Corporate governance in Russian public companies

PwC survey

The board of directors has 9 members on average

86% of companies have 2 or more independent directors on the board

Over 60% of companies have a set remuneration policy for board members

This survey covers 42 of Russia’s largest companies from various industries that have held an initial public offering (IPO). The main selection criteria were company size and flotation on foreign stock exchanges. In our analysis, we used information that was publicly available, such as annual reports and web-based disclosures, as of 1 September 2011.

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### Corporate governance in Russian public companies

#### Board composition and independence

- There is an average of 9 directors on each board.
- Independent directors typically account for 56% of the board.
- In 86% of companies, there are 2 or more independent directors on the board.
- Independent directors constitute 50% or more of the board in only a quarter of companies.

**B.1.** The board should be of sufficient size that the business' requirements can be met and that changes to the board's composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy.

**B.1.2.** Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors.

#### Chairman independence

- None of the companies have the roles of chairman and chief executive performed by the same individual.
- Only a quarter of companies have an independent chairman of the board.

**A.2.1.** The roles of chairman and chief executive should not be exercised by the same individual.

**A.3.1.** The chairman should on appointment meet the independence criteria.

#### Remuneration

- At least 60% of companies have a formal remuneration policy for board members.
- A share-based incentive plan for management exists in at least 7 of the companies (17%).

**D.1.** The performance-related elements of executive directors’ remuneration should be stretching and designed to promote the long-term success of the company.

#### Audit committee

- All the companies have an audit committee.
- On average, independent directors constitute 57% of the audit committee.
- In a quarter of companies, the audit committee consists solely of independent directors.
- In 60% of companies, independent directors constitute 50% or more of the audit committee.
- In more than 50% of companies, there are 2 or more independent directors on the audit committee.
- There are 3 or more independent directors on the audit committee in 29% of companies.

**C.3.1.** The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors.

**B.2.1.** There should be a nomination committee which should lead the process for board appointments and make recommendations to the board.

**D.2.1.** The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors.

#### Nomination and remuneration committee

- Nomination committees (or nomination and remuneration committees, where these functions are combined) exist in 90% of companies.
- On average, independent directors constitute 45% of the remuneration committee.
- In 19% of companies, the remuneration committee consists solely of independent directors.
- In 48% of companies, independent directors constitute 50% or more of the remuneration committee.
- Under 50% of companies have 2 or more independent directors on the remuneration committee.
- In 21% of companies, there are 3 or more independent directors on the remuneration committee.

#### The board of directors

- 40% of companies issue a corporate social responsibility report, and only 4 companies (10%) bring in independent auditors for non-financial assurance.

#### Audit committee

- 76% of companies have a formal Code of Conduct.

#### Remuneration committee

- More than 60% of companies have a set dividend policy.