The Legal 500
Country Comparative Guides

Russia
CORPORATE GOVERNANCE

Contributing firm
KPMG in Russia and the CIS

Irina Narysheva
Partner, Head of KPMG Law, KPMG in the CIS | inarysheva@kpmg.ru

Olga Yasko
Partner, KPMG Law, KPMG in the CIS | oyasko@kpmg.ru

Nikolay Budnetskiy
Senior Lawyer, KPMG Law, KPMG in the CIS | nbudnetskiy@kpmg.ru

This country-specific Q&A provides an overview of corporate governance laws and regulations applicable in Russia.

For a full list of jurisdictional Q&As visit legal500.com/guides
RUSSIA
CORPORATE GOVERNANCE

1. What are the most common types of corporate business entity and what are the main structural differences between them?

Russian law provides for many types of legal entities, which can be used to do business in Russia – companies, partnerships (general and limited), production cooperatives, etc. The most common legal forms of companies in Russia are a limited liability company (LLC) and a joint stock company. At a LLC (the Russian abbreviation is ‘ООО’), the participation interests attributable to participants are not considered securities under Russian securities legislation. On the other hand, the shares in a joint stock company (the Russian abbreviation is ‘АО’) are considered securities and should be registered with the department of the Central Bank of the Russian Federation responsible for granting admission to financial markets. A joint stock company can be either public (the Russian abbreviation is ‘ПАО’), meaning that its shares are publicly traded (PJSC), or non-public (JSC, the Russian abbreviation is ‘АО’).

LLCs and joint stock companies have much in common. As corporate entities, they may be incorporated by one or more persons acquiring shares (in the authorised capital of a JSC) or participation interests (in the authorised capital of a LLC) and thereby obtaining corporate rights and appointing the governing bodies.

A LLC is the most wide-spread corporate business entity in Russia. LLCs are easy to incorporate and equally suitable for doing private business, establishing a joint venture or a holding company. A LLC may have no more than 50 participants.

Joint stock companies are less common in the case of small and medium-sized businesses due to the requirement to register their shares with the Central Bank of the Russian Federation. Unlike LLCs, however, a joint stock company is not subject to restrictions on the number of its shareholders and may subsequently become a PJSC.

The main differences between a LLC and a joint stock company concern the nature of the share capital, applicable disclosure requirements, and the level of anonymity of a participant/shareholder.

A joint stock company issues shares with a certain nominal value. All the shares of a joint stock company constitute the authorised capital of the joint stock company. Different classes of shares are available. Dividends and voting rights are equal for each share of one particular class.

Both forms of joint stock company – PJSC and JSC – can issue common or preferred shares and bonds. A PJSC is subject to mandatory disclosure requirements and regulatory restrictions. In some cases, this may also apply to other joint stock companies.

The share capital of a LLC is not divided into shares and consists of the aggregate nominal value of the contributions of participants. The participants of a LLC own a participation interest (represented as a percentage) in the authorised capital of the LLC. The size of the participation interest determines the scope of their corporate rights.

Acquisition of a participation in a LLC may only be confirmed through the involvement of a Russian notary who notarises the participation interest purchase agreement. Information on the current participants of a LLC is disclosed on the website of the Russian Federal Tax Service and is available to anybody free of charge.

When buying shares in a joint stock company, their transfer is recorded by the registrar (a licensed company) which maintains the shareholder register of the joint stock company. The information on the shareholders of a JSC is not public.

The charters of LLCs and joint stock companies may stipulate restrictions on the transfer of participation interests/shares: the pre-emption right (right of first refusal), the consent of the participant/shareholder and/or the company to the transfer of participation interests/shares, prohibition on the transfer of participation interests in a LLC and limitation on the...
maximum participation of a participant in a LLC.

2. What are the current key topical legal issues, developments, trends and challenges in corporate governance in this jurisdiction?

