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Transparency and Disclosure by Russian Companies 2010:

*Moderate Improvement in Transparency Led
by Power Utilities*

Joint study of Standard & Poor's Governance Services and
the Centre for Economic and Financial Research at the New Economic School

Supported by
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Transparency and Disclosure by Russian Companies 2010: Moderate Improvement in Transparency Led by Power Utilities

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Executive Summary

The Transparency Index, calculated as the average score for the 90 largest public Russian companies, rose by 1.7 percentage points (p.p.) to 57.5%, the 2010 study revealed. Seventy-six companies featured both in the 2009 study and this year's, and averaged a score of 60% versus 58% last year. Within these 76 companies, 49 saw their scores rise and 27 were down. Across the entire 90 firms, this year's scores range from 80% (80% in 2009) to 25% (20%), while the average for those ranking in the top 10 was up from 75.6% to 76.7%.

The top position this year, as last year, is held by Rosneft Oil Company, which kept its transparency indicator at 80%. OJSC "Magnitogorsk Iron and Steel Works" (MMK), which debuted in the top 10 last year, increased its score by 2 p.p., enough to take it to second place. Newcomers to the top 10 are JSC VTB Bank (VTB) and X5 Retail Group (X5), which improved their indicators by 8 p.p. and 4 p.p. respectively. CTC Media, Mechel OAO, Mobile TeleSystems OJSC (MTS), OAO "TMK", OJSC Novolipetsk Steel (NLMK) and VimpelCom Ltd (formerly OJSC "Vimpel-Communications"; VimpelCom elsewhere in the text) remain in the top 10, while OJSC "Rostelecom" and JSC Acron slipped out of the top rankings this year. Lastly, the spread between the top 10 companies narrowed to 7 points from 9 points last year.

We noted improved disclosure regarding board and management remuneration, with the average score for this component rising 5 p.p. to 26%, though most companies are still reluctant to disclose this kind of information. Disclosure of financial information has also improved, with that indicator increasing from 57% to 60%.

Although the telecommunications sector is still the most open according to the survey (with an average capitalisation-weighted transparency index (CWTI) score of 72%), the metallurgy and banking sectors are only just behind (with 70% and 69% respectively). While power utilities have improved transparency substantially (from 51% to 57%), based on the findings the sector is still among the transparency outsiders, and engineering remains the most opaque, with a score of 46%.

Ownership concentration in our sample of companies has not changed appreciably since the 2009 survey. The relative market capitalisation of majority-owned companies declined slightly from 64.7% to 64.0%, while their number had fallen to 54 from 55. The market value of all large stakes (>25%) rose from 50.8% to 52.9% of the aggregate market cap of the 90 companies in the study. Government-controlled companies in the survey increased by one to 30.

Disclosure of ownership improved slightly in 2010, according to the survey. In the sub-sample of companies with controlling shareholders, 87.0% disclosed the identities of their beneficiary controlling shareholders, versus 81.8% in 2009. The number of companies disclosing all large stakes (>25%) increased from 65 to 67, and those disclosing at least one large shareholder went up from 68 to 70. Overall, the market value of all disclosed stakes relative to the aggregate market cap amounted to 58.5% this year, against 56.6% in 2009.

Transparency score should not be compared with corporate governance score

This survey is a joint research project between Standard & Poor's Governance Services and the Centre for Economic and Financial Research (CEFIR) at the New Economic School (NES). It uses only publicly available information which renders incorrect any comparison of a company's transparency score with its corporate governance scores (CGS and GAMMA) or its interpretation as an integral indicator of corporate governance quality. A CGS (or GAMMA) is our assessment of a company's corporate governance practices, which is not limited to information disclosure. In addition, these scores are assigned on the basis of an in-depth, interactive analytical process involving both public and nonpublic data. However, we view corporate transparency as an important factor affecting a firm's attractiveness to investors and an important element of corporate governance.

Study Covers Largest Public Corporations

This study covers Russia's 90 largest and most liquid publicly traded companies (see Appendix I for the complete list). Seventy-six of these were included in the study in 2009. We use two criteria to select the constituents: size and liquidity. As a rule, the liquidity of stocks is positively correlated to the size of the company, although there are exceptions, particularly in cases of limited free float. There are more than 300 public companies in Russia, as such this sample may not be entirely representative. As in our experience the larger firms tend to be more transparent than the smaller, our sampling method is skewed the bias in assessing transparency across the entire population of public Russian companies. That said, the companies included in this survey account for above 85% of the combined market cap of the Russian stock market, and represent a majority of the Russian economy in terms of assets and operations.

Methodology

Our analysis accounts for information included in the three major sources of public information: annual reports, web-based disclosures, and public regulatory reporting. The first includes annual reports published by companies (with financial statements and accompanying notes if a company states that it is an integral part of the report), forms 20-F (20-F/A), and 10-K for those obliged to report under these forms, and proxy statements. The second group consists of all the information on the company's website, including hyperlinks to lists of documents related to the company (e.g. hyperlinks to lists of regulatory reporting forms located at www.edgar.com). Regulatory reporting includes the following: publicly available statutory filings with the Federal Financial Markets Service (FFMS), Frankfurt Stock Exchange, Hong Kong Stock Exchange, NASDAQ OMX Nordic, UK Financial Services Authority (FSA), UK Listing Authority (UKLA), and the US SEC for those companies listed on the NYSE or NASDAQ. In addition, this group includes information contained in prospectuses on bonds, ADRs, and GDRs issued after January 1, 2010, and available on the company's web site or that of the stock exchange or the regulatory authority involved in the placement. Moreover, we consider as regulatory filings annual IFRS financial statements for the companies listed on the London Stock Exchange (LSE) and annual and semi-annual financial reports for the companies listed on Alternative Investment Market (AIM, a small funds branch of the LSE that offers a waiver for some of the disclosure requirements associated with a listing on the exchange's main trading floor), as these documents are filed with regulatory authorities (the stock exchange in the case of AIM) and are made public. Finally, we take into account information contained in Russian-language IFRS financial statements for those companies that have securities included in the quotation lists A1 and A2 of RTS or MICEX, because such companies are requested to submit IFRS statements to Russian stock exchanges and to disclose them publicly.

