

Global Expansion of Russian Multinationals after the Crisis: Results of 2011

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The Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences, Moscow, and the Vale Columbia Center on Sustainable International Investment (VCC), a joint center of Columbia Law School and the Earth Institute at Columbia University in New York, are releasing the results of their third survey of Russian multinationals today.¹ The survey, conducted from November 2012 to February 2013, is part of a long-term study of the global expansion of emerging market non-financial multinational enterprises (MNEs).² The present report covers the period 2009-2011.

Highlights

Russia is one of the leading emerging markets in terms of outward foreign direct investments (FDI). Such a position is supported not by several multinational giants but by dozens of Russian MNEs in various industries. Foreign assets of the top 20 Russian non-financial MNEs grew every year covered by this report and reached US\$ 111 billion at the end of 2011 (Table 1).

Large Russian exporters usually use FDI in support of their foreign activities. As a result, oil and gas and steel companies with considerable exports are among the leading Russian MNEs. However, representatives of other industries also have significant foreign assets.

Many companies remained “regional” MNEs. As a result, more than 66% of the ranked companies’ foreign assets were in Europe and Central Asia, with 28% in former republics of the Soviet Union (Annex table 2). Due to the popularity of off-shore jurisdictions to Russian MNEs, some Caribbean islands and Cyprus attracted many Russian subsidiaries with low levels of foreign assets. Unfortunately, the majority of companies declined to report the exact numbers of their small subsidiaries.

¹ This report was prepared by Prof. Alexey Kuznetsov, Head of the Center for European Studies at the Institute of World Economy and International Relations (IMEMO) and a corresponding member of the Russian Academy of Sciences. Research assistance was provided by Anna Gutnik, a junior researcher of the Center.

² Known as the “Emerging Market Global Players” project (EMGP) and led internationally by the VCC. Financial firms are excluded as per the methodology of the EMGP project. It is not crucial for the Russian case because there are only a few Russian transnational banks. VTB and Sberbank have the largest networks abroad. For more information, see our previous report on Russia: IMEMO-VCC, “Investment from Russia stabilizes after the global crisis” (Moscow and New York, June 23, 2011), available at: <http://www.vcc.columbia.edu/content/emerging-market-global-players-project> (last visited Feb 21, 2013), pp. 10, 20.

Table 1. Russia: The top 20 non-financial multinationals, by foreign assets, 2011 (US\$ million)

| Rank | Name | One or two main industries | Status (% of state ownership) | Foreign assets |
|--------------|-------------------|---|-------------------------------|----------------|
| 1 | LUKOIL | Oil & gas extraction / refineries | Listed | 29,159 |
| 2 | Gazprom | Oil & gas extraction / gas distribution | Listed (State – 50.002%) | 21,767 |
| 3 | Evrast | Iron & steel / mining of metal ores and coals | Listed (only abroad) | 8,210 |
| 4 | Mechel | Iron & steel / mining of metal ores and coals | Listed | 6,365 |
| 5 | Sovcomflot | Sea transport | Unlisted (State – 100%) | 5,838 |
| 6 | Sistema | Conglomerate | Listed | 5,207 |
| 7 | Severstal | Iron & steel / mining of metal ores and coals | Listed | 5,194 |
| 8 | UC RUSAL | Non-ferrous metals / mining of metal ores | Listed | 4,611 |
| 9 | NLMK | Iron & steel / mining of metal ores | Listed | 4,226 |
| 10 | Atomredmet-zoloto | Mining of uranium ores | Unlisted (State – 100%) | 3,731 |
| 11 | TNK-BP | Oil & gas extraction / refineries | Listed | 2,940 |
| 12 | TMK | Metal tubes | Listed | 2,394 |
| 13 | MMK | Iron & steel / mining of metal ores and coals | Listed | 2,101 |
| 14 | Norilsk Nickel | Non-ferrous metals / mining of metal ores | Listed | 1,968 |
| 15 | Zarubezhneft | Oil extraction / refineries | Unlisted (State – 100%) | 1,834 |
| 16 | NordGold | Mining of gold ores | Listed (only abroad) | 1,695 |
| 17 | INTER RAO UES | Electricity production and supply | Listed (State – 60.2%) | 1,433 |
| 18 | Rosneft | Oil & gas extraction / refineries | Listed (State – 75.2%) | 1,045 |
| 19 | FESCO | Sea and railway transportation | Listed | 747 |
| 20 | Acron | Agrochemicals | Listed | 721 |
| Total | | | | 111,186 |

Source: IMEMO-VCC survey of Russian multinationals, 2013.

Foreign sales (including exports) of the top 20 Russian MNEs were almost US\$ 383 billion. Their foreign subsidiaries had 229,400 employees. Both foreign sales and foreign employment grew every year covered by this report.

There were no radical changes in the list over the 2009-2011 period. Similar to previous surveys, both state-controlled and private firms top the list. Resource-based multinationals continue to have a dominant presence in the ranking. However, not only oil & gas and metal companies, but also chemical, electricity and service companies are in our new top list.

