

# The Importance of Good Corporate Governance for Russia

During the last decade, policy makers, regulators, and market participants around the world have increasingly come to emphasize the need to develop good corporate governance policies and practices. An increasing amount of empirical evidence shows that good corporate governance contributes to competitiveness, facilitates corporate access to capital markets, and thus helps develop financial markets and spur economic growth.

Today, both domestic and foreign investors place an ever greater emphasis on the way that corporations are operated and how they respond to their needs and demands. Investors are increasingly willing to pay a premium for well-governed companies that adhere to good board practices, provide for information disclosure and financial transparency, and respect shareholder rights. Well-governed companies are also better positioned to fulfill their economic, environmental, and social responsibilities, and contribute to sustainable growth.

Improvement in corporate governance practices can improve the decision-making process within and between a company's governing bodies, and should thus enhance the efficiency of the financial and business operations. Better corporate governance also leads to an improvement in the accountability system, minimizing the risk of fraud or self-dealing by company officers. An effective system of governance should help ensure compliance with applicable laws and regulations, and further, allow companies to avoid costly litigation. Also, Russian companies should stand to benefit from a better reputation and standing, both at home and in the international community.

It is with this in mind that the International Finance Corporation — a member of the World Bank Group — the U.S. Department of Commerce, and the governments of the Netherlands and Switzerland have combined their efforts to provide Russian open joint stock companies with a practical tool to implement good corporate governance practices. The Russia Corporate Governance Manual outlines structures and procedures for establishing and maintaining effective corporate governance, and shows how the various parts of a company interact. In addition, model internal corporate documents and other practical tools are annexed to assist companies in implementing the many recommendations made throughout this Manual. The Manual targets those individuals directly involved in the governance of Russian companies (Russian shareholders, directors, and managers) and

## The Russia Corporate Governance Manual

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is designed to inform them of their respective rights and responsibilities within the corporate system.

As most of Russia's large and mid-size enterprises were privatized into open joint stock companies, this Manual refers to and is based on the principal laws and regulations that apply to open joint stock companies. In addition, it follows the recommendations of the Russian Code of Corporate Conduct, developed under the auspices of the Federal Commission for the Securities Market. Finally, the Manual refers to generally accepted international principles of corporate governance.

We at the International Finance Corporation and U.S. Department of Commerce look forward to continued cooperation with Russian companies, market participants, government authorities, and other stakeholders in advancing ongoing corporate governance reforms. A concerted effort can move the corporate governance debate from theory to practice, helping Russia in its progress toward a better business and economic environment.

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