



## Santiago Principles Self-Assessment

### Russian Direct Investment Fund

[Fund Details](#) <sup>[1]</sup> [Fund Website](#) <sup>[2]</sup> [Search Assessments](#) <sup>[3]</sup>

#### **Pillar 1**

#### **Legal framework, objectives, and coordination with macroeconomic policies**

##### **Principle 1 Description:**

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).
  - 1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.
  - 1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

##### **Principle 1 Implementation:**

Joint Stock Company "Management Company of Russian Direct Investment Fund" ("RDIF") is a company established under the Russian law and regulated, in particular, by the Federal Law on Russian Direct Investment Fund. The sole (100%) shareholder of RDIF is the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo).

RDIF is the sole managing company for Closed-End Unit Investment Fund of Long-Term Direct Investments Russian Direct Investment Fund (the Fund).

The Fund is not a legal entity and its legal nature is comparable to mutual funds in common law jurisdictions (with RDIF acting as a general partner). The Fund is regulated under the Federal Law on Investment Funds and the Federal Law on Russian Direct Investment Fund.

**Principle 2 Description:**

The policy purpose of the SWF should be clearly defined and publicly disclosed.

**Principle 2 Implementation:**

The Fund and RDIF are established to facilitate equity investments and catalyse foreign investments in the Russian economy. The Fund objectives are outlined on the RDIF official website <http://rdif.ru/> <sup>[4]</sup> and described in the Federal Law on Russian Direct Investment Fund and other local legislation.

**Principle 3 Description:**

3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

**Principle 3 Implementation:**

This GAPP is not applicable.

Russia's annual GDP is approximately US\$2 trillion and the Fund's overall commitment is up to US\$10 billion in diverse business sectors. Although RDIF is quite a significant player in the private equity market in Russia, its investments do not significantly impact macroeconomic climate in general.

**Principle 4 Description:**

4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

**Principle 4 Implementation:**

The Fund's contribution rules are specified in Federal Laws on federal budgets for relevant years and the Federal Law on Russian Direct Investment Fund.

The sources of RDIF funds are publicly disclosed in the legislation of the Russian Federation (Federal Laws on federal budgets for relevant years, the Federal Law on Russian Direct Investment Fund) and on the [RDIF website](#) <sup>[5]</sup>.

RDIF manages the Fund independently in compliance with the Asset management rules, which define the termination date of the asset management agreement as of 01.11.2026. It should be noted that the Russian legislation for investment funds (Federal Law on Investment Funds) specifies the maximum duration period for asset management agreement of 15 years starting from the date of the fund early establishment. The assets

can be withdrawn in case of non-purpose use of the asset contribution.

#### **Principle 5 Description:**

5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

#### **Principle 5 Implementation:**

RDIF and the Fund prepare monthly, quarterly and annual reports on different matters, including but not limited to, net value assets, own assets, investments, for filing with the Central Bank of the Russian Federation, Ministry of Finance of the Russian Federation, and several other organisations.

The information on own funds of RDIF is published on the [RDIF website](#) [6] on a monthly basis, audited consolidated financial statement of RDIF and its affiliated companies are published on the [RDIF website](#) [6] on an annual basis (starting from accounts for 2015 and further on).

Due to the special status of the Fund (the Fund is appointed only for qualified investors), it cannot disclose all information in the public domain. The information on net value assets and other statistics related to the Fund can be disclosed to the supervisory authorities, the owner and counterparties provided that they meet criteria applicable for Qualified investors as per the Russian legislation.

Thus, other statistical data is sent directly to the authorised bodies and included in aggregate form into their reports.

## **Pillar 2 Institutional Framework and Governance Structure**

#### **Principle 6 Description:**

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

#### **Principle 6 Implementation:**

The investment policy of RDIF for managing the Fund is set out in the asset management rules which are binding upon RDIF.

Investment projects originated by investment directors are all subject to the approval of the RDIF Investment Committee and Executive Board or Supervisory Board.

RDIF is accountable to Rosimushchestvo as its sole shareholder.

RDIF as a Fund manager effects transactions with the Fund's assets through a special depository, as required by applicable law.

**Principle 7 Description:**

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

**Principle 7 Implementation:**

The mandate of RDIF as the Fund manager is to attract foreign investments into the Russian economy by inviting foreign investors to co-invest alongside RDIF.

RDIF's equity investment in any given project may not exceed 50% of the equity investment funded by one or more foreign investors in the same project.

The governing bodies of RDIF are the CEO, Investment Committee, Executive Board, Supervisory Board, all duly appointed in compliance with the Charter of RDIF approved by its sole shareholder, being Rosimushchestvo, and the Federal Law on Russian Direct Investment Fund.