Special topics in the current report are gender equality and corporate social responsibility. We found a great gender inequality on the board and in the top management. Only state-controlled Atomredmetzoloto and private UC RUSAL have a significant share of women in those roles. Seven out of 20 companies do not have women in their governing bodies (Annex figure 6). With respect to social and environmental responsibility, those issues appear to be ones on which Russian MNEs are only beginning to focus.

Profile of the top 20 multinationals

Changes in the list

Compared with our previous report based on 2009 data,³ there were several changes in the list. Some companies fell behind other more successful MNEs. For example, both Polyus Zoloto and OMZ fell off the list from their prior positions in 18th and 19th place, respectively. Further, problems with some

³ IMEMO-VCC, “Investment from Russia stabilizes after the global crisis,” op.cit.

foreign subsidiaries of metal companies during the crisis resulted in the fall of Severstal and Norilsk Nickel (from 4th and 6th place to 7th and 14th place, respectively). In the case of Severstal, an additional reason for its drop in the ranking is the company's reorganization, through which its gold segment became a separate company, NordGold.

VimpelCom's disappearance from the ranking has another cause. This telecommunications MNE merged with several large foreign companies in 2009 and 2010. During the reorganization of its structure, VimpelCom's headquarters were transferred from Moscow (Russia) to Amsterdam (the Netherlands). Currently, its Moscow office is responsible only for VimpelCom's activities within the Russian Federation. As a result, VimpelCom representatives declined to participate in our ranking of Russian MNEs twice (both in 2011 and in 2013).

The rise of UC RUSAL is attributed mainly to methodological issues: Until 2009, the company was part of the Basic Element conglomerate. In our previous report, therefore, some of RUSAL's foreign assets were not attributed to the company. In contrast to UC RUSAL's move in the rankings, the notable rise of Atomredmetzoloto, TNK-BP and Rosneft can be explained by their large acquisitions abroad (Annex table 4).

Transnationality Index (TNI)

The average TNI for the top 20 Russian MNEs is about 35-36%. It remains almost unchanged (Annex table 1a). However, it hides large variations among the TNI components (Table 2). While the share of foreign sales in total sales is 66%, the share of foreign assets in total assets is only 14%, and the share of foreign employment in total employment is roughly 15%. Partially, it is a statistical problem because geographical segments of a company's revenues are usually based not on the location of producers but on the location of customers. As a result, foreign sales data includes both sales of foreign subsidiaries (outside Russia) and exports of Russian subsidiaries of MNEs. Those gaps, nevertheless, may be narrowing: The share of foreign sales is decreasing because Russian MNEs are trying to supply their domestic market, indicating a more dynamic domestic market than the European Union (EU) and other traditional export markets. On the contrary, assets and employment components of the TNI are increasing as Russian companies continue their investment expansion abroad.

Sovcomflot and Zarubezhneft have the largest TNI, which can be traced to the fact that these companies have been aimed at foreign activities since the Soviet period (Annex table 1a). Zarubezhneft, however, has begun to develop its home-based oil business as well, causing its TNI to decrease. The same processes are taking place in INTER RAO UES. Although this company is developing its activities abroad, its home-based subsidiaries are growing faster and the company's TNI is consequently coming down. In this report, INTER RAO UES and Sistema (mostly known for its telecom subsidiary MTS) have the lowest TNIs.

MMK also has a small TNI. This large steel company only started its expansion abroad in 2007. Although MMK is in 13th place by foreign total assets and 12th place by foreign non-current assets, Evraz or Mechel, MNEs in the same industries as MMK, still lead by a very significant degree.

Main drivers of outward FDI

There have been no significant changes in main drivers of Russian outward FDI. The typical FDI motives of Russian multinationals, especially in mergers and acquisitions (M&As), are quests for markets and resources (Annex table 4). Their FDI can also be strategic-asset-seeking, especially for Russian machinery MNEs from the "second echelon" (outside our top list). For example, Borodino-

group acquired Jobs and some other Italian companies in 2007-2009 to strengthen its machine-tool division. Efficiency-seeking FDI is driving Russian MNEs' investments abroad only in a few countries where labor costs are lower than in Russia. Such FDI is more typical for mid-sized MNEs. For instance, the Russian leader of the clothing industry, Gloria Jeans, has built several workshops in Ukraine.

Russian MNEs' FDI can also be driven by the goal of building global reputations and brands, and by the need to insure against political risk. Russian owners of the largest MNEs are still under suspicion of developing new methods of capital flight.

Main industries

Oil & gas companies have strengthened their presence among Russian MNEs because this industry was affected by the global crisis less profoundly than, for instance, metal industries. However, steel and non-ferrous metals sectors are still important sources of Russian foreign assets (Annex figure 1). These industries represent the most active areas of Russian specialization in the world economy. Nevertheless, other Russian industries also have representatives among large MNEs.

The level of industrial diversification among Russian MNEs ranking from 21st to 40th is higher than that in the top 20 list. These firms (21st to 40th) encompass machinery companies (OMZ, Tractor Plants and Transmashholding) and producers of construction materials (Eurocement and Magnezit), in addition to many oil & gas, metal and transport companies. Some of these MNEs (e.g. Tatneft, Polymetal or Russian Railways) may jump into the top 20 list in several years because of their size at home and regular attempts to broaden FDI.