Over the past decade Russian corporate law has undergone significant reforms, resulting in a more flexible approach to corporate governance, which is generally similar to corporate governance in most European jurisdictions. Russian law sets the general legal corporate governance framework, which is detailed by the company’s owners in the company’s charter and internal regulations at their own discretion. In addition, the Central Bank of the Russian Federation, as the main regulator responsible for the protection of investors and the securities market, regularly issues recommendations for corporations, summarising the best corporate governance practices and offering practical solutions for Russian companies in various aspects, including the functioning of the board of directors, internal control procedures, information disclosure requirements, etc. A growing focus on environmental, social and corporate governance is also having a significant impact on corporate governance and ESG is becoming one of the key drivers of change and challenges in the corporate environment.

It should be specifically noted, that recently Russian legislation introduced redomiciliation option for foreign holding companies into Special Administrative regions within Russia subject to specific regulations, and particularly allowed to apply foreign law to corporate governance in such companies and corporate dispute resolution in foreign jurisdictions (which is not the case for companies set up directly in Russia, in relation to which most of the corporate type of disputes are subject to resolution by courts (including international arbitration courts) having seat or accredited in Russia).

The Ministry for Economics has drafted a roadmap for development of corporate and civil legislation that allows further flexibility for companies in setting up the corporate governance configuration (such as for example, introducing concept of different classes of shares for JSC) and follows the best practices of European and English law.

3. Who are the key persons involved in the management of each type of entity?

In the case of a LLC and JSC two governing bodies are mandatory: the general meeting of participants/shareholders and the general director.

The general meeting of participants/shareholders is the supreme governing body both at a LLC and joint stock company. As a rule, it manages the most critical aspects of the company’s activity. General meetings are held annually. Extraordinary general meetings may also be held.

The general director is the chief executive officer and is responsible for day-to-day business activity. There may be one general director or several directors who act jointly or separately.

The charter of a LLC or joint stock company may stipulate the establishment of a board of directors and a collective executive body of the company (management board).

In the case of PJSC, the establishment of a board of directors is mandatory. In addition, the establishment of a board of directors and collective executive body is mandatory in the case of companies operating in particular sectors (e.g., credit institutions). As a rule, the board of directors determines the company’s strategy and is responsible for the general management of the company. The chairman of the board of directors and the general director should be different people.

As a rule, the management board exercises operational and executive functions (the approval of transactions, preparation of a budget, etc.).

An internal/external auditor or committee may also be appointed.

4. How are responsibility and management power divided between the entity’s management and its economic owners? How are decisions or approvals of the owners made or given (e.g. at a meeting or in writing)

The participants/shareholders of a company have dual capacity – they are simultaneously the supreme governing body and the economic owners.

As the supreme governing body (represented by the general meeting of participants/shareholders), they adopt decisions on the most significant issues of the company’s business: the distribution of profits, reorganisation, liquidation, the appointment of governing bodies. As the economic owners, as a rule, shareholders are not liable for the company’s obligations, while the losses of participants/shareholders are limited to the
value of their participation interests/shareholdings. However, the persons issuing binding instructions to the company or controlling the company (regardless of whether these persons are participants/shareholders or not) may be held liable for acting against the interests of the company (most commonly in bankruptcies).

The competence of the other governing bodies (the board of directors, management board, general director) may include any powers not assigned to the competence of the general meeting. The management (member of the board of directors or the management board, general director) assumes responsibility towards the company and may be held liable by the company or its shareholders for acting against the interests of the company.

The decisions of the participants/shareholders are adopted at a relevant general meeting through the adoption of a corporate resolution on a specific issue according to the agenda. The decision of the general meeting is adopted by a simple majority vote, unless a qualified majority is stipulated by the statute or charter. Minutes are drawn up based on the results of the general meeting.

The minutes of the general meeting are certified by a notary (at LLC and JSC) or a registrar (at a JSC and PJSC).

