

# Corporate Governance



# Board of Directors and its performance

Globaltrans is committed to maintaining the highest standards of corporate governance throughout the Company and the Group. In March 2008, the Board of Directors adopted the Company's Code of Corporate Governance ("the Code") which seeks to ensure that the interests of all company shareholders are given due consideration. Although the Code is based on principles recommended by the UK Combined Code on Corporate Governance, this does not constitute voluntary compliance with the Combined Code.

The Group's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to shareholders and include policies on the appointment of independent directors, the establishment and constitution of the Audit and other committees, ethical conduct, securities dealings and disclosure. To view the Group's corporate governance policies, please visit our website at <http://www.globaltrans.com/about-us/corporate-governance/governance-policies/>. The Group's employees are required to follow the established guidelines, and the Group's management is responsible for the promotion and application of these standards across all levels of the Group.

## OVERVIEW

Globaltrans is managed by its Board of Directors ("the Board") which is collectively responsible to the shareholders for the success of the Group. The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the most important areas of business and conducts regular reviews of the Group's operational and financial performance. One of the Board's key responsibilities is to ensure that there is in place a system of prudent and effective risk controls that enable risks to be identified, assessed and managed appropriately.

The composition of the Board, which comprises seven members, enables it to operate effectively with the right mix of skills and a broad range of expertise.

The Board understands the need to have an appropriate balance between executive and non-executive directors, together with the presence of independent directors, in order to represent the interests of shareholders and to govern the Group in the most effective way.

There is no provision in the Company's Articles of Association for retirement of directors by rotation; however, in accordance with the terms of reference of the Board, all Board members are required to submit for re-election at least once every three years. Should a non-executive director serve any term beyond six years, his re-election would be subject to particularly rigorous review. In practice, all current appointments are for one year and all directors will stand for re-election at the forthcoming Annual General Meeting of shareholders ("the AGM") of the Company.

The Board of Directors report is presented in full in Appendix 1 "Directors' report and consolidated financial statements" of this Annual Report.

## COMPOSITION OF THE BOARD

The Board comprises seven members, four of whom are non-executive directors (including the chairman). Two of the non-executive directors are independent; they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from management.

The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations.

There is a balance in the Board because of the presence of independent, non-executive directors of the calibre necessary to carry sufficient weight in Board decisions. Although all directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the major shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts business.

Whilst the Company is controlled by Transportation Investments Holding Limited, its immediate holding company, the investment of minority shareholders is fairly represented through the representation of independent directors.

The chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the chief executive officer. The chairman reviews all Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The chairman monitors communications and relations between the Company and its shareholders, between the Board and management, and between independent and non-independent directors, with a view to encouraging constructive relations and dialogue amongst them. The chairman works to facilitate the effective contribution of non-executive directors.

All directors were duly re-elected at the Company's AGM held on 3 September 2009.

Elia Nicolaou has been acting as the Company Secretary and Secretary to the Board since March 2008.

## Board of Directors and its performance (continued)

### EXECUTIVE DIRECTORS

#### **Sergey Maltsev** 1

*Chief Executive Officer, member of the Board, Executive Director*

Sergey Maltsev (aged 47) was appointed Chief Executive Officer and executive member of the Board in March 2008. As one of the founding shareholders of the Company he has played a key role in the development of Globaltrans from its establishment to its current position as the leading private freight rail group operating in Russia and the CIS. He has more than 25 years of industry and management experience, gained mainly in the rail sector. His previous positions include management roles at PromSnab and MMK-Trans. Mr. Maltsev also serves as Chairman of presidium of the non-profit partnership "Council of Railway Operators Market". In recognition for his services to the Russian rail industry, Mr. Maltsev has been awarded the title of "Honored Railwayman of Russia". He graduated with a degree in Railway engineering.

#### **Mikhail Loganov** 2

*Member of the Board, Executive Director, member of the Nomination Committee*

Mikhail Loganov (aged 29) has served as an executive member of the Board and as a member of the Nomination Committee since March 2008. He has more than nine years of financial experience. Mr. Loganov joined the Group in June 2004 as a finance manager at Sevttekhnotrans. He graduated from the University of Brighton, England, and has a BA honours degree in Business Studies with Finance. Prior to joining the Group, Mr. Loganov worked for American Express (Europe) Ltd in the UK.

#### **Konstantin Shirokov** 3

*Member of the Board, Executive Director*

Konstantin Shirokov (aged 35) has served as an executive member of the Board and the Company's internal auditor since March 2008. He has more than eight years of management experience. Mr. Shirokov graduated from the Finance Academy under the Government of the Russian Federation. He also studied Business Management at Oxford Brookes University Business School, England. Prior to joining Globaltrans, Mr. Shirokov worked in senior finance roles at Metsnabservice, Mechel and as an economist for Glencore International.