Geographical distribution of foreign assets

There is a large heterogeneity in the geographical priorities of the top 20 Russian MNEs. For example, almost all of MMK's foreign assets are concentrated in Turkey while more than two-thirds of Acron's foreign assets are located in China. Vietnam is a key country of Zarubezhneft's activities abroad; and the United States is the most important foreign country for Severstal's subsidiaries. Both Zarubezhneft and Severstal, however, have established significant subsidiaries in Europe and other regions (Annex table 2).

The largest Russian multinational, LUKOIL, demonstrates the most diversified geography. It has affiliates in more than 40 countries. Its oil & gas projects are situated in 14 countries abroad. LUKOIL also has refineries and petrochemical plants in seven foreign countries and widespread retail and service networks. Gazprom is in 2nd place both in terms of foreign assets and geographical diversification. Its FDI activities cover more than 30 countries.

In general, Russian multinationals prefer Europe and Central Asia (Annex figure 2). The most popular countries in the Commonwealth of Independent States (CIS) are Ukraine, Kazakhstan and Belarus. Germany, Italy, Bulgaria and Romania are among the most popular host countries in the EU. The United States is the most important recipient outside the neighboring regions of Russia. Three regions – South Asia, Developed Asia-Pacific, and Latin America and the Caribbean – remain those with the least FDI from Russian MNEs (only Sistema established affiliates in South Asia, for example, but its telecom subsidiary MTS met serious problems in India in 2012).

Head office locations

Most firms in the top 20 list have their head offices in Moscow due to the high concentration of political and financial activities in the Russian capital. Only four MNEs base their head offices in other towns. Three of those four companies have locations of official registration outside Moscow, but their main decision-making centers have migrated to the Russian capital as well (Annex figure 3). MMK is perhaps the most interesting case because its headquarters (in Magnitogorsk, a town of the Chelyabinsk region) are not located even in a regional capital. Magnitogorsk is, however, the site of MMK's key plant.

Ownership and management nationality

Despite a widespread belief in a crucial role of the state in the Russian economy, only six MNEs of the top 20 list are under state control. Moreover, three of them are listed on stock exchanges, although the state remains the majority owner. The largest Russian stock exchange, the Moscow Stock Exchange (RTS-MICEX), is a popular host for both state-owned and private companies in the top 20 list. Evraz and NordGold are the only publicly listed Russian MNEs in the ranking that are not on the Moscow Stock Exchange, preferring to list their shares on the London Stock Exchange (LSE). In total, twelve MNEs in the ranking are listed on the LSE; other foreign stock exchanges are less popular among Russian MNEs (Annex table 3).

Some private resource-based companies are politically connected through their owners' personal relations with the Kremlin, but their foreign activities seem to rarely be influenced by Russian economic diplomacy. For example, some EU experts used to name LUKOIL and some other private companies as "conformers" that frequently operated in line with Russia's official policies.⁴ However, there is room to question whether such experts provide any convincing arguments. Economic motives can generally be seen as drivers for all LUKOIL's key investment deals abroad.⁵

Nevertheless, the majority of Russian private MNEs are different from the typical Western MNEs in terms of ownership structure. Although the shares of all of these top companies are listed on Russian and/or leading global stock exchanges, none of their free-floats exceed 50%. In some companies, a key owner controls even more than 75% (e.g. Alexey Mordashov in Severstal, Vladimir Lisin in NLMK and Victor Rashnikov in MMK).

Russian principal owners usually keep MNEs under their tight control and all CEOs are Russian citizens. However, the presence of foreigners on governing bodies varies between firms, and is fairly widespread (Annex table 3).

The highest level of foreign citizens on the board and in top management was in TNK-BP, which was the only Russian multinational in the list with a foreign co-owner. The company was established in 2003 after a merger between TNK and Russian subsidiaries of British BP. Through the merger, British BP received 50% of TNK-BP's shares. The rest were under control of three Russian business groups (Alfa, Access Industries and RENOVA). After being listed on RTS-MICEX in December 2010, approximately 5% of its shares were freely floating. Some conflicts arose between British and Russian shareholders. At the end of 2012, Rosneft began the purchase of the company. In March

⁴ See, for example: Peeter Vahtra & Kari Liuhto, "Expansion or Exodus? – Foreign Operations of Russia's Largest Corporations," 8 *Electronic Publications of Pan-European Institute*, (2004), pp. 94-95, available at: http://www3.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Vahtra_Liuhto_82004.pdf (last visited March 29, 2013).

⁵ Deloitte. *Russian Multinationals: New Players in the Global Economy*. Moscow, 2008, pp. 33-37, available at: http://www.deloitte.com/assets/Dcom-Russia/Local%20Assets/Documents/ru_Russian_Multinationals_en_230608.pdf (last visited April 5, 2013).

2013, TNK-BP came under full control of Rosneft. This deal will evidently alter the foreign/domestic composition of the board and top management of TNK-BP.