According to our weighting system, public disclosure — regardless of the source through which it has been made — yields 80% of the maximum score on each point of the questionnaire. The remaining 20% of points are awarded if this information is also present in the two other sources (10% to each). This scoring system reflects the idea that replication of information in various sources holds

value for investors, as it makes the information more easily accessible. The value of replication is, however, incremental compared with the fact of disclosure.

We analysed the information available as of August 10, 2010. Information published after this date was considered irrelevant for the assessment of transparency related to the annual results, because it appeared more than seven months after the end of the 2009 reporting year. We believe information published after that time was of little value to a company's stakeholders (shareholders, creditors, analysts, etc.), who wished to analyse information pertaining to that year to gain insight into the current situation. Similarly, any changes or updates that occurred after this date were not accounted for.

This survey analyses disclosure from the perspective of the international investor. This approach was factored into the list of criteria used for the survey and the fact that we accounted for disclosure in English as well.

The checklist method consists of 110 items relating to three categories, or blocks:

- Ownership structure and shareholder rights,
- Financial and operational information, and,
- Board and management structure and process.

The complete list of items is presented in Appendix II.

Additional Analysis

As a part of the Transparency and Disclosure ("T&D") project, we also updated our study of ownership concentration in Russian corporations and disclosure of ownership structures. This research complements the questionnaire-based T&D study by providing an in-depth view of ownership concentration in Russian companies and their ownership disclosure practices.

Findings

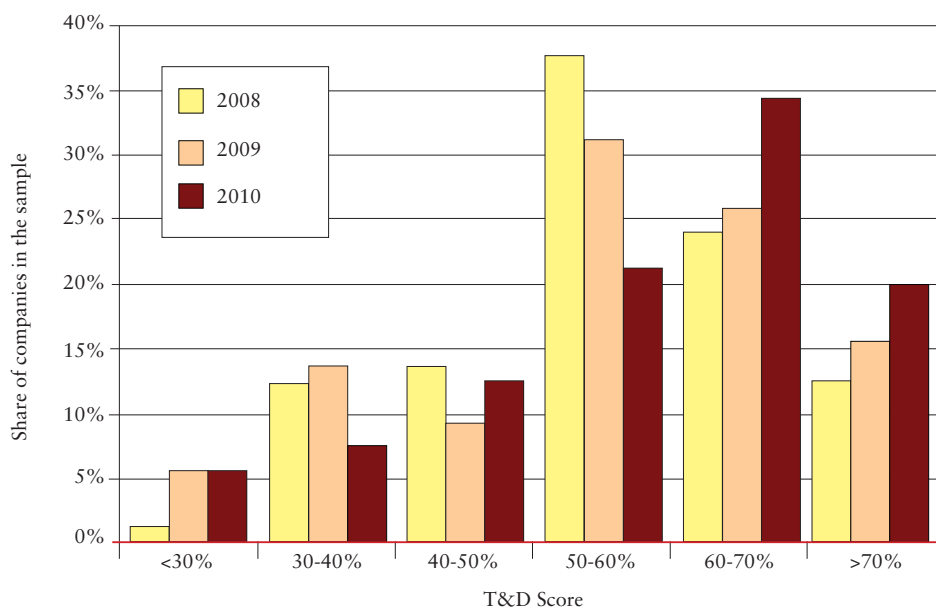
On average,
transparency
has edged up

As already mentioned, the 90 largest Russian corporates were awarded an average transparency score of 57.5% in the study (see Table 1), a 1.7 p.p. increase on 2009. Within this group, 76 featured in both the 2009 and 2010 studies: their average transparency score has increased by almost 2 p.p. to 59.7%. Of those 76, 49 saw their scores rise and the other 27 were marked down.

According to this and recent years surveys, the economic crisis has had no appreciable effect on transparency dynamics. For example, in 2007 the average transparency score was 55% (based on a sample of 80 companies), versus 56% in both 2008 and 2009 (90 companies).

The difference between the highest and lowest scorers remains stark, ranging from 80% (80% in 2009) to 25% (20% in 2009). Further, the top 10 scores averaged out to 76.7% (up from 75.6%), while the spread of scores within those top 10 narrowed somewhat to 7 points (9 points last year). And as Chart 1 demonstrates, the ratio of companies scoring between 60% and 70%, i.e. those with fairly good transparency, has increased substantially during the past year.

