



INSTITUTE OF CORPORATE LAW AND CORPORATE GOVERNANCE

5, bldg. 2, Zvonarsky pereulok, Moscow, Russia 107031
Tel.: (7-095) 258-3569 • Fax: (7-095) 258-3568 • E-mail: info@iclg.ru • Web-site: <http://www.iclg.ru>

22 October 2002

Press Release

Surgutneftegaz, AVTOVAZ and AEROFLOT substantially improve their corporate governance rating

A new **corporate governance rating for Russian companies (CORE-rating)** was issued on 22 October 2002 года by the Institute of Corporate Law and Governance. This rating is the result of research into the quality of corporate governance in 25 Russian companies over II Quarter of 2002, and includes data from the annual accounts and consolidated accounts prepared to international standards. **Tatyana Ivanova, the Institute's Business Development Director**, noted that the list of rated companies includes Russia's largest public companies, whose capitalisation amounts to 95% of the Russian stock market.

Once again, ***the leader and last to finish*** in the new CORE-rating were VimpelCom and Purneftegaz. The gap between the best and worst companies continues to grow, but this time mainly because of improvements to the corporate governance ratings of the leading and mid-range companies. In II Quarter of 2002 19 companies improved their position. Among them were Surgutneftegaz (by 10.9%), AVTOVAZ (9.8%) and AEROFLOT (6.2%). At the same time, there was a significant fall in corporate governance rating in companies like Tyumenskaya Neftyanaya Kompaniya (by 7.3%), Purneftegaz (5.3 %), and Nizhegorodsvyazinform (5.2%). However, overall there was a drop in rating only for six companies.

Mrs. Ivanova identified the following ***overall trends*** in the development of corporate governance over II Quarter: (1) an absolute majority of public companies had made their foundation documents and internal documents consistent with the law; (2) an increase in the number of companies aiming at a consistent and stable improvement in corporate governance; (3) an improvement in information disclosure.

Hence over the entire period of monitoring corporate governance in Russian companies (since January 2001) a consistent improvement has been shown by YUKOS (by 17.7%), Sibneft (11.5%), Lukoil (11.1%), UES Rossiya (8.8%) and Gazprom (5%), which is mainly because of an increase of transparency and making foundation documents and internal documents meet statutory requirements. Over the same period there has been a substantial deterioration in the position of Irkutskenergo (by 15.6%) and Purneftegaz (8.6%), mainly because of an increase in risks. Companies which have significantly improved their position on information disclosure are Norilsk Nickel, Samaraenergo, Surgutneftegaz, YUKOS and AVTOVAZ. Mrs. Ivanova says it was an improvement in transparency which enabled AVTOVAZ to climb up from being an also-ran with an improvement in its overall rating of 9.8%.

In assessing the conduct of ***annual general meetings*** in 2002, Tatyana Ivanova remarked that only three out of the 25 companies held these meetings without breaking the law or causing difficulty for shareholders to express their will. They were Gazprom, Kuzbassenergo and Bashkirenergo. In the case of the remaining companies there were either breaches of the law or infringements of shareholders' rights, which were possible because of imprecise drafting of statutory provisions. Among ***typical infringements*** of shareholders' rights were: (1) approval of dividend payment for both ordinary and preference shares was listed as a single item (GAZ, Rostelecom, Tatneft); (2) ballot papers for election to the board of directors had no space for voting 'against' or 'abstention' (Irkutskenergo, Samaraenergo); (3) in electing members of the audit commission, the vote was taken on a complete list (VimpelCom); (4) approval of interested party transactions did not comply with all statutory requirements (Surgutneftegaz).

CORPORATE GOVERNANCE RATING (CORE-Rating)

At 1 July 2002

Position	Company	Final Mark*	Change**
1	VimpelCom	83,71	+2,57
2	Lenenergo	66,60	+5,30
3	UES Rossiya	66,19	+0,18
4	GMK Norilsk Nickel	63,92	+4,59
5	YUKOS	63,09	+8,67
6	Kuzbassenergo	61,65	+2,32
7-8	Severo-Zapadnyy Telecom	61,44	-1,23
7-8	Sibneft	61,44	+3,68
9	Lukoil	60,82	+5,02
10	Rostelecom	58,56	+4,14
11	Gazprom	57,32	+1,52
12	AEROFLOT	57,11	+6,23
13-14	Slavneft-Megionneftegaz	55,88	+1,07
13-14	Samaraenergo	55,88	+3,82
15	Bashkirenergo	54,02	-2,76
16	Severstal	53,40	+0,16
17	MGTS	53,20	-3,19
18	Irkutskenergo	52,78	-3,21
19	Surgutneftegaz	51,96	+10,90
20	Tyumenskaya Neftyanaya Kompaniya	48,66	-7,33
21	AVTOVAZ	46,39	+9,85
22	Tatneft	45,57	+3,13
23	VolgaTelecom (Nizhegorodsvyazinform)	44,74	-5,16
24	GAZ	43,71	+3,24
25	Rosneft-Purneftegaz	33,61	-5,29

* As a percentage of the maximum possible.

**Change in the final mark compared with the previous period (at 01.04.2002) in percent.