Gender inequality on the board and in top management

There is notable gender inequality on the board and in the top management of the top 20 Russian MNEs. The percentage of women on boards is only 5%, and their share in top management is 8%. Only state-controlled Atomredmetzoloto and private UC RUSAL have a significant female representation on the board and in management, relative to other Russian MNEs. For example, a woman is one of five board members of Atomredmetzoloto and two women are among eight representatives in the company's top management. Two women are executive directors of UC RUSAL and, as a result, are members of both its board and top management. One of RUSAL's non-executive directors and its director for human resources are also women. In contrast, seven companies do not have any women in their governing bodies (Annex figure 6). These figures do not seem to depend on the MNEs' ownership structure or their industries.

Women have a greater presence in middle management. For example, women's share in the middle management of TNK-BP was 16% but there were no women on its board or in its top management at the end of 2011. In Norilsk Nickel, women's share in middle management was 27% but there were no women in its top management and the percentage of females on its board was 15%. Women in Russian MNEs tend to be in positions in public relations, accounting, human resources and legal affairs. For instance, women are chief accountants in LUKOIL, Gazprom, Mechel, NLMK, Atomredmetzoloto and several others of the top 20 Russian MNEs.

Corporate social responsibility

Based on their reports of corporate social responsibility (CSR) (Annex table 6), the majority of Russian multinationals began to develop activities in social and environmental performance only recently, and practice currently seems to vary in terms of the attention given to the issue. For example, fully state-owned Sovcomflot and Zarubezhneft do not report any information about their CSR activities. Seven MNEs from the top 20 list have separate sections for CSR activities on their websites and also usually publish relevant special chapters in annual reports. However, only 11 companies publish special reports dedicated to CSR. Seven of those MNEs publish their CSR reports annually, while the other four do so less frequently.

In terms of content, there appear to be several types of such reports – social reports, environmental reports, sustainability reports, sustainability reports for Russia, sustainability and environmental responsibility reports and CSR reports. For example, LUKOIL stresses in its sustainability reports the company's success with high-quality products and services and describes its social policy in detail. Information on environmental protection is rather short. In contrast, Gazprom uses environmental reports to present information on its different ecological measures, and then addresses the issue of social responsibility separately on its website (without special annual reports). When addressing environmental issues, Russian MNEs usually explain their corporate systems of environmental protection, describe the most significant ecological investments and present information about the introduction of international standards. Some also demonstrate statistics of air, water and soil pollution, especially in the case of reducing emissions.

As in terms of content, the structure of CSR reports also varies between companies, and has changed within companies over time. For example, Rosneft changed the whole structure of its sustainability report in 2011. It gave up its thematic structure (innovation; health, safety and environment;

employees; society; etc.) by introducing two main areas of focus: company performance and company activities in its regions of operations.

Drivers for the CSR activities of Russian multinationals include legal requirements and market competition for eco-friendly customers. For instance, some metal companies spend more than 1% of their revenues for CSR activities (Annex table 6a) because steel and non-ferrous industries are among main polluters. However, the largest oil and gas multinationals are Russian leaders in terms of investment in environmental protection because of the companies' size. In 2011, Gazprom spent US\$ 764 million and LUKOIL spent US\$ 700 million, although in each case that sum was only 0.5% of company revenue. Norilsk Nickel was in 3rd place with US\$ 413 million (2.9% of its revenues).

It is important to mention that Russian multinationals translate their reports into English. It is an indirect argument for the hypothesis that Russian companies understand the importance of their sustainability ideology for their success in the global arena. At the same time, only a few CSR reports of Russian MNEs are reviewed by special auditors (e.g. TNK-BP by PricewaterhouseCoopers and UC RUSAL by KPMG) or other third parties (e.g. LUKOIL and Norilsk Nickel by the Russian Union of Industrialists and Entrepreneurs).

Top M&A deals versus greenfield FDI

The growth of Russian assets abroad was powered predominantly by cross-border acquisitions (Annex table 4). During the global crisis, this pattern became more evident. There were no new Russian greenfield FDI projects above the size of US\$ 60 million over the period of 2009-2011 (Annex table 5). However, some projects in the steel industry that were launched before 2009 were finished during the 2009-2011 period. The MMK steel plant in Turkey was the largest one. It received more than US\$ 2 billion during 2008-2011.

Most Russian companies tend to prefer to merge with established companies or to acquire relatively inexpensive old plants. For example, acquisitions of refineries in Europe by Rosneft and LUKOIL, and mergers of mines or steel plants by Mechel and NLMK all fall into this category (Annex table 4). Outside the CIS, the most significant exceptions (i.e. greenfield transactions) are connected with construction of gas storage facilities by Gazprom in Germany and Austria (Annex table 5).

Changes in foreign assets, sales and employment

The top 20 MNEs as a group showed steady growth in foreign assets. Some of those MNEs significantly expanded their activities abroad. Most of the top 20 are large exporters. In the post-crisis period, their foreign sales have begun to grow again, although their sales still concentrate in the domestic market (Table 2).