Chart 1. Breakdown of companies by transparency score, 2008-10



The highest scorer in terms of transparency this year, as in 2009, is Rosneft, which kept its transparency indicator at 80%. Just behind is MMK, which broke into the top 10 last year and moved into second place this after increasing its transparency by 2 p.p. Debuting in the 10 are VTB and X5, which improved their indicators by 8 p.p. and 4 p.p. respectively. In VTB's case, this followed the announcement of dividends recommended by the supervisory board before the record date, an explicit statement to the effect that the external auditor had not rendered consultancy services to the bank, disclosure of the bank's strategy and a statement of concrete targets, and more precise information on the supervisory board committees. Additionally, the survey found VTB's 2009 annual report more informative than the previous year's due to the inclusion of notes to financial statements according to IFRS standards (here we mean the English-language report published on April 30). Finally, we noted more information was disclosed this year in English due to the publication of the eurobond prospectus. The improvement in X5's indicator was generally attributed to publication of the company's charter on its web site and more concrete disclosure of the principles of its charitable activities.

CTC Media, Mechel, MTS, TMK, NLMK and VimpelCom remained in the top 10, while Rostelecom and Acron slipped out of the top rankings. Rostelecom delisted from the New York Stock Exchange at the end of 2009 and therefore no longer provides reports for the American regulator, substantially affecting the amount of information disclosed. Acron failed to make the top 10 this year simply because other companies provided more information, notably VTB and X5. Among the companies outside the top ten we would like to highlight several power utilities, namely Federal Grid Company, IDGC Holding, IDGC of Center and Volga Region, MOESK and Quadra - Power Generation that have improved their indicators by at least 10 p.p. MOESK in particular stands out, improving its transparency score for the second year in a row and by almost 20 p.p. since 2008. RBC-TV Moscow (formerly RBC Information Systems) also merits a mention, improving its score by 21 p.p. within 12 months, mainly due to improved financial transparency.

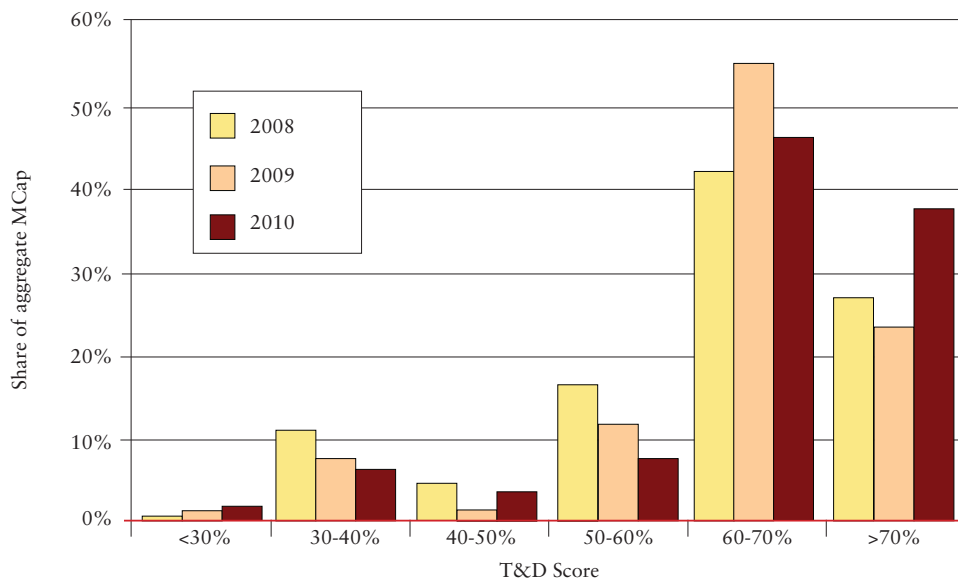
Table 1. Transparency Scores of 10 Most Transparent Russian Companies, 2010

2010 rank	2009 rank	2008 rank	Company	2010 score, %	Ownership structure and shareholder rights, %	Financial and operational information, %	Board and management structure and process, %	2009 score, %
1	1	2	Rosneft	80	88	81	69	80
2	3	13	Magnitogorsk Iron & Steel Works	80	91	83	60	78
3	2	1	CTC Media	80	88	76	77	80
4	4	5	Mechel	77	87	81	59	77
5	5	4	Mobile TeleSystems	77	88	75	67	76
6	7	6	TMK	75	87	73	66	74
7	6	3	Novolipetsk Steel	75	77	80	64	76
8	21	14	VTB Bank	75	89	75	58	67
9	8	7	VimpelCom	74	83	75	58	72
10	18	16	X5 Retail Group	73	77	74	66	69
Top 10 average				76.7	85.4	77.2	64.4	75.6
Whole sample average				57.5	60.0	60.2	49.1	55.8
Average for 76 companies included in both 2009 and 2010				59.7	62.0	62.9	50.2	57.9

Companies with disclosure levels of 60% and above combined represent the majority of the total market cap