### NON-EXECUTIVE DIRECTORS

#### **Alexander Eliseev** 4

*Chairman of the Board, Non-Executive Director, member of the Remuneration Committee*

Alexander Eliseev (aged 43) was appointed as Chairman, non-executive member of the Board and member of the Remuneration Committee in March 2008. As one of the founding shareholders of the Company he played a key role in the development of Globaltrans from its establishment to its current position as the leading private freight rail group operating in Russia and the CIS. Mr. Eliseev has also been Chairman of the Board of Directors of New Forwarding Company since 2003 and Chairman

of the Board of Directors of Sevttekhnotrans since 2007. Mr. Eliseev has more than 14 years of management experience, mostly in the rail industry. Prior to joining the Group, Mr. Eliseev held various management positions at MMK-Trans, KPlus, PromSnab and EvrazTrans. He was also a member of the Board of Directors at Neokont, Firma Transgarant and Ural Wagon Repair Company.

#### **Mr. Michael Zampelas** 5

*Member of the Board, Senior Independent Non-Executive Director, chairman of the Audit Committee, member of Remuneration and Nomination Committees*

Michael Zampelas (aged 73) was appointed as the senior independent non-executive Director on the Board in March 2008. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. Mr. Zampelas has more than 30 years of management experience, including as founding member, Chairman and Managing Partner of accounting and consulting firm Coopers & Lybrand (which later became PricewaterhouseCoopers) in Cyprus and Athens. He is a chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales. Between 2002 and 2006 Mr. Zampelas was the elected mayor of Nicosia and he is currently the Honorary Consul General of Estonia in Cyprus.

#### **Dr. Johann Franz Durrer** 6

*Member of the Board, Independent Non-Executive Director, chairman of the Remuneration and Nomination Committees*

Johann Franz Durrer (aged 71) was appointed as an independent non-executive Director of the Board in March 2008. He is Chairman of the Remuneration and Nomination Committees. Dr. Durrer has more than 30 years of management experience. He graduated from the University of Zurich with a doctorate in economics and is a member of the Swiss Fiduciary Association. He started his career in 1957 with the Union Bank of Switzerland in Geneva. In 1970 Dr. Durrer founded his own company, Fidura Treuhand AG, which provides bookkeeping, auditing, and financial services. Dr. Durrer is the former president of the oil company Montafan AG, and a former Board member of the transport company IMT-Dienst AG. He is currently an Executive Board member of several privately held companies.

#### **Ms. Elia Nicolaou** 7

*Member of the Board, Non-Executive Director, member of the Audit Committee, Company Secretary, Secretary to the Board*

Elia Nicolaou (aged 31) was appointed as a non-executive Director of the Board in March 2008, and is a member of the Audit Committee. She also acts as Company Secretary for the Group. She is currently Managing Director/Director of Legal and Corporate Services at Amicorp (Cyprus). Ms. Nicolaou has more than four years' legal and management experience. She graduated from the University of Nottingham, England, and has an LLB in Law. Ms. Nicolaou also has an LLM in Commercial and Corporate Law from University College London, England, and an MBA from the Cyprus International Institute of Management. She is also a member of the Cyprus Bar Association. Prior to joining the Group, Ms. Nicolaou worked as the Head of the Corporate Law Department at Polakis Sarris & Co. and a lawyer at C. Patsalides & Associates.



## Board of Directors and its performance (continued)

### THE NUMBER OF BOARD AND BOARD COMMITTEE MEETINGS HELD IN THE CURRENT FINANCIAL YEAR AND THE ATTENDANCE OF DIRECTORS DURING THESE MEETINGS

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Alexander Eliseev	18	10	–	–	2	2	–	–
Michael Zampelas	18	18	2	2	2	2	4	4
Johann Franz Durrer	18	18	2	2	2	2	–	–
Sergey Maltsev	18	4	–	–	–	–	–	–
Mikhail Loganov	18	17	2	2	–	–	–	–
Elia Nicolaou	18	17	–	–	–	–	4	4
Konstantin Shirokov	18	18	–	–	–	–	–	–

### THE BOARD PERFORMANCE IN 2009

The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

In 2009 the Board met formally 18 times to review current performance and to discuss and approve important business decisions. In 2009 these included the acquisition of BTS, the resumption of the capital expenditure programme and purchase of new railcars, and matters related to a follow-on public offering of GDRs representing ordinary shares of the Company which raised approximately USD 100 million in gross proceeds for the Company.

The operation of the Board, its Committees and individual directors is subject to annual evaluation. The evaluation of the Board and individual directors' performance is conducted through self-assessment, cross-assessment or by an external third party. The non-executive directors, led by the senior independent director, are responsible for the performance evaluation of the chairman of the Board.