The Russian MNEs that we surveyed generally preferred not to disclose detailed employment figures. Nevertheless, our survey has helped to identify some trends in employment. In particular, many Russian companies continue to close some Russian operations even after the crisis but retain most of their employees abroad. As Table 2 indicates, although total employment of the top 20 MNEs has been falling steadily over the 2009-2011 period, their foreign employment rose rather significantly in 2011. This phenomenon may be driven by multiple factors: increasing internationalization of Russian MNEs, greater productivity of EU and US workforce (i.e. workforce reduction can be more important for Russia due to modernization of plants), and a greater interest of Russian oligarchs to promote their image abroad.

Table 2. Russia: Snapshot of the top 20 multinationals, 2009-2011 (US\$ million and thousands of employees)

| Variable | 2009 | 2010 | 2011 | % change, 2009-2011 |
|---|---------|---------|---------|---------------------|
| Assets | | | | |
| Foreign | 87,821 | 97,660 | 111,186 | + 26.6 |
| Russian | 583,747 | 635,571 | 683,172 | + 17.0 |
| Total | 671,568 | 733,231 | 794,358 | + 18.3 |
| Share of foreign in total (%) | 13.1 | 13.3 | 14.0 | |
| <i>Memorandum: foreign assets of the top 20 multinationals of corresponding years^a</i> | 91,963 | 98,155 | 111,186 | + 20.9 |
| Sales | | | | |
| Foreign (including exports) | 246,888 | 303,586 | 382,804 | + 55.1 |
| Russian | 97,933 | 156,108 | 195,175 | + 99.3 |
| Total | 344,821 | 459,694 | 577,979 | + 67.6 |
| Share of foreign in total (%) | 71.6 | 66.0 | 66.2 | |
| Employment | | | | |
| Foreign | 214.4 | 214.1 | 229.4 | + 7.0 |
| Russian | 1384.5 | 1370.6 | 1357.6 | - 1.9 |
| Total | 1598.9 | 1584.7 | 1587.0 | - 0.7 |
| Share of foreign in total (%) | 13.4 | 13.5 | 14.5 | |

Source: IMEMO-VCC survey of Russian multinationals, 2013.

^a NordGold became a separate firm only in 2011, while MMK climbed into the top 20 list in 2010 and Rosneft in 2011. Three other companies left the top 20 list. In 2010 VimpelCom's head office was transferred from Russia to the Netherlands, OMZ left the top 20 list in 2010 and PolyusZoloto in 2011.

Big picture

During the global economic crisis, Russia was firmly anchored on the list of the largest 15 outward investors.⁶ Although there was a significant decline at the end of 2008, the country's FDI outflows recovered in 2010 (Annex figure 4). Most Russian MNEs have overcome the negative impact of the financial crisis (Annex figure 5). Among the emerging markets, only China has a comparable scale of outward FDI stocks.⁷ Nevertheless, there have been no Russian MNEs in the list of the world's top 100 non-financial MNEs, although Chinese, Brazilian and Mexican multinationals can be found on that list.⁸

On the one hand, the absence of Russian firms on the list of the world's top MNEs is a result of the Russian outward FDI structure, as round-tripping FDI and investments in real estate abroad play a very significant role. Indeed, round-tripping FDI via Cyprus, the Caribbean and some other off-shores increases formal FDI figures of the Bank of Russia but does not influence real foreign assets statistics. As for investments in real estate, Russian citizens hold the majority of such FDI while the share of Russian MNEs is relatively small.⁹

⁶ UNCTAD, *World Investment Report 2012*, (New York and Geneva: United Nations, 2012), Web table 04, available at: http://www.unctad.org/Sections/dite_dir/docs/WIR12_webtab04.xls (last visited March 29, 2013).

⁷ UNCTADStat, Inward and Outward FDI Stock, annual, 1980-2011, database available at: <http://unctadstat.unctad.org/TableViewer/tableView.aspx> (last visited April 4, 2013).

⁸ UNCTAD, *World Investment Report 2012*, Web table 28, available at: http://www.unctad.org/Sections/dite_dir/docs/WIR12_webtab28.xls (last visited March 29, 2013).

⁹ Alexey Kuznetsov, "Outward FDI from Russia and its policy context, update 2011," *Columbia FDI Profiles* (August 2, 2011), p. 2, available at: <http://www.vcc.columbia.edu/content/columbia-fdi-profiles> (last visited Feb 24, 2013).

On the other hand, the apparent lack of proportion between Russian FDI volumes and MNEs' sizes reflect the main features of Russian companies' internationalization. In contrast to other emerging markets, a number of Russian companies have become relatively large multinationals in various industries. A comparison between Russia and Mexico, two countries in which the total values of the 20 top MNEs' foreign assets are similar (US\$ 111.2 billion and US\$ 128.6 billion, respectively), illustrates this point.¹⁰ The share of LUKOIL among the top 20 Russian non-financial multinationals is about 26% while the leading Mexican MNE (America Movil) has more than 39% of the foreign assets of the top 20 Mexican non-financial multinationals. The share of three Russian leading multinationals (LUKOIL, Gazprom and Evraz) among the top 20 Russian MNEs is 53% (Table 1). In comparison, three Mexican leaders together (America Movil, CEMEX and Grupo Femsas) control almost 74% of the top 20 Mexican MNEs' foreign assets.¹¹ Further, while Russia's LUKOIL is not among the list of the top 100 non-financial MNEs in the world, Mexico's CEMEX is in that ranking.