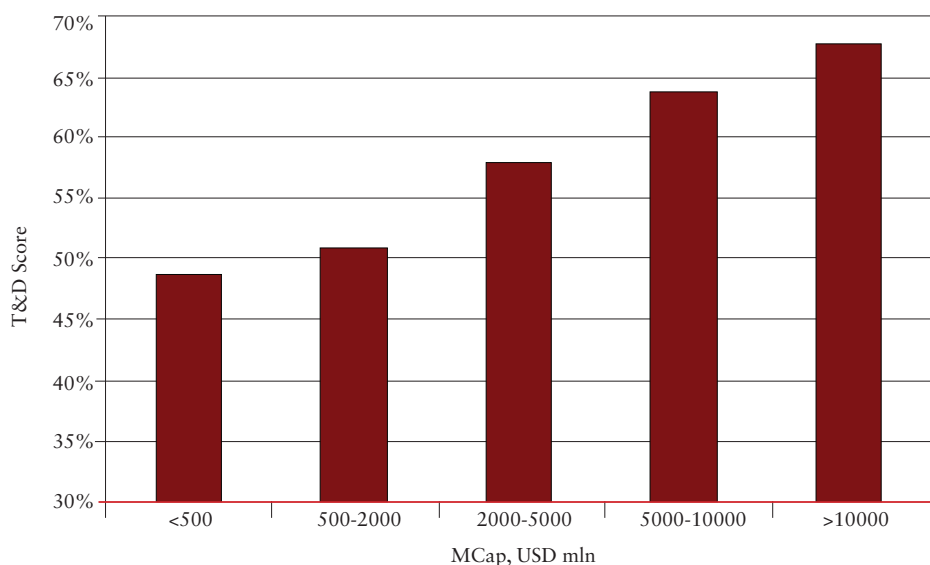
Similar to our previous studies, the results of the 2010 study showed that combined, those companies scoring >60% for transparency accounted for the vast majority of the aggregate market cap of the entire 90 companies (85% in 2010). In fact, that relationship has become more pronounced over the past two years, as shown in Chart 2. We believe the explanation for this is twofold: firstly large companies are typically more transparent (Chart 3); and secondly, a company's transparency usually has a positive impact on its market value.

Chart 2. Breakdown of aggregate market cap by transparency score, 2008-10*



* The 2010 market cap numbers were based on an average for January-June 2010 for each company.

Chart 3. Relationship between a company's market cap and transparency score, 2010



Web sites prove to be the most informative data source

As mentioned above, we analyse disclosure via three main sources of information: annual reports, company websites, and public regulatory reporting. As in our recent studies, this year's survey provides evidence that company web sites are the most informative data source. The average score for web site disclosure this year is 60.9%; 41.6% for annual report disclosure; and 40.4% for public regulatory filing disclosure. Most companies in our sample publish annual reports and regulatory filings on their web sites, improving the overall web-based disclosure. In addition, in our experience web sites usually provide additional information about a firm. Our methodology implies that public disclosure, regardless of the source through which it is made, yields 80% of the maximum score. As a result, the web site has evolved as a key element of transparency.

Disclosure of financial information and information on the remuneration of directors and management improved

One aspect of our study is analysis of disclosure by component (see note to Table 2). We noted a substantial improvement in the level of disclosure in terms of director and management remuneration, mostly thanks to better disclosure of remuneration forms and the decision-making processes for determining remuneration. At the same time, remuneration remains a largely opaque area. For example, only 20% of the sample companies split out board members' remuneration individually, and only 6% disclosed this level of detail for executives; the figures in 2009 were exactly the same (see Table 3). That said, it should be noted that some companies do provide fairly detailed information on both remuneration itself and the decision-making regarding such remuneration. The stand-out company in this respect is CTC Media, which discloses 89% of such information, while MTS, Evraz and X5 disclose 60% or more.

Table 2. Comparative Disclosure by Component, Largest Russian Companies, 2008–10

	Components, %					
	1	2	3	4	5	6
90 Russian companies, 2010	62	58	60	59	60	26
90 Russian companies, 2009	61	58	57	58	61	21
90 Russian companies, 2008	57	53	57	66	60	22

Note: Component 1: Ownership structure. Component 2: Shareholder rights. Component 3: Financial information. Component 4: Operational information. Component 5: Board and management information. Component 6: Board and management remuneration.

We also noted an improvement in disclosure of financial information, particularly by the power utilities. One crucial aspect of transparency is timely release of IFRS/US GAAP financials, allowing investors to make informed decisions. According to the study, timeliness has improved noticeably over the past few years. For example, 51% of the companies in this report published IFRS/US GAAP audited reports before the end of April in 2010, up 12 p.p. on 2009 and 20 p.p. higher than in 2008 (see Table 3). Similarly, 74% of companies published IFRS/US GAAP audited reports by the annual general meeting (AGM), versus 61% last year and 64% in 2008.

Table 3 also shows the dynamics of disclosure for several other elements of information over the past two years. As can be seen, more companies now publish business conduct and ethics codes, though admittedly the figure remains low. Also, we note progress in disclosure of fees paid to external auditors, though disclosure of non-audit fees remains very rare. And while the proportion of companies announcing recommended dividends before the record date has risen over the past two years, disclosure of earnings, output forecasts and investment plans has weakened.

Table 3. Specific Areas of Disclosure, Largest Russian Companies, 2008-10

	2010	2009	2008
Component 1. Ownership structure			
• Number and identity of all the shareholders holding more than 10%	30	26	29
• Disclosure of share of beneficial owners more than 75%	46	48	42
Component 2. Shareholder rights			
• Code of business conduct and ethics	29	27	22
• Announcement of recommended dividends before the record date	39	36	15
• Calendar of important future shareholder dates	50	44	42
Component 3. Financial information			
• Basic earnings forecast of any kind	28	39	42
• Audit fees	83	76	64
• Non-audit fees paid to the auditor	13	12	7
• Audited IFRS/US GAAP financial results published before AGM	74	61	64
• Audited IFRS/US GAAP financial results published before the end of April	51	39	31
Component 4. Operational information			
• Output forecast of any kind	49	50	68
• Detailed information about investment plans for the coming year(s)	29	36	50
• Social reporting	8	7	8
Component 5. Board and management information			
• Attendance record for board meetings	27	29	24
• Information about ratio of in person and in absentia board meetings	40	37	32
Component 6. Board and management remuneration			
• Decision-making process for directors' pay	50	48	43
• Decision-making process for managers' pay	54	34	30
• The specifics of directors' pay	20	20	30
• The specifics of managers' pay	6	6	6

* The proportion of companies disclosing such information is given in columns.