Information on governing bodies is presented on the [RDIF website](#) [7].

The activities of RDIF are subject to audit by the Audit Chamber of Russia, which is a state authority overseeing operations of organizations administering federal budget funds, the Central Bank of the Russian Federation, which is a supervisory authority in the financial markets, by the Audit Commission of RDIF, by the special depository and other authorized bodies.

**Principle 8 Description:**

8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

**Principle 8 Implementation:**

As discussed in more detail under GAPP 1 and 7 above, RDIF governing bodies have essentially the same structure as any other fund manager in the Russian market, and the authorities of each body are clearly set out in the Charter of RDIF and the Federal Law on Russian Direct Investment Fund, with the CEO being responsible for the day-to-day management, the Executive Board and Investment Committee having approval rights, the Supervisory Board affecting supervision and having powers to approve certain actions deviating from the ordinary course and the sole shareholder being the supreme governing body.

**Principle 9 Description:**

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

**Principle 9 Implementation:**

The investment strategy and the purpose of the Fund are strictly governed by the relevant local and internal regulations.

Fund's investment activity is defined in the Asset management rules of the Fund, which are approved by the unit holder and registered by the Central Bank of the Russian Federation. In addition, the Fund has internal regulations which apply additional requirements to the Fund's operations.

The Fund has full independence in its operations and investment decisions provided that the activity is in compliance with above-mentioned regulations and rules.

As mentioned in GAPP 5, RDIF and the Fund have a sound system of reporting to the supervisory authorities and the owner.

**Principle 10 Description:**

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

**Principle 10 Implementation:**

RDIF accounting framework is described in RDIF accounting policy. Significant accounting policies of RDIF are also described in notes to RDIF financial statements.

RDIF prepares monthly, quarterly and annual reports in accordance with national standards and submits them to the Central Bank of the Russian Federation and several other organisations.

**Principle 11 Description:**

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

**Principle 11 Implementation:**

RDIF prepares two sets of financial statements: one in accordance with national accounting standards (on a monthly, quarterly and annual basis) and another in accordance with IFRS (on an annual basis) in a timely manner, both standards are applied in a consistent manner.

**Principle 12 Description:**

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

**Principle 12 Implementation:**

RDIF annual financial statements, prepared in accordance with national accounting standards and IFRS, and also the Fund annual financial statements, prepared in accordance with national accounting standards are audited by an internationally recognised firm selected on an annual basis from among "Big Four" firms.

**Principle 13 Description:**

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

**Principle 13 Implementation:**

RDIF has a number of policies to define the ethical norms and professional standards. The internal labour policy, Electronic Communication rules, Conflicts of Interest Policy, and a Code of Conduct to establish the sound guidance for employees related to the adopted ethical norms and professional standards.

**Principle 14 Description:**

14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

**Principle 14 Implementation:**

Fund's third-party dealings are based on economic and financial grounds. RDIF is wholly owned by Rosimushchestvo and therefore is subject to the local regulations on procurement, defined by the Federal Law "On procurement of goods and services". RDIF has its own procurement policy, which is published on the government website [8].

RDIF procurement procedure is open and is subject to the tender procedure, information about all RDIF needs is disclosed on the website [9].

**Principle 15 Description:**

15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

**Principle 15 Implementation:**

RDIF established internal procedures to ensure that its operations are in compliance with the host laws and regulations, the Internal controls rules and the Asset management rules are approved by the Central Bank of the Russian Federation. In addition to the said procedures, RDIF has an internal controller who is responsible for the supervision of the

RDIF activities. The Internal controller is independent and reports to the Supervisory board. In addition to the above, the Fund's investment transactions are subject to the special depository approval, which is empowered by law to hold Fund's assets and control the Fund's activity.

**Principle 16 Description:**

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

**Principle 16 Implementation:**

As discussed per GAPP 1 and 7, RDIF is operationally independent of the government, being a company with its own governing bodies.

RDIF has a common legal capacity like any other company in Russia, and like any other investment fund manager in Russia, it is regulated by the Federal Law on Investment Funds.

**Principle 17 Description:**

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

**Principle 17 Implementation:**

RDIF presents information required by law on its website <sup>[6]</sup> on a monthly basis. Due to the special status of the Fund (the Fund is appointed for the Qualified investors only), it cannot disclose all information in the public domain. The information on net value assets and other statistics related to the Fund can be disclosed to the supervisory authorities, the unit holder and counterparties provided that they meet criteria applicable for Qualified investors as per the Russian legislation.