Russian MNEs' comparative advantages and their motives for and means of outward FDI demonstrate some diversity. One may draw from the ranking a diverse typology of the Russian MNEs that includes the following:

- 1) Large companies with strong firm-specific advantages (FSAs) in terms of global brands and technology (e.g. LUKOIL, Evraz, Mechel and Severstal);
- 2) Large companies (usually state-controlled) with limited FSAs but strong traditional economic and supposed political ties between Russia and their host regions (e.g. Gazprom, Zarubezhneft, INTER RAO UES and Rosneft);
- 3) Large companies with few foreign subsidiaries (e.g. MMK and Acron, as well as OMZ or EuroChem, which were included in our previous report);
- 4) Mid-sized companies with global competitiveness in niche areas (e.g. different Russian IT companies, such as Laboratory Kaspersky and Luxoft, which, due to the specific characteristics of their industries, do not need large foreign assets for their successful investment expansion abroad);
- 5) Companies with limited but growing competitiveness, which are only beginning their investment expansion abroad (and which might join the list of top Russian MNEs in several years).

Prospects of Russian FDI activities abroad are connected not only with internationalization of Russian companies but also with developments in post-Soviet regional integration. The official CIS countries' statistics (issued by central banks or state statistical committees) clearly reflect the "neighborhood effect" in FDI geography. Abolition of trade barriers (mainly for resource-seeking FDI) and regulations within the newly established Customs Union of Russia and its neighbors may further accelerate FDI flows in Eastern Europe and Central Asia¹².

President Putin's initiative in pursuing this regional integration is a rare example of government measures to facilitate more comprehensive support of Russian outward FDI. Outside the CIS, the Russian government has tended to promote and protect only a few dozen existing Russian MNEs,

¹⁰ IIEc and VCC, "Taking Advantage of the Crisis: The Performance of Mexican Multinationals During 2011" (Mexico City and New York, Jan. 11, 2013), available at: http://www.vcc.columbia.edu/files/vale/documents/EMGP_-_Mexico_Report_-_January_11_2013_-_FINAL_0.pdf (last visited April 4, 2013), p. 2.

¹¹ Jorge Basave Kunhardt and Maria Teresa Gutierrez-Haces, IIEc-VCC, "Taking Advantage of the Crisis: The Performance of Mexican Multinationals during 2011" (New York, 2013), available at: <http://www.vcc.columbia.edu/content/emerging-market-global-players-project> (last visited Feb 24, 2013).

¹² Alexey V. Kuznetsov, "Monitoring Mutual Investments in CIS Countries," *Eurasian Integration Yearbook* (Almaty: Eurasian Development Bank, 2012), pp. 129-149.

while not similarly stimulating the ventures abroad of hundreds of other Russian companies. Although this pattern may be a sign of traditional megalomania in Russian policy, there were some signs of shifts in experts' and politicians' discussions in 2011 and 2012, which seemed to support increased assistance for FDI by a broader range of Russian MNEs. Nevertheless, existing mechanisms still do not produce real incentives for Russian mid-sized MNEs to engage in FDI.

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Emerging Markets Global Players (EMGP) Project

The IMEMO ranking of Russian multinationals was prepared in the framework of the Emerging Market Global Players (EMGP) Project, an international collaborative effort led by the Vale Columbia Center on Sustainable International Investment. It brings together researchers on FDI from leading institutions in emerging markets to generate annual reports on the leading multinationals in each participating country. Since 2007, reports have been published on 14 countries: Argentina, Brazil, Chile, China, Hungary, India, Israel, Republic of Korea, Mexico, Poland, Russia, Slovenia, Taiwan and Turkey. For further information, visit: <http://www.vcc.columbia.edu/content/emerging-market-global-players-project>.

Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences

The Institute of World Economy and International Relations (IMEMO) was established in 1956 as a successor to the Institute of World Economy and Politics, which had existed from 1925 to 1948. It is the leading Russian research center in the field of world development and one of the world's leading think tanks focusing on public policy, economics, social issues, security and ecology. The Institute is a non-profit organization that acts within the Charter of the Russian Academy of Sciences. For many years, research carried out by IMEMO has served as a reliable basis for political decision-making. At the same time, IMEMO takes an independent and uncommitted position in its research. The Institute employs approximately 400 researchers, including several members of the Russian Academy of Sciences and more than 260 Professors and Ph.D.s. IMEMO has two dozen research centers and departments, including the Center for Industrial and Investment Studies, the Center for European Studies, the Center for Research in Transitional Economies, et al. Since December 2006, the Institute

has been directed by Academician and professor of economics Alexander Dynkin. For more information, see <http://www.imemo.ru>.

Vale Columbia Center on Sustainable International Investment

The Vale Columbia Center on Sustainable International Investment (VCC), a joint center of Columbia Law School and the Earth Institute at Columbia University, is a leading forum for discussion by scholars, policy makers, development advocates, practitioners, and other stakeholders of issues related to FDI in the global economy, paying special attention to the impact of this investment on sustainable development. The VCC bridges education, scholarship and practice in the field of sustainable investment. Its objectives are to analyze important topical policy-oriented issues related to investment and to develop and disseminate practical approaches and solutions to promote development outcomes. For more information, visit <http://www.vcc.columbia.edu>.