5. What are the principal sources of corporate governance requirements and practices? Are entities required to comply with a specific code of corporate governance?


Important recommendations on the corporate governance of a joint stock company are contained in the Corporate Governance Code approved by the Central Bank of the Russian Federation (Corporate Governance Code). The Corporate Governance Code is virtually binding on a joint stock company that is planning to list or has already listed its shares on a stock exchange. The Corporate Governance Code contains recommendations on corporate governance principles, the scope of shareholder rights, the powers of the board of directors, the activities of the corporate secretary, the risk management and internal audit systems.

In addition, joint stock companies are required to comply with other regulations, including regulations on the disclosure of information, the holding of shareholder meetings and the conclusion of significant transactions.

6. How is the board or other governing body constituted?

As mentioned above, a company may have a collective management body (the board of directors or the supervisory board) and/or a collective executive body (management board).

A board of directors is a mandatory collective management body in a PJSC and also in a JSC which has at least 50 shareholders.

The board of directors is established by the general meeting of participants/shareholders in accordance with the charter and internal regulations of the company. A PJSC must have at least five directors, while JSC and LLC, should the board of directors be established there, must have at least two directors.

In accordance with the Law ‘On Joint Stock Companies’ and the Corporate Governance Code, a PJSC is required to establish audit, nomination, remuneration committees of the board of directors and appoint independent directors to protect the rights of minority shareholders and ensure that all business operations are lawful. The board of directors at a LLC and JSC may be organised without these committees and independent directors.

Day-to-day operations are usually carried out by the general director. The powers of the general director can be limited through the establishment of a collective executive body (management board) or the appointment of another general director (or more directors). It is often the case that there are two general directors in a 50/50 joint venture to facilitate control by each of the partners. Two or more general directors can act jointly (i.e. approval of all directors is required for certain decisions) or separately within predefined scope of business and authority whereas each general director shall be responsible for specific corporate matters.

The chief executive officer (general director) and the collective executive body (management board) are appointed by the board of directors or the general meeting and report to them. The general meeting may, further to the proposal of the board of directors or at its own discretion, vest the powers of the chief executive officer into a management company.

7. How are the members of the board appointed and removed? What influence do
the entity's owners have over this?

In joint stock companies, the members of the board of directors are elected through cumulative voting at the general meeting. The members of the board of directors are elected for one year. They may be removed at any time by a majority vote of the shareholders. The participants of a LLC establish the procedure for appointing the members of the board of directors in the charter (this procedure may not involve cumulative voting). The participants of a LLC are free to appoint the members of the board of directors for any term of office.

The members of the board of directors elect a chairman. The chairman of the board of directors convenes the meetings of the board of directors, presides over them and may have a casting vote.

The management board is established in accordance with the procedure established in the company’s charter. The appointment of the members of the management board may be assigned either to the competence of the general meeting of participants/shareholders or the board of directors.

8. Who typically serves on the board? Are there requirements that govern board composition or impose qualifications for board members regarding independence, diversity, tenure or succession?

In private companies, board members are typically affiliated with participants/ shareholders. By contrast, PJSCs are required to appoint a few independent directors.

The Law ‘On Joint Stock Companies’ and the Law ‘On Limited Liability Companies’ do not contain any mandatory requirements on the qualifications of members of the board of directors or members of the management board. At the same time, however, in the case of PJSC some rules on independence, professionalism, impartiality, reputation, etc., are stipulated in the Corporate Governance Code.

In general, special requirements on the qualifications of members of the board of directors or members of the management board are stipulated by the internal regulations of the company. Special requirements may also apply to the members of the board of directors or members of the management board at companies operating in a particular sector (for example, credit institutions).

A legal entity may not be appointed a member of the board of directors or a member of the management board (only natural person can).