## **Pillar 3**

### **Investment and Risk Management Framework**

**Principle 18 Description:**

18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

**Principle 18 Implementation:**

RDIF is operating under strict guidelines as defined by its investment policies and governing bodies. The investments are made on market terms.

The Fund has not used leverage at the Fund level. It is using leverage at the portfolio companies' level where appropriate in a conservative manner.

The Fund has not invested in other funds exclusively focusing on direct investing. It has been conducting its own full scope due diligence using the combination of in-house resources and third party advisers.

The information on the RDIF investment process can be found on the website in sections ([Invest with us](#) <sup>[10]</sup> and [Portfolio](#) <sup>[11]</sup>).

**Principle 19 Description:**

19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

**Principle 19 Implementation:**

RDIF's investment decisions are made and executed on purely arms' length basis *pari passu* with foreign co-investors. These interest aligning principles are strictly observed. The Fund's investment committee consists of experienced investment professionals.

The Fund's investment decisions are based exclusively on economic and financial considerations.

The Fund's asset management principles include transparency, avoidance of conflicts principles and ensure commercial best practices. RDIF manages Funds in compliance with the Asset management rules and internal regulations.

**Principle 20 Description:**

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

**Principle 20 Implementation:**

As discussed under GAPP 13 RDIF has a number of policies to define high ethical norms



and professional standards, inter alia, prohibiting using privileged information. In addition, RDIF has full independence in its operations and investment decisions provided that the activity complies with current legislation and internal regulations and rules. RDIF is subject to the same insider trading restrictions and prohibitions as any private entity in the market.

#### **Principle 21 Description:**

21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

#### **Principle 21 Implementation:**

RDIF exercises the voting rights in respect of its portfolio investments according to the established policy for voting securities, which is written in accordance with Asset Management Rules and the Law on Investment Funds. The said policy defines the general approach to voting based on the below core principles: good faith, rationality, good corporate governance and sound allocation of resources.

When voting securities of listed entities, we base our voting decisions on our overarching objective of maximising long-term shareholder value, as well as good corporate governance, transparency and respect for minority shareholder rights. The general approach is available on the RDIF [website](#) [6].

#### **Principle 22 Description:**

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

#### **Principle 22 Implementation:**

The Asset management rules and regulations of the Central Bank of the Russian Federation limit the Fund's ability to use high-risk instruments for investment purposes. These documents also define the risk parameters as well as the monitoring and reporting requirements for transactions to mitigate exposure. In addition to above, RDIF has a risk management policy.

The risk management policy specifically concentrates on investment, operational risks and risks related to management of RDIF's own assets.

The risk management policy contains methodology and approaches to risk assessment,

rules for risk monitoring, and risk management procedures. The general approach is available on the RDIF [website](#) [6].

**Principle 23 Description:**

23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

**Principle 23 Implementation:**

RDIF assesses the performance of its investments on a regular basis. Formal assessment is performed on a quarterly basis, portfolio company performance is analysed against historical data, budgets, internal valuation models and comparable companies (benchmarking based on the relevant KPIs and market KPIs (share performance, multiples, standard ratios)).

**Principle 24 Description:**

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

**Principle 24 Implementation:**

This is the second self-assessment of compliance with the Santiago Principles and it will be conducted biennially.

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**Source URL (modified on 2017-06-27 10:31):** <http://www.ifswf.org/assessment/rdif>

**Links**

[1] <http://www.ifswf.org/node/455>

[2] [http://rdif.ru/Eng\\_Index/](http://rdif.ru/Eng_Index/)

[3] <http://www.ifswf.org/assessments>

[4] <http://rdif.ru/>

[5] <http://rdif.ru/Rules>

[6] <http://rdif.ru/Rules/>

[7] [http://rdif.ru/Eng\\_About/](http://rdif.ru/Eng_About/)

[8] <http://zakupki.gov.ru/223/clause/public/order-clause/info/documents.html?clauseId=12977&clauseInfold=19401&versioned=&activeTab=1&epz>

[9] [http://zakupki.gov.ru/epz/order/quicksearch/update.html?\\_placeOfSearch=on&placeOfSearch=FZ\\_223&\\_p](http://zakupki.gov.ru/epz/order/quicksearch/update.html?_placeOfSearch=on&placeOfSearch=FZ_223&_p)

[10] [https://rdif.ru/Eng\\_Investment/](https://rdif.ru/Eng_Investment/)

[11] [http://rdif.ru/Eng\\_Portfolio/](http://rdif.ru/Eng_Portfolio/)