### BOARD AND MANAGEMENT REMUNERATION

Non-executive directors serve on the Board pursuant to the letters of appointment which are subject to approval by the shareholders at the AGM. Such letters of appointment specify the terms of appointment and the remuneration of non-executive directors. Appointments are for one year.

Levels of remuneration for non-executive directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed

for expenses associated with discharge of their duties.

The shareholders of the Company approved the remuneration of the members of the Board at the AGM held on 3 September 2009.

Please refer to Note 31 of the consolidated financial statements (Appendix 1 "Directors' report and consolidated financial statements" of this Annual Report) for details of remuneration paid to the Board and key management.

### DIRECTORS' INTERESTS IN SHARES

The interests in the share capital of Globaltrans Investment PLC and its group companies, both direct and indirect, of those who were directors as at 31 December 2009 is shown in the table below.

### DEALINGS IN SECURITIES

The Company has adopted an internal code of practice on dealings in securities, that establishes certain standards of conduct to be observed by both persons discharging managerial responsibilities and employee insiders of the Company and the Group in connection with dealings in the Company's securities (including the GDRs). The Group's internal code prohibits its directors and officers from dealing in listed securities of the Group while in possession of unpublished material or price-sensitive information in relation to such securities and during the "closed period", which is defined as 60 days before the date of announcement of annual and semi-annual results of the Group and officers are also prohibited from dealing in the Group's securities on short-term considerations.

### DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF GLOBALTRANS INVESTMENT PLC

	Type of holding	Shares/Global Depository Receipts held at 31 December 2009 <sup>43</sup>	Shares/Global Depository Receipts held at 31 December 2008 <sup>44</sup>
Alexander Eliseev	Through shareholding in Envesta Investments Ltd and other entities controlled by him	11,318,909	11,201,262
Sergey Maltsev	Through shareholding in Envesta Investments Ltd	11,658,456	11,658,456
Johann Franz Durrer	GDRs of Globaltrans Investment PLC	100,000	100,000

43. Total number of issued shares of the Company as at 31 December 2009 was 158,135,533

44. Total number of issued shares of the Company as at 31 December 2008 was 116,959,064.

# The Board Committees

The Board has established three Committees to deal with specific aspects of the Group's business.

## AUDIT COMMITTEE

The Audit Committee comprises two directors, one of whom is independent, and meets at least four times each year. The Audit Committee is chaired by Mr. Zampelas and Ms. Nicolaou is another member. The Audit Committee is responsible for considering, amongst other matters: the integrity of the Company's financial statements, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; auditors' reports; and the terms of appointment and remuneration of the auditor.

The Committee supervises, monitors and advises the Board on risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues. The Audit Committee is also responsible for assessing the efficiency of the performance of the Chairman of the Board.

The Audit Committee met four times in 2009, including one meeting with the management of the Group and two meetings attended by the external auditors of the Company. The principal issues, which were considered during 2009 were:

- Review of the external auditor's letter to the Audit Committee following their full year audit for 2008;
- Review of the financial statements of the Company and consolidated financial statements of the Group for 2008 and recommended approval of the same to the Board;
- Review of the interim financial results for first six months of 2009 and recommended approval to the Board;
- Review of the terms of appointment of the external auditor of the Company for the year 2009 and recommended re-appointment to the Board who in turn proposed the re-appointment of the external auditors to the AGM of the Company;
- Oversight of the reporting process, review of the audit plan and closure process;
- Review of press releases of the Group of financial nature;
- Review of the internal audit process, internal audit plan and report on activities of the internal audit function.

## NOMINATION COMMITTEE

The Nomination Committee comprises three directors and meets at least once each year. The Nomination Committee is chaired by Dr. Durrer the other members being Mr. Zampelas and Mr. Loganov. The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company's stage of development and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

The Nomination Committee met twice in 2009. Principal issues considered during the meetings were the review of the Annual report for the year 2009 and the current composition of the Board. It has also provided recommendations to the Board on re-nomination of directors prior to the AGM, which considered re-appointments of directors in 2009.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises three directors and meets at least once each year. The Remuneration Committee is chaired by Dr. Durrer, and the other members are Mr. Zampelas and Mr. Eliseev. The Remuneration Committee has as its remit the determination and review of, amongst other matters, the remuneration of executive directors and review of the Company's remuneration policies. The remuneration of independent directors is a matter for the chairman of the Board and the executive directors. No director or manager may be involved in any decisions as to his/her own remuneration.

The Remuneration Committee met twice in 2009 to discuss its roles and responsibilities and to consider the appropriateness of the level of remuneration of the executive directors and senior management of the Company.