9. What is the role of the board with respect to setting and changing strategy?

The Law ‘On Joint Stock Companies’ and the Law ‘On Limited Liability Companies’ stipulate that the board of directors sets and changes the business strategy of the company. To this end, the executive bodies of a company (general director (general directors), management board), even though they are primarily responsible for management of the day-to-day activity of the company, prepare and present to the board of directors a business strategy that it subsequently considers. For these purposes the board of directors may establish a special committee to prepare and examine the company’s business strategy.

10. How are members of the board compensated? Is their remuneration regulated in any way?

Remuneration of the members of the board is paid according to the resolution of the general meeting of participants/shareholders. members of the board may also act without remuneration.

According to the Corporate Governance Code, the board of directors is required to determine the company’s policy on the remuneration or reimbursement of the expenses of its members. The Corporate Governance Code recommends that initially a remuneration committee consisting of independent members of the board of directors is called on to consider an effective and transparent remuneration practice.

The Corporate Governance Code also specifies that the level of remuneration should be sufficient to attract, motivate and retain individuals required by the company, and that the remuneration system of members of the board of directors should ensure the conformity of their financial interests with the long-term financial interests of shareholders.

As a rule, the members of the management board are senior-level employees of the company and their remuneration is determined by a resolution of the board of directors or the general meeting.

11. Do members of the board owe any fiduciary or special duties and, if so, to
whom? What are the potential consequences of breaching any such duties?

The members of the board of directors (like the general director (general directors) and the members of management board) have fiduciary duties to act reasonably in the interests of the company and in good faith. Court practice and the Corporate Governance Code provide criteria on acting reasonably and in good faith. Such criteria differ, depending on the specific actions (interested-party transactions, bankruptcy, etc.).

Assuming that there is no personal interest, the Corporate Governance Code defines the duties of a member of the board of directors, in particular, when adopting a decision, they should take into account of all available information, avoid a conflict of interests, treat the company’s shareholders equally, aim to ensure society’s achievement of sustainable and successful development goals.

The company or a shareholder acting on behalf of the company (a so-called ‘derivative action’) may claim damages resulting from the breach of fiduciary duty. Russian courts frequently impose such liability on the persons having fiduciary duties. For instance, the Supreme Court of the Russian Federation held that a general director could not be released from liability to the company even if the transaction concluded thereby had been approved by the general meeting.

12. Are indemnities and/or insurance permitted to cover board members’ potential personal liability? If permitted, are such protections typical or rare?

Liability insurance policies for board members (directors and officers liability insurance policies – D&O policies) are offered by a number of major Russian insurance companies. However, the actual insurance payments are low. This might be attributable to the restrictions in general insurance regulations established by the Civil Code of the Russian Federation and the absence of specific regulations on D&O policies and relevant court practice.

D&O policies are held most frequently by employees engaged by active players on the M&A market and by entities listed on the Russian and foreign stock exchanges. It is expected that the insurance laws will be updated soon to facilitate the use of D&O policies. However, the relevant draft law is still under consideration.

13. How (and by whom) are board members typically overseen and evaluated?

The members of the board of directors report to the general meeting (which oversees the board of directors). The management board reports to the board of directors (and in the absence of the board of directors, to the general meeting).

In the case of PJSCs, according to the Corporate Governance Code and Information Letter No. IN-06-28/41 of the Central Bank of the Russian Federation dated 26 April 2019, the board of directors is required to evaluate the performance of its committees and board members at least once a year (internal evaluation) and engage an outside consultant for the same purpose at least once every three years (external evaluation). The internal performance evaluation results of the board of directors should be submitted to the board of directors itself. The results of the internal evaluation are disclosed as a part of the annual report of the PJSC.

14. Is the board required to engage actively with the entity’s economic owners? If so, how does it do this and report on its actions?

By virtue of the law, the members of the board of directors or the management board are not required to engage actively with the owners of the entity. The board of directors has the right to convene extraordinary shareholder meetings and submit agenda issues. In addition, the board of directors prepares materials for the consideration of participants/shareholders. The board of directors reports to the general meeting of participants/shareholders.