Annex I. Tables and figures

Annex table 1. Russia: The top 20 multinationals: Key variables, 2011 (US\$ million, thousands of employees and %)

(Ranked by foreign assets)

| Rank | Name | Assets | | Sales | | Employment | | TNI ^a |
|------|-------------------------|---------|---------|---------|---------|------------|-------|------------------|
| | | Foreign | Total | Foreign | Total | Foreign | Total | |
| 1 | LUKOIL | 29,159 | 91,192 | 108,976 | 133,650 | 26 | 120 | 45 |
| 2 | Gazprom | 21,767 | 338,531 | 95,317 | 144,009 | 26 | 404 | 26 |
| 3 | Evrast | 8,210 | 16,975 | 9,768 | 16,400 | 86 | 112 | 62 |
| 4 | Mechel | 6,365 | 19,306 | 6,819 | 12,546 | 12 | 97 | 33 |
| 5 | Sovcomflot | 5,838 | 6,739 | 1,247 | 1,439 | 3 | 5 | 79 |
| 6 | Sistema | 5,207 | 43,902 | 2,512 | 32,452 | 16 | 143 | 10 |
| 7 | Severstal | 5,194 | 15,230 | 8,336 | 15,812 | 3 | 70 | 30 |
| 8 | UC RUSAL | 4,611 | 25,345 | 9,706 | 12,291 | 7 | 72 | 36 |
| 9 | NLMK | 4,226 | 17,257 | 7,266 | 11,729 | 9 | 60 | 34 |
| 10 | Atomredmet-zoloto | 3,731 | 6,982 | 407 | 1,382 | 2 | 13 | 33 |
| 11 | TNK-BP | 2,940 | 37,072 | 43,828 | 60,199 | 6 | 50 | 31 |
| 12 | TMK | 2,394 | 7,132 | 2,683 | 6,754 | 5 | 46 | 28 |
| 13 | MMK | 2,101 | 16,295 | 1,950 | 9,306 | 2 | 59 | 12 |
| 14 | Norilsk Nickel | 1,968 | 18,917 | 11,997 | 14,122 | 2 | 81 | 33 |
| 15 | Zarubezhneft | 1,834 | 3,464 | 573 | 1,078 | 10 | 13 | 62 |
| 16 | NordGold | 1,695 | 2,648 | 639 | 1,182 | 4 | 10 | 53 |
| 17 | INTER RAO UES | 1,433 | 16,519 | 2,029 | 16,654 | 4 | 47 | 10 |
| 18 | Rosneft | 1,045 | 104,876 | 66,988 | 83,913 | 3 | 168 | 28 |
| 19 | FESCO | 747 | 2,333 | 50 | 1,029 | 1 | 2 | 29 |
| 20 | Acron | 721 | 3,643 | 1,713 | 2,032 | 3 | 14 | 42 |
| | Total (average for TNI) | 111,186 | 794,358 | 382,804 | 577,979 | 229 | 1587 | 36 |

Source: IMEMO-VCC survey of Russian multinationals, 2013.

^a The *Transnationality Index* (TNI) is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales (including exports) to total sales and foreign employment to total employment. TNI is expressed as a percentage.

Annex table 1a. Russia: The top 20 multinationals: Dynamics of TNI^a and foreign total and non-current assets, 2009-2011 (% and US\$ million)

(Ranked by foreign total assets in 2011)

