University of Railway Engineering (Management) and from the Moscow State Law Academy (Jurisprudence). He is actively involved in Moscow International Financial Centre activity.

Susanna Tolppanen

Susanna Tolppanen is Head of the Surveillance at NASDAQ OMX Helsinki since April 2010. She joined the Exchange in 2001 and has worked as a Legal Counsel and as a Country Manager in the NASDAQ OMX Legal Unit in Helsinki prior to hanging to the Surveillance unit. Sussana began her career in 1997 as attorney at law at Juridia, where she specialized in securities market law, company and contract law and trained at the bench after graduation. She has, among other things, participated in the Finnish Ministry of Finance's working groups for implementing the Transparency Directive and Mifid in Finland. Currently she is also participating in the Advisory Group providing global consultancy services in financial sector.

Oleg Vyugin

Oleg Vyugin is Chairman of the Board of Directors of MDM bank. He is also Chairman of the Board of Directors of the self-regulatory organization National

Association of Securities Market Participants (NAUFOR). He was head of the Federal Financial Markets Service from 2004 to 2007; before that, from 2002 to 2004, he was Deputy Chairman of the Central Bank of the Russian Federation, with responsibility for monetary and credit policy. From 1999 to 2002, he was Executive-Vice President of the Troika Dialogue Investment Company ZAO. Before that, from 1993 onwards, he worked in the Ministry of Finance of the Russian Federation; while there, from 1996 to 1999 he was First Deputy Minister of Finance of the Russian Federation. During the time he worked at the Ministry, he was responsible for issues of macroeconomic and budgetary policy as well as for the Department of Foreign and External Debt of the Russian Federation. He is a graduate of the Mechanics and Mathematics Faculty of Lomonosov Moscow State University (MGU), completed postgraduate studies in the same Faculty in the Department of Probability Theory, and holds a PhD in physics and mathematical sciences.

**Eddy
Wymeersch**

Eddy Wymeersch is the chairman of the Public Interest Oversight Board as well as independent director at the Association for Financial Markets Europe and at Euroclear SA. He is also a member of the European Corporate Governance Forum and of the European Corporate Governance Institute. Eddy has been Chairman of the Committee of European Securities Regulators (CESR), the European Regional Committee of IOSCO as well as the Belgian Commission Bancaire, Financière et des Assurances (CBFA). Before joining the CBFA, he has held several public functions in Belgium, including Regent of the National Bank of Belgium from 1992 to 2001 and member of the legislative branch of the Council of State. Between 1990 and 2001, he was a member of the board of several Belgian companies. Eddy has been an academic at the Ghent Law School where he founded the “Financial Law Institute” and has participated in several committees advising the Belgian government, especially on financial supervision or on corporate governance. He has published extensively on company law, corporate governance and financial regulation. In addition, he has acted as an adviser to the European Commission, a consultant to the World Bank and IFC and an advisor to several European financial institutions and stock exchanges.

ANNEX TWO: 2013 ROUNDTABLE ADOPTED RECOMMENDATIONS

1. A comply-or-explain approach would be appropriate for the new Code but emphasis should be put on the need for meaningful explanations².
2. There is a need for a clear owner and custodian of the Code, with authority, resources and mandate to oversee the implementation of the Code.
3. There should be a transition period which would allow issuers to adapt their corporate governance practices and processes in order to comply with the Code. After this period only substantial meaningful explanations should be acceptable.
4. The owner of the Code should issue a minimum common framework for reporting compliance with the Code in order to ensure completeness and facilitate comparability.
5. Private sector associations should provide specific guidance on the Code to their members, i.e. their suggestions or interpretations on how to best comply with the Code's recommendations.
6. The board should be involved in and responsible for the preparation and approval of the reporting on compliance with the Code.
7. In their reporting on compliance with the Code, issuers should set objectives and highlight areas in which they intend to improve over time.
8. The owner of the Code shall engage in extensive monitoring efforts to ensure the veracity and completeness of the disclosed information.
9. Market-wide monitoring reports on compliance with the Code should be produced annually by the owner of the Code in order to facilitate comparisons between companies, sectors and progress over time.
10. The owner of the Code should establish an advisory board to oversee its implementation of the Code, composed of issuers, independent long-term investors and other experts.
11. The Exchange should thoroughly monitor compliance with the Code as required in the listing rules.
12. The sanctions regime for misleading disclosure should take into account the size of the company and the significance of a violation.
13. The Moscow Exchange should introduce a premium segment for companies with high levels of compliance with the Code's provisions³.

² This recommendation was adopted twice, i.e. at the voting on the recommendations developed by issuers and at the voting on those developed by regulators.

³ This recommendation was adopted twice, i.e. at the voting on the recommendations developed by issuers and at the voting on those developed by investors.

ANNEX THREE: BACKGROUND PAPERS

- Background paper by Eddy Wymeersch [English](#) [Russian](#)

European Corporate Governance Codes and their Effectiveness

This paper investigates the instruments adopted to support the implementation of the corporate governance codes in the European financial markets. It is based on comparative research of the practices in a selected number of Western European jurisdictions. The issue of the implementation of the corporate governance codes has received ample attention, both in studies ordered by the EU Commission and in academic research in Europe and around the world. The formal degree of implementation, namely, the often high numbers of companies that in their corporate governance statement claimed to have implemented the applicable governance code, is not the direct subject of this investigation, but rather, the question as to whether attention is paid to non-implementation, or to nominal, implementation including formal explanations. A different but related question concerns the verification by national bodies of whether spurious explanations are further investigated and whether corrective action is requested or imposed. On the basis of this comparative overview, some conclusions are drawn pointing towards improvements of implementation techniques, or even changes in the overall framework.

- Background paper by Anastasia Kossov [English](#) [Russian](#)

Can Corporate Governance Codes be Effective in Emerging Markets? – Insights from Turkey, India and Colombia

This report addresses the issue of the effectiveness of corporate governance codes in emerging markets. For this purpose, it adopts a case study approach and looks into the fate of corporate governance codes adopted in three emerging markets: Turkey, India and Colombia. Using a common framework of analysis, the report highlights the factors which determined the success or failure of these codes within the specific systems in which they were adopted. Evidence from the three case studies is used to extract lessons from the specific challenges and policy measures relevant for the implementation of codes within emerging markets.

- Background paper by Alissa Koldertsova and Hans Christiansen [English](#) [Russian](#)

The Role of Stock Exchanges in Corporate Governance

This paper addresses the issue of the role of stock exchanges in corporate governance. First, it discusses the main means at the disposal of stock exchanges to help enhance the corporate governance of their listed companies. Then, the paper introduces challenges to this traditional role of exchanges, discussing the possible ramifications of demutualisation and listing of exchanges. It also reviews the consequences of increasing competition and consolidation within the sector. Finally, the rise of alternative trading platforms and the likely impact of this phenomenon on stock exchanges and corporate governance are examined.