Power utilities have improved transparency

In our experience, companies in different economic sectors typically have different levels of transparency. Therefore, we provide a separate capitalisation-weighted transparency index (CWTI) for each industry. Telecommunications companies within the sample remain the most transparent, with a CWTI of 72%. The banking sector owes its improved transparency score largely to the progress of VTB. Though over the past two years the major public Russian banks have made a leap forward in terms of transparency, the small number of banks in our sample (only 5) does not allow us to extrapolate this conclusion across the sector as a whole. Utilities have also become noticeably more transparent: of the 19 companies in this sector featuring in both this year's study and last year's, 16 published IFRS/US GAAP financial statements this year versus 12 in 2009. That said, according to the study, the sector remains an outsider in terms of transparency, as illustrated in Table 4. Elsewhere, transparency remained largely the same, with engineering again pulling up the rear.

Table 4. Disclosure by Industry

Industry (no. of companies)	2010 CWTI, %	2009 CWTI, %	Change 2010-09, %	Change 2009-08, %
Telecommunications (11)	72	72	-1	-2
Metallurgy (12)	70	67	3	-3
Banking (5)	69	66	4	14
Oil and Gas (11)	65	64	1	1
Food, Consumer, and Retail (10)	63	61	1	1
Development (3)	60	54	7	-2
Power Utilities (23)	57	51	6	-4
Engineering (4)	46	46	0	2
CWTI on the whole sample	66	64	2	2

Government-controlled companies showed a relatively greater improvement in transparency

In both the 2008 and 2009 surveys, state-controlled companies scored slightly higher for transparency than their private peers, but the difference was negligible. This year, this gap widened somewhat. Companies in which the government holds a majority stake (either direct or indirect) scored on average 2.8 p.p. higher than those with controlling private stakes and 2.6 p.p. above the whole sample average, versus 1.6 p.p. and 0.9 p.p. respectively in 2009. Restricting the analysis to just those 76 companies that featured in both 2009 and this year's sample does not qualitatively affect the conclusion: in this sub-sample the corresponding figures were 1.9 p.p. and 2.5 p.p. this year versus 1.4 p.p. and 1.3 p.p. in 2009. We get a similar result if we compare "actually controlled" companies (see Table 5). We consider a company "actually controlled" by the government if either the government has a majority stake or it has a minority stake above 25% and no private party has a blocking stake. "Actual control" by a private party is defined similarly.

Based on the survey, the improvement in the state-controlled companies' transparency can generally be attributed to progress at the state-controlled utilities and banks. In terms of transparency components, an increase in financial transparency (by about 7 p.p. for the companies in which the state has majority control) was the main driving force behind the progress of the state-controlled companies.

Government ownership aside, we found that companies with a strategic foreign investor were on average more transparent than others in the sample in both 2009 and 2010, as the last two rows of Table 5 suggest.

Table 5. Ownership and transparency, 2009-10

Ownership (no. of companies in 2010)	Average transparency score, %		Ownership structure and shareholder rights, %		Financial and operational information, %		Board and management structure and process, %	
	2010	2009	2010	2009	2010	2009	2010	2009
Government stake (direct or indirect) >50% (30)	60.1	56.7	63.6	61.0	62.0	56.7	52.0	51.2
Private stake (direct or indirect) > 50% (26)	57.3	54.1	62.2	60.7	59.2	54.7	47.0	44.5
Actual government control (33)	58.8	55.4	62.1	59.4	60.8	55.8	50.4	49.2
Actual private control (42)	56.7	54.5	59.5	59.5	59.3	55.7	47.8	45.4
Strategic foreign investor (12)	60.6	59.3	64.8	61.3	63.6	64.0	49.2	47.0
Whole sample	57.5	55.8	60.0	59.5	60.2	57.3	49.1	47.9

No appreciable change in ownership concentration

As in previous years, we look at the concentration and disclosure of ownership. This year, we continued to use a liberal approach in assessing concentration, whereby members of a controlling group are viewed as separate owners.

Ownership concentration followed the pattern of the 2009 survey, with no appreciable changes. The market value of all large (above 25%) stakes rose from 50.8% to 52.9% of the aggregate market cap (AMC) of the companies in the study. The number of majority-owned companies was down by one to 54, while their share of AMC declining by 0.7 p.p. to 64.0% (see Table 6). In the sub-sample of 76 companies, the number of majority-owned companies (46) was unchanged, but their combined market cap relative to the aggregate market cap of the subsample slipped 0.6 p.p.

Government-controlled companies increased in number by one to 30 (from 24 to 25 in the common sample of 76 companies) but their relative market cap diminished from 53.2% to 50.2% (and from 55.4% to 52.0%). Privately controlled companies numbered 24 versus 26 in 2009 (21 versus 22 in the common sample), but their relative market cap rose from 11.5% to 13.8% (or from 11.3% to 14.0% in the common sample).

Table 6. Concentration of Ownership, 90 Largest Russian Companies, 2010*.