In practice, the general meeting of participants/shareholders ensures its control over the board of directors through the appointment or dismissal of members of the board of directors, and challenges of the resolutions of the board of directors (see question 18).

15. Are dual-class and multi-class capital structures permitted? If so, how common are they?

Dual-class and multi-class capital structures (as they are known in Western jurisdictions) are not permitted in Russia. Joint stock companies may issue different types of common or preferred shares. However, each type of the shares provides equal rights to their holders. The
nominal value of preferred shares may not exceed 25% of the total authorised capital of the joint stock company (which prevents the creation of dual-class and multi-class capital structures in Russia through the use of preferred shares).

PJSCs may issue preferred shares that grant rights to the profit. At a JSC, preferred shares may also grant corporate rights in certain circumstances.

At LLCs, all the participants have equal rights (however, additional rights and obligations may be attributed to certain participants further to the unanimous vote of the general meeting).

As mentioned above, there’s a legislative initiative of Ministry of Economics and ongoing discussions about the need to amend Russian law to introduce different classes of shares. Currently, a draft law has been proposed only in relation to the companies, redomiciled in Special Administrative Regions.

16. What financial and non-financial information must an entity disclose to the public? How does it do this?

PJSCs are required to disclose the securities prospectus and certain information to the public in the form of quarterly and annual reports and notices on significant corporate events. In particular, PJSCs disclose the following information: (i) annual report; (ii) annual financial statements together with the auditor’s report; (iii) charter and internal regulations; (iv) information on affiliates; (v) resolution on the issue (additional issue) of securities; (vi) notice of the shareholders’ agreement, as well as notice of the acquisition by a person of the right to determine the procedure for voting at the general meeting; (vii) notice of intention to file a lawsuit to challenge the decision of the shareholder meeting, claim damages, invalidate a transaction or apply the consequences of the invalidity of the transaction; (viii) information about the registrar maintaining the shareholder register, etc. The additional information to be disclosed is specified by securities legislation and regulations issued by the Central Bank of the Russian Federation.

LLCs and joint stock companies which have securities in public circulation are required to disclose information on their activities, including the submission of annual reports, balance sheets, etc.

17. Can an entity’s economic owners propose matters for a vote or call a special meeting? If so, what is the procedure?

There are annual and extraordinary general meetings.

A shareholder (shareholders) of a joint stock company holding at least 2% of the voting shares may propose matters for consideration by the annual shareholder meeting. If the agenda of an extraordinary shareholder meeting includes the issue of electing members of the board of directors or the general director (general directors), then only a shareholder (shareholders) holding at least 2% of the voting shares may nominate candidates for these positions. Any other issues of the extraordinary shareholder meeting may be proposed by any shareholder.

At LLCs, any participant of the company has the right to submit proposals to be included in the agenda of the general meeting.

A shareholder (shareholders) of a joint stock company holding at least 10% of the voting shares and a participant (participants) of a LLC holding at least 10% of the authorised capital may initiate an extraordinary shareholder meeting. An extraordinary shareholder meeting is convened by the general director or the board of directors, depending on the provisions of the company’s charter.

18. What rights do investors have to take enforcement action against an entity and/or the members of its board?

Investors may exert influence on the members of the board of directors by challenging their decisions and transactions concluded by the general director (general directors).

Participants/shareholders may challenge the significant transactions of the company (if the price exceeds 25% of the book value of the company’s assets, unless other criteria are set forth in the company’s charter). At a joint stock company, a shareholder (shareholders) must hold at least 1% of the voting shares to challenge such a transaction.

In addition, a shareholder/participant may challenge related party transactions if they hold at least 1% of the voting shares of the joint stock company or 1% of the authorised capital of the LLC.

Any shareholder/participant may challenge the decisions of the board of directors and the general meeting in circumstances determined by the law. The Supreme Court of the Russian Federation extended this right to
include indirect shareholders (so-called ‘beneficiaries’) and held that they also had the right to challenge the decisions of the general meeting and the transactions of the company.

