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Press Release

Corporate Governance Rating: New Entries and New Leaders

Six new companies have made it to the updated **rating list of major Russian businesses judged for the quality of their corporate governance (CORE-rating)**, as presented by **Dmitry V. Vasiliev**, Executive Director of the Institute of Corporate Law and Corporate Governance – the thinktank performing such assessments, at his press conference on January 15, 2002. The newcomers, all boasting high capitalization levels and representing attractive investment options, include Mobile TeleSystems OAO, CUM Trading House OAO, Bashkirenergo OAO, Slavneft-Megionneftegaz OAO, Rosneft-Sakhalinmorneftegaz OAO, and Rosneft-Purneftegaz OAO.

The high score won in its very first such corporate governance review, which was based on the monitored companies' statements and other filings and information disclosures made for the 3rd quarter of 2001, landed Mobile TeleSystems (MTS) in the 2nd place on the CORE-rating - ahead of the Gum department store, the RAO UES power monopoly, and another electricity provider, Lenenergo, which had led the field during the previous assessments in March 2001 and July 2001. Yet MTS is still perceptibly behind the cellular operator VimpelCom, which runs first by a wide margin.

Consistent underdogs, the airline Aeroflot OAO and the auto maker GAZ OAO, were joined in the cellar by the oil and gas producers Rosneft-Sakhalinmorneftegaz and Rosneft-Purneftegaz, both being new names on the list. GAZ was able to rise in the rankings somewhat since the previous assessment, but its tally of points was still less than 40, an indicator of an extremely poor quality of corporate governance arrangements at the company.

The most spectacular progress upward in the rankings in the period under review (July-September 2001) was made by Uralsvyazinform, Kubanelektrosvyaz, and LUKOIL. In contrast, Peterburg Telephone Network (often known by its Russian acronym PTS) dropped from the top six.

However, even the front-runners show lapses in some crucial aspects of their corporate governance practices. The overall leader VimpelCom, for example, shares only the 10th-13th places in the Shareholder Rights subrating, while Gum, placed 3rd all around, comes merely 24th in the Information Disclosure subrating.

Mr. Vasiliev noted, when unveiling the latest rankings for the media, that the gap between the pace-setters and the also-rans in the corporate governance marathon had only widened during the first three quarters of 2001. Similar differentiation had also been in evidence within individual economic sectors, for example, among telecommunications companies.

Among the *positive changes* having taken place over the same time in Russian corporate governance, Mr. Vasiliev pointed to (1) the markedly higher quality of financial statements; (2) better information disclosures through corporate websites; and (3) qualitative improvements in the composition of boards of directors (with the number of companies whose boards are dominated by their own employees having decreased, among other welcome developments).

Mr. Vasiliev also spoke about *negative trends* manifest at this juncture in the development of corporate relations in the Russian Federation, specifically noting the rising numbers of companies (1) which institutionalize the unfair treatment of individual categories of shareholders even in their charters; and/or (2) whose charters or other in-house regulations grant their managers abnormally broad powers, which go beyond statutory limits, this posing extra risks for investors.

In general, in Mr. Vasiliev's opinion, many Russian companies had been able to make serious headway in upgrading their corporate governance performance during first three quarters of 2001. He mentioned Sibneft and UESR among those businesses whose relevant rankings had gone up substantially. However, such major Russian companies as Irkutskenergo, Krasnyj Ocyabr, Aeroflot, and GAZ had slipped in their corporate governance ratings.

Mr. Vasiliev reported that the analytical reports prepared upon the results of work on the **CORE-rating** included – for the first time – **evaluations of the quality of external auditors' reports** on the results of their checks on the operations of the companies under review. This kind of analysis found external auditors' reports to be complete and objective in far from every case.

**CORPORATE GOVERNANCE QUALITY RATING (CORE-rating)
as of October 1, 2001**

Ranking *	Company	Final score **	Change in final score ***
1 (1)	VimpelCom	83,30	0,00
2 (-)	Mobile TeleSystems	75,05	-
3 (2)	GUM Trading House	64,64	-2,75
4 (5)	UESR	63,46	+1,38
5 (3)	Lenenergo	63,06	-0,99
6 (7)	Mosenergo	61,89	+3,93
7 (6)	RostovTelecom	59,72	-0,40
8 (4)	Petersburg Telephone Network	59,33	-4,32
9 (-)	CUM Trading House	58,74	-
10 (9)	Rostelecom	56,58	+0,19
11 (8)	Sibneft	55,60	-1,57
12 (12)	Kusbassenergo	55,40	+2,75
13-14 (-)	Bashkirenergo	55,01	-
13-14 (11)	GAZPROM	55,01	+0,98
15 (13-15)	Severstal	53,24	+1,37
16 (16)	Irkutskenergo	52,85	+2,36
17 (21-22)	Uralsvyazinform	52,06	+7,66
18-19 (13-15)	Krasnyj Ocyabr Co.	51,87	+0,00
18-19 (10)	MGTS	51,87	-2,35
20 (-)	Slavneft-Megionneftegaz	51,67	-
21 (13-15)	Bashinformsvyaz	50,88	-0,99
22 (20)	South Russian Telecommunications Company (Kubanelectrosvyaz)	49,51	+4,13
23-24 (17)	Surgutneftegas	48,13	+0,39
23-24 (21-22)	LUKOIL	48,13	+3,73
25 (19)	YUKOS Corp.	46,76	+0,98
26 (18)	Tatneft	44,40	-1,57
27 (-)	Rosneft-Sakhalinmorneftegaz	44,01	-
28 (23)	AEROFLOT	42,63	-0,40
29 (-)	Rosneft-Purneftegaz	42,24	-
30 (24)	GAZ	38,31	+1,37

*Each company's position on the previous Rating, recorded at July 1, 2001, is shown in brackets.

RAO Norilsk Nickel has been removed from the Rating in connection with its restructuring.

** In percent of the maximum possible.

*** Change in the company's final corporate governance score from the previous rating at July 1, 2001 (in percentage points).