Companies	No. of companies	Companies in the sample, %	Companies in AMC, % ⁽¹⁾	Stakes in AMC, % ⁽²⁾
widely-held (largest stake <25%)	12 (13)	13.3 (14.4)	13.4 (17.2)	6.4 (10.4)
with at least one blockholder (>25%)	78 (77)	86.7 (85.6)	86.6 (82.8)	52.9 (50.8)
of which: majority-owned (>50%)	54 (55)	60.0 (61.1)	64.0 (64.7)	43.5 (43.3)
with large stakes (>25%) directly or indirectly owned by government	39 (40)	43.3 (44.4)	53.5 (56.1)	34.5 (36.1)
of which: with direct government stake >25%	13 (11)	14.4 (12.2)	34.1 (34.6)	17.4 (15.6)
with controlling stakes (>50%) directly or indirectly owned by government	30 (29)	33.3 (32.2)	50.2 (53.2)	33.4 (35.1)
of which: with direct government stake >50%	8 (6)	8.9 (6.7)	15.4 (8.9)	10.4 (5.8)
with large (>25%) private stakes	46 (47)	51.1(52.2)	34.8 (28.4)	20.8 (19.1)
with private stakes >50%	24 (26)	26.7 (28.9)	13.8 (11.5)	10.1 (8.2)

(1) Share of combined market cap of the relevant companies in aggregate market cap of the 90 largest companies.

(2) Share of the corresponding stakes in aggregate market cap of the 90 largest companies.

AMC — Aggregate market cap of 90 companies included in the survey.

* 2009 figures are in brackets

Slight improvement
in disclosure of
ownership structure

Our survey found some, albeit limited, improvement in ownership disclosure versus 2009 (see Table 7). Controlling shareholders were disclosed in 87.0% of the majority controlled companies in 2010, up from 81.8% in 2009, while the relative market value of these controlling stakes increased from 27.9% in 2009 to 32.6%. Not far behind are companies disclosing all large (blocking) stakes, which rose from 65 to 67, increasing their share in all companies with blocking stakes from 84.4% to 85.9%. The market value of all disclosed blocking stakes went up from 42.5% to 46.1% of AMC. Overall, the share of all disclosed stakes in AMC constituted 58.5% this year compared with 56.6% in 2009.

The results are broadly similar for the 76 companies featuring in both our 2009 and 2010 surveys: disclosure of controlling shareholders rose from 84.8% in 2009 to 89.1%, while the relative market value of controlling stakes increased from 28.6% to 33.7%. The ratio of companies disclosing all large stakes (>25%) rose from 84.6% to 89.4%, while the relative market value of all disclosed large stakes went up from 43.2% to 46.1%. The share of all disclosed stakes in AMC of the common sample amounted to 58.2% compared with 55.1% in 2009.

There was no appreciable change in the way companies disclose large government stakes, but it should not necessarily be viewed in a negative light as they already disclose a great deal: 92.3% of the sample companies disclose all large government-controlled stakes, slightly higher than the 90.0% we found in the 2009 survey. The corresponding figures in the common sample were 91.2% and 88.2%. As in previous years, disclosure of large private stakes was not as high at 80.4% versus 78.7% in 2009. In the common sample of 76 companies the difference between 2010 and 2009 was more pronounced: 87.2% this year against 79.5% last.

Table 7. Transparency of Ownership, 90 Russian companies, 2010*.

Companies disclosing	No. of companies	Share of companies in the relevant (sub) sample, %	Companies in AMC, % ⁽¹⁾	Stakes in AMC, % ⁽²⁾
at least one owner	85 (85)	94.4 (94.4)	94.1 (97.6)	58.5 (56.6)
all large beneficial owners (>25%)	67 (65)	85.9 (84.4)	78.8 (72.9)	45.9 (42.1)
controlling shareholders	47 (45)	87.0 (81.8)	45.2 (38.3)	32.6 (27.9)
at least one large beneficial owner (>25%)	70 (68)	89.7 (88.9)	79.5 (73.9)	46.1 (42.5)
ALL stakes >25% directly or indirectly belonging to government	36 (36)	92.3 (90.0)	52.7 (55.4)	31.8 (30.9)
ALL large (>25%) private owners	37 (37)	80.4 (78.7)	27.5 (18.8)	14.2 (11.4)

(1) Share of combined market cap of the relevant companies in aggregate market cap of the 90 largest companies.

(2) Share of the corresponding stakes in aggregate market cap of the 90 largest companies.

AMC — Aggregate market cap of 90 companies included in the survey.

* 2009 figures are in brackets

Overseas listing increases transparency, though much depends on companies themselves

As in previous years, the survey found US-listed companies are far more transparent than their peers listed elsewhere, while those listed only in Russia are on average least transparent. The notable differences in transparency between companies listed at various exchanges are largely due to varying disclosure requirements: the US regulator and stock exchanges are the most stringent, and the Federal Financial Markets Service and Russian stock exchanges far more lenient. However, our study suggests that a company can still potentially be very transparent without a US listing. For example, six out of the 10 highest scorers in the survey, including the top two, are traded in London, and not New York. In fact, a listing on a foreign stock exchange is not a prerequisite for a high transparency score: the highest-ranking company traded only in Russia is in 17th place, with a score of 71%, ahead of most of its peers boasting a listing on the LSE.

Table 8. Breakdown by Exchange Transparency Score, 90 Russian Companies, 2009-10

Stock exchange	2010 average (%)	2009 average (%)	No of companies, 2010
NASDAQ and NYSE	76	75	5
LSE and AIM	66	64	29
RTS and MICEX only	51	49	53

Related Research By Standard & Poor's

This study, conducted jointly by Standard & Poor's Governance Services and the Centre for Economic and Financial Research at the New Economic School, builds on and extends the earlier T&D research by Standard & Poor's Governance Services. In 2002, Standard & Poor's published its first T&D study of companies selected from the following indices:

- S&P/IFC Emerging Asia,
- S&P/IFC Latin America,
- S&P Asia-Pacific 100, and
- S&P/TOPIX 150 (Japan).

