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Transparency Bill Faces Resistance From State Firms

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Not wishing to share information about themselves with minority shareholders and board members, four major companies have complained to Deputy Prime Minister Igor Sechin about a government bill prepared at the president's initiative.

In a joint letter dated May 12, Rosneft, Transneft, Surgutneftegaz and TGK-2 expressed their dissatisfaction with a bill passed by the State Duma last week in its first reading that significantly increases minority shareholders' rights to information.

President Dmitry Medvedev instructed the government in March to come up with the new information disclosure rules.

All four companies are in conflicts with their minority shareholders. Rosneft and Transneft have gone to court with shareholder Alexei Navalny because of their unwillingness to divulge the minutes of board meetings and other documents to him. The companies are appealing two

previous court decisions.

Surgutneftegaz has provided Navalny with its minutes, but not the appendices to them that he is also entitled to see.

At TGK-2, the conflict between main shareholder Sintez Group and large minority holders — including Prosperity Capital, Deutsche Bank and Clearstream Banking, which together hold more than 30 percent of the company's shares — is not directly related to information. There, the minority shareholders have not been able to place their representatives on the board of directors.

The innovations suggested by the bill would undermine the competitiveness of Russian companies and the investment attractiveness of the economy, the letter writers told Sechin.

For example, companies would be forced to disclose information about their subsidiaries to all shareholders and not exclusively holders of a 25 percent or greater stake, as is now the case.

The companies are also unhappy with the proposal that shareholders be given wider access to commercial secrets. That violates "the constitutionally significant balance of shareholders' and companies' interests," they write.

However, under the proposed law, shareholders would receive confidential information only after signing a nondisclosure agreement, said Anton Sitnikov, a partner at the Goltsblat BLP law firm.

The president gave instructions to formulate rules for access to information, but that doesn't mean the access would be unlimited, said Dmitry Peskov, press secretary for Prime Minister Vladimir Putin.

The biggest issue the companies complained about was giving board members information access equal to shareholders. But that is an important standard, and it belongs in the law, said Economic Development Ministry department head Ivan Oskolkov, adding that it will be added to the second version of the bill.

The four companies argue that board members manage a company by invitation. They do not invest in it, and their rights cannot be equated with those of its owners. Furthermore, safeguards of confidentiality in the bill are insufficient.

A source at one of the companies that signed the letter said that attitude is a reaction to the president's order to replace well-known board members with independent ones.

"Different kinds of people are going to appear on boards. Conflicts of interest or the use of information to the detriment of the company are possible," he said.

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