In addition, members of the board of directors, the general director (general directors) and members of the management board are liable to the company for damage caused (see question 11).

19. Is shareholder activism common? If so, what are the recent trends? How can shareholders exert influence on a corporate entity’s management?

Enforcement actions, the receipt of information regarding the company’s affairs, the nomination of candidates for management and executive bodies, and participation in the general meeting remain the main options for a shareholder to exert influence on the corporate entity’s management. Accordingly, in general activist shareholders could potentially influence decision-making. At the same time, however, Russian listed companies are typically owned by a single shareholder or a few shareholders who are well represented at general meetings. Consequently, it is highly unlikely that activist shareholders with a small shareholding in the company can obtain a majority by voting with other shareholders joining the efforts of activist shareholders.

The Supreme Court of the Russian Federation recently allowed indirect shareholders to reverse the decisions of general meetings (in particular, in the case of transactions that resulted in asset stripping). This practice has been applied to majority shareholdings, and it is unlikely that it will be applied to minority shareholdings.

Additional limitations on information rights have been introduced by court practice: in some cases companies were allowed to refuse shareholder requests for information on the basis of the lack of a ‘legitimate interest’ to receive the requested information. In addition, companies can refuse to provide information to their shareholders, relying on commercial confidentiality undertakings.

20. Are shareholder meetings required to be held annually, or at any other specified time? What information needs to be presented at a shareholder meeting?

The Law ‘On Joint Stock Companies’ stipulates that the annual shareholder meeting must be held within the timeframe specified in the charter, but not earlier than 1 March and not later than 30 June.

The Law ‘On Limited Liability Companies’ stipulates the same time rules, except that the annual general meeting must be held not later than 30 April.

An extraordinary meeting may be held at any time in compliance with the terms for convening such a meeting.

The issues to be resolved at the annual general meeting include the appointment of members of the board of directors, the audit committee (if such a committee is stipulated by the charter), and the auditor, approval of the annual report and annual financial statements of the company, as well as other issues stipulated by the charter.

The minimum information that needs to be presented at the annual general meeting of shareholders/participants is specified by the law and includes, inter alia, (i) the annual report, (ii) the annual financial statements, (iii) information about the candidate (candidates) for the board of directors and the executive body, (iv) new internal regulations; (v) in the case of joint stock companies, recommendations from the board of directors on the dividend amount etc.

21. Are there any organisations that provide voting recommendations, or otherwise advise or influence investors on whether and how to vote (whether generally in the market or with respect to a particular entity)?

There is no established or formalized practice on consulting with organisations that provide voting recommendations to investors.

At PJSCs, the committees of the board of directors usually provide voting recommendations to investors. Strategic planning, audit and corporate governance committees of the board of directors may be created. They may consider the most important corporate governance issues and submit recommendations to shareholders on voting. Such recommendations are usually attached to the documents of the general meeting.

22. What role do other stakeholders, including debt-holders, employees and other workers, suppliers, customers,
regulators, the government and communities typically play in the corporate governance of a corporate entity?

The Corporate Governance Code does not stipulate any binding legal regulations related to the participation of third parties in corporate governance.

At the same time, the Corporate Governance Code stipulates that the board of directors should take into account the interests of stakeholders, including the employees, creditors and counterparties of the company, and be socially responsible when adopting decisions or disclosing information. The Corporate Governance Code seems to imply that the disclosure of information is one of the most important tools in the communications of a PJSC with shareholders and other stakeholders (creditors, partners, customers, suppliers, the public, government agencies). The company is required to develop and implement an information policy that ensures the effective exchange of information and communications with investors and other stakeholders.