In April 2003, the study of the S&P Europe 350 companies was released. In addition, in 2004 and early 2005, Standard & Poor's published a number of studies devoted to corporate governance disclosure by companies in various countries of the East-Asian region, including Hong Kong, Singapore, Indonesia, Malaysia, and Thailand. In addition, in June 2005, a Turkish T&D Survey was published. It analyzed the disclosure practices of the 52 largest Turkish companies with the most liquid stock. This research was updated in 2006.

In 2002, Standard & Poor's published its first survey of T&D on the largest Russian public corporations. As a result of the continued interest among investors and analysts, Standard & Poor's has been updating its Russian corporate survey and continuously developing the methodology. The previous annual update of the corporate T&D survey was published on November 13, 2008. Separately, in June 2005, Standard & Poor's published a survey of T&D on Russian state-owned companies at the request of the OECD Roundtable on Corporate Governance. In 2005, Standard & Poor's released its first T&D survey on Russian banks. The study was updated in 2006 and in 2007, because of interest among both investors and analysts.

In addition, in 2006 Standard & Poor's Governance Services published its first T&D survey on Ukrainian banks, which was subsequently repeated annually over 2007-10. A separate study on 300 Chinese companies was conducted for the first time in 2008, and the first survey on 56 Brazilian and 30 largest Kazakh corporations was completed in 2009, followed by a survey of 30 Azerbaijani banks in October 2010.

About CEFIR at NES

The Centre for Economic and Financial Research (CEFIR) at the New Economic School (NES) is an independent economic policy think tank established in Russia in 2000. CEFIR's mission is to improve Russia's economic and social policies by producing cutting-edge academic research and policy analysis and by helping policymakers and the public to make informed choices.

CEFIR's critical resources are high-quality human capital and the academic infrastructure. Research Papers in Economics (www.RePEc.com) has ranked CEFIR a top 10% institution in Europe. CEFIR is closely integrated into the world economic community and has partner relations with leading economic think tanks in many countries. CEFIR researchers have published in top international economic and finance journals, including the American Economic Review, Quarterly Journal of Economics, Review of Economic Studies, Journal of Public Economics, Journal of European Economic Association, Journal of Finance, RAND Journal of Economics, Journal of Economic Perspectives, Games and Economic Behavior and others.

CEFIR's work on corporate governance includes research on the effects of institutional environment on corporate transparency, composition and functioning of boards of directors, determinants of top executive turnover, interrelations between ownership concentration, corporate governance and firm performance, determinants of corporate governance practices in firms, relationship between corporate governance and company value and a number of other topics. Detailed information on the performed and current CEFIR's research in the field can be found on the CEFIR website, section "Research Areas / Corporate Governance and Financial Markets".

CEFIR website: www.cefir.ru

New Economic School website: www.nes.ru

Appendix I. Companies included in the 2010 survey (listed alphabetically)

Acron	OGK-2
Aeroflot	OGK-3 (WGC-3)
AFI Development	OGK-4
Alliance Oil Company	OGK-6
AvtoVAZ	Pharmacy Chain 36.6
Baltika	Pharmstandard
Bank Saint Petersburg	PIK
Bank Vozrozhdenie	Polymetal
Bashneft	Polyus Gold
Belon	Quadra - Power Generation (formerly TGC-4)
C.A.T. oil	RAO Energy System of East
Central Telecommunications Co.	Raspadskaya
Chelyabinks Tube-Rolling Plant	RBC-TV Moscow (formerly RBC Information Systems)
Cherkizovo	Rosbank
Comstar-UTS	Rosneft
CTC Media	Rostelecom
Enel OGK-5	RusHydro
Eurasia Drilling	Sberbank
Evraz Group	Severstal
Far Eastern Energy Company	Sibirtelecom
Far-Eastern Shipping Company	Silvinit
Far East Telecom	Sistema
FGC UES	Slavneft-Megionneftegaz
Gazprom	SOLLERS
Gazprom Neft	Southern Telecommunications Company
GlobalTrans	Surgutneftegas
IDGC Holding	Tatneft
IDGC of Centre	TGC-1
IDGC of Centre and Volga Region	TGC-2
INTER RAO UES	TGC-5
Irkutskenergo	TGC-9
KAMAZ	TMK
LSR Group	UC RUSAL
LUKOIL	United Aircraft Corporation
M.Video	Uralkali
Magnit	Uralsvyazinform
Mechel	Vimpelcom
MMK	Volga TGC (TGC-7)
Mobile TeleSystems	VolgaTelecom
Mosenergo	VSMPO-AVISMA
MOESK	VTB
Norilsk Nickel	Wimm-Bill-Dann Foods
North-West Telecom	X5 Retail Group
NOVATEK	
Novolipetsk Steel	
Novorossiysk Commercial Sea Port	
OGK-1	

Appendix II. Criteria For The Transparency And Disclosure Survey Of Russian Companies, 2010

Block 1: Ownership Structure and Shareholder Rights

Component 1. Ownership structure

Disclosure of:

1. The number and par value of issued ordinary shares.
2. The number and par value of issued other types of shares disclosed.
3. The number and par value of authorized but unissued shares of all types.
4. The identity of the largest shareholder.
5. The identity of holders of all large stakes (blocking: > 25%; controlling: > 50%).
6. The identity of shareholders holding at least 25% of voting shares in total.
7. The identity of shareholders holding at least 50% of voting shares in total.
8. The identity of shareholders holding at least 75% of voting shares in total.
9. The number and identity of each shareholder holding more than 10%.
10. The indication that management is not aware of the existence of any stake exceeding 5% in except for those that are reported.
11. An update on shareholder structure after the record date
12. Shareholding in the company by individual senior managers.
13. Shareholding in the company by individual directors.
14. The description of share classes.
15. A review of shareholders by type.
16. The percentage of cross-ownership.
17. Information about listings on exchanges.
18. Information about indirect ownership (e.g., convertible instruments).

Component 2. Shareholder rights

Disclosure of:

19. Corporate governance charter or corporate governance guidelines.
20. Evidence of existence of a code of business conduct and ethics.
21. The contents of the code of business conduct and ethics.
22. Articles of association (including changes).
23. Voting rights for each voting or nonvoting share.
24. The way that shareholders nominate directors to the board.
25. The way that shareholders convene an extraordinary general meeting (EGM).
26. Procedure for initiating inquiries with the board.
27. Procedure for putting forward proposals at shareholders meetings.
28. Formalized dividend policy.
29. Announcement of recommended dividends before the record date.
30. Review of the last shareholders meeting.
31. Full general shareholder meeting (GSM) minutes.
32. Calendar of important shareholder future dates.
33. GSM materials published on the website.
34. Detailed press releases covering last corporate events.
35. Policy on information disclosure.

Block 2: Financial and
Operational Information

Component 3. Financial information

Disclosure of:

36. The company's accounting policy.
37. The accounting standards it uses for its accounts.
38. Accounts according to local standards.
39. Annual financial statements according to an internationally recognized accounting standard (IFRS/U.S. GAAP).
40. Notes to annual financial statements according to IFRS/U.S. GAAP.
41. Independent auditor's report on annual financial statements according to IFRS/U.S. GAAP.
42. Unqualified (clean) audit opinion on annual financial statements according to IFRS/U.S. GAAP.
43. Audited IFRS/U.S. GAAP financial statements published before the end of April.
44. Unaudited IFRS/U.S. GAAP financial statements published before the end of April.
45. Audited IFRS/U.S. GAAP financial statements published before annual general meeting.
46. Unaudited IFRS/U.S. GAAP financial statements published before the end of June.
47. Disclosure of related-party transactions (RPTs): sales to/purchases from, payables to/receivables from related parties.
48. Indication that RPTs are made on market or nonmarket terms.
49. Exact terms of RPTs.
50. Interim (quarterly or semi-annual) financial statements according to an internationally recognized accounting standard (IFRS/U.S. GAAP).
51. Notes to these financial statements.
52. Whether these financial statements are audited or at least reviewed.
53. Consolidated financial statements according to the local standards.
54. Methods of asset valuation.
55. A list of affiliates in which the company holds a minority stake.
56. The ownership structure of affiliates.
57. A basic earnings forecast of any kind.
58. A detailed earnings forecast.
59. Segment analysis (results broken down by business line).
60. Revenue structure (detailed breakdown).
61. Cost structure (high degree of detail).
62. The name of the auditing firm.
63. Whether the audit firm is a top-tier auditor.
64. Auditor rotation policy.
65. How much the company pays in audit fees to the auditor.
66. Whether auditor renders non-audit services.
67. Non-audit fees paid to the auditor.

Component 4. Operational information

Disclosure of:

68. Details of the type of business the company is in.
69. Details of the products or services the company produces or provides.
70. Output in physical terms.
71. A description of functional relationships between key operating units within the group.

72. Industry indicators that allow comparison with peers.
73. Other financial indicators.
74. Characteristics of fixed assets employed (including licenses).
75. Efficiency indicators.
76. A discussion of corporate strategy.
77. Any plans for investment in the coming years.
78. Detailed information about investment plans in the coming year.
79. An output forecast of any kind.
80. An overview of trends in its industry; regulatory environment with regard to industry.
81. The market share for any or all of the company's businesses.
82. Social reporting (e.g., Global Reporting Initiative).
83. Overview of compliance with ecology law.
84. Principles of corporate citizenship.

Block 3: Board and Management Structure and Process

Component 5. Board and management information

Disclosure of:

85. The list of board members (names).
86. Details about the current employment and position of directors.
87. Other details: previous employment and positions, education, etc.
88. When each director joined the board.
89. The name of the chairman.
90. Details about role of the board of directors at the company.
91. A list of matters reserved for the board.
92. A list of board committees.
93. Names of all members of each existing committee.
94. The bylaws on other internal audit functions besides the audit committee.
95. Information about the ratio of in absentia and in person board meetings.
96. Attendance record for board meetings.
97. The list of senior managers not on the board of directors.
98. The backgrounds of senior managers.
99. The non-financial details of the CEO's contract.
100. The number of shares held in other affiliated companies by managers.
101. Policy on assessment of board of directors and on training provided to them.

Component 6. Board and management remuneration

Disclosure of:

102. The decision-making process for directors' pay.
103. The specifics of directors' pay, including the salary levels.
104. The form of directors' salaries, such as whether they are in cash or shares.
105. The specifics of performance-related pay for directors.
106. The decision-making process for determining managerial (not board) pay.
107. The specifics of managers' (not board) pay, such as salary levels and bonuses.
108. The form of managers' (not board) pay.
109. The specifics of performance-related pay for managers.
110. Size and composition of CEO's pay.

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