At the same time, however, stakeholders do not exert a significant influence on corporate governance at a company. As a rule, company employees have no express influence unless some of them (top-management, typically) participate in companies’ stock option plans. The counterparties of a company (suppliers, customers) can only obtain information about the company by using various official and unofficial sources (websites).

Debt-holders are in a better position. Russian law allows creditors to obtain the corporate rights to vote, to the profits and to appoint governing bodies without the withdrawal of shares from shareholders (by way of a pledge over the shares or participation interests) or influence the decision making in the company by entering into a corporate contract (similar to shareholders’ agreement) defining certain terms and limitations with respect to corporate governance of the company - debtor (specifically approval of major transactions, etc.). Typically banks use the above tools to secure creditor’s interest.

23. How are the interests of non-shareholder stakeholders factored into the decisions of the governing body of a corporate entity?

In the case of PJSCs, the Corporate Governance Code stipulates that the board of directors are to consider the interests of stakeholders. The interests of stakeholders may be taken into account through the adoption of socially-driven and environmentally-oriented decisions, as well as through the assumption of liability for damage. However, the Corporate Governance Code pays more attention to management and employees.

The interests of certain stakeholders are ensured by relevant legislation applicable to specific area of business (finance, energy, etc.).

24. What consideration is typically given to ESG issues by corporate entities? What are the key legal obligations with respect to ESG matters?

Independent surveys of the members of boards of directors and general directors demonstrate good awareness of climate change and other ESG issues: they realise that climate change is a priority engagement issue for many Western investors.

In December 2021 the Central Bank of the Russian Federation issued an information letter with detailed recommendations to boards of directors on how to implement the ESG agenda in the strategy of a PJSC. In particular, it recommended in the letter that the board of directors: (i) establish clear and transparent ESG-related key performance indicators for the company; (ii) evaluate the corporate governance system, management procedures and business processes from the standpoint of ESG; (iii) update internal policies and procedures relating to information security, occupational health and safety, internal controls, to reflect ESG priorities; (iv) improve ESG awareness among top management and employees; (v) reflect ESG factors in information disclosures, in particular, by explaining the impact of ESG factors on the financial performance of the company.

25. What stewardship, disclosure and other responsibilities do investors have with regard to the corporate governance of an entity in which they are invested or their level of investment or interest in the entity?

In terms of promoting greater investor engagement, there is no stewardship concept in Russian company law, as English or US law knows it.

At the same time, however, in general participants/shareholders are required not to disclose the confidential information of a company, adopt corporate decisions required for a company to continue operating as a going concern, not to cause damage to
the company, and to refrain from any actions that render the achievement of the company’s goals impossible. If they fail to do so, the participant/shareholder of the private company may be expelled from the company under a court decision. In addition, the persons issuing binding instructions to the company might be viewed as having quasi-fiduciary duties (in practice, this concerns primarily bankruptcies). This means that when they take any actions, they should duly consider the interests of the company (in particular, refrain from actions that might jeopardise the financial position of the company or cause it to incur damages).

26. What are the current perspectives in this jurisdiction regarding short-term investment objectives in contrast with the promotion of sustainable longer-term value creation?

Even though investors are concerned about increasing geopolitical tension involving Russia, the year 2021 was good for the Russian economy, with GDP up by 4%. The COVID-19 pandemic proved that technology, one of the most vibrant sectors of the Russian private equity and M&A markets, delivers a significant increase in output per hour worked, and that GDP can grow even if the number of hours worked declines. Comparatively low debt levels and the excellent human resource potential make Russian companies attractive for foreign investors that have long-term goals and do not perceive realised gains to be less transient than unrealised gains.

Contributors

Irina Narysheva
Partner, Head of KPMG Law, KPMG in the CIS
inarysheva@kpmg.ru

Olga Yasko
Partner, KPMG Law, KPMG in the CIS
oyasko@kpmg.ru

Nikolay Budnetskiy
Senior Lawyer, KPMG Law, KPMG in the CIS
nbudnetskiy@kpmg.ru