| Rank | Name | TNI | | | Foreign total assets | | | Foreign non-current assets | | |
|------------------------------------|-------------------|------|------|------|----------------------|--------|---------|----------------------------|--------|--------|
| | | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| 1 | LUKOIL | 44.5 | 44.7 | 45.0 | 25,613 | 24,357 | 29,159 | 19,831 | 18,380 | 21,636 |
| 2 | Gazprom | 27.4 | 25.5 | 26.3 | 12,150 | 18,080 | 21,767 | 9,701 | 14,427 | 17,294 |
| 3 | Evrast | 66.8 | 64.3 | 61.6 | 8,898 | 8,746 | 8,210 | 6,701 | 6,402 | 5,913 |
| 4 | Mechel | 34.1 | 32.5 | 33.2 | 5,162 | 5,757 | 6,365 | 4,190 | 4,228 | 4,363 |
| 5 | Sovcomflot | 78.3 | 78.3 | 79.1 | 5,244 | 5,650 | 5,838 | 4,736 | 4,915 | 5,216 |
| 6 | Sistema | 13.7 | 12.3 | 10.3 | 6,422 | 6,383 | 5,207 | 4,331 | 4,098 | 3,373 |
| 7 | Severstal | 39.4 | 31.3 | 30.4 | 8,412 | 6,024 | 5,194 | 5,649 | 3,006 | 3,558 |
| 8 | UC RUSAL | 35.5 | 35.6 | 35.6 | 3,802 | 4,732 | 4,611 | 3,225 | 4,022 | 3,757 |
| 9 | NLMK | 24.7 | 23.5 | 33.5 | 610 | 653 | 4,226 | 421 | 460 | 2,878 |
| 10 | Atomredmet-zoloto | 8.6 | 23.0 | 33.4 | 598 | 3,008 | 3,731 | 501 | 2,537 | 3,111 |
| 11 | TNK-BP | 29.6 | 29.1 | 30.6 | 392 | 736 | 2,940 | 296 | 558 | 2,266 |
| 12 | TMK | 26.6 | 26.9 | 27.7 | 2,282 | 2,314 | 2,394 | 1,652 | 1,534 | 1,562 |
| 13 | MMK | 13.0 | 11.1 | 12.2 | 277 | 1,475 | 2,101 | 232 | 1,212 | 1,680 |
| 14 | Norilsk Nickel | 37.1 | 35.2 | 32.7 | 3,180 | 3,798 | 1,968 | 2,005 | 1,737 | 1,284 |
| 15 | Zarubezhneft | 82.8 | 68.1 | 62.0 | 1,934 | 1,803 | 1,834 | 1,220 | 1,335 | 1,415 |
| 16 | NordGold | 36.1 | 49.7 | 53.0 | 661 | 1,593 | 1,695 | 467 | 1,254 | 1,274 |
| 17 | INTER RAO UES | 22.4 | 11.3 | 9.8 | 826 | 1,096 | 1,433 | 731 | 716 | 943 |
| 18 | Rosneft | 26.0 | 26.0 | 27.5 | 300 | 300 | 1,045 | 225 | 225 | 722 |
| 19 | FESCO | 27.3 | 30.0 | 29.0 | 710 | 808 | 747 | 615 | 524 | 602 |
| 20 | Acron | 37.8 | 38.9 | 41.7 | 348 | 347 | 721 | 271 | 267 | 499 |
| Average for TNI / Total for assets | | 35.6 | 34.9 | 35.7 | 87,821 | 97,660 | 111,186 | 67,000 | 71,837 | 83,346 |

Source: IMEMO-VCC survey of Russian multinationals, 2013.

^a The *Transnationality Index* (TNI) is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales (including exports) to total sales and foreign employment to total employment. TNI is expressed as a percentage.

Annex table 2. Russia: The top 20 multinationals: Regional distribution of foreign assets^a, 2011 (%)

(Ranked by foreign total assets in 2011)

| Rank | Name | Middle East & North Africa | Sub-Saharan Africa | East Asia & the Pacific | South Asia | Developed Asia-Pacific | Eastern Europe & Central Asia | Other Europe | Latin America & the Caribbean | North America |
|---------|-------------------|----------------------------|--------------------|-------------------------|------------|------------------------|-------------------------------|--------------|-------------------------------|---------------|
| 1 | LUKOIL | 4 | 2 | 0 | 0 | 0 | 37 | 50 | 0 | 7 |
| 2 | Gazprom | 0 | 0 | 0 | 0 | 0 | 33 | 67 | 0 | 0 |
| 3 | Evrz | 0 | 10 | 0 | 0 | 0 | 13 | 8 | 0 | 70 |
| 4 | Mechel | 0 | 0 | 0 | 0 | 0 | 40 | 8 | 0 | 52 |
| 5 | Sovcomflot | 0 | 20 | 20 | 0 | 0 | 0 | 60 | 0 | 0 |
| 6 | Sistema | 5 | 0 | 0 | 21 | 0 | 66 | 8 | 0 | 0 |
| 7 | Severstal | 0 | 8 | 0 | 0 | 0 | 2 | 4 | 0 | 86 |
| 8 | UC RUSAL | 0 | 18 | 0 | 0 | 0 | 9 | 66 | 7 | 0 |
| 9 | NLMK | 0 | 0 | 0 | 0 | 0 | 0 | 67 | 0 | 33 |
| 10 | Atomredmet-zoloto | 0 | 14 | 0 | 0 | 1 | 73 | 0 | 0 | 12 |
| 11 | TNK-BP | 0 | 0 | 35 | 0 | 0 | 23 | 0 | 42 | 0 |
| 12 | TMK | 0 | 0 | 0 | 0 | 0 | 1 | 17 | 0 | 82 |
| 13 | MMK | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | Norilsk Nickel | 0 | 38 | 0 | 0 | 40 | 0 | 22 | 0 | 0 |
| 15 | Zarubezhneft | 0 | 0 | 72 | 0 | 0 | 0 | 25 | 3 | 0 |
| 16 | NordGold | 0 | 77 | 0 | 0 | 0 | 23 | 0 | 0 | 0 |
| 17 | INTER RAO UES | 0 | 0 | 0 | 0 | 0 | 95 | 5 | 0 | 0 |
| 18 | Rosneft | 10 | 0 | 0 | 0 | 0 | 19 | 71 | 0 | 0 |
| 19 | FESCO | 0 | 0 | 47 | 0 | 3 | 0 | 47 | 0 | 3 |
| 20 | Acron | 0 | 0 | 70 | 0 | 0 | 0 | 25 | 0 | 6 |
| Average | | 3 | 6 | 4 | 1 | 1 | 28 | 39 | 1 | 17 |

Source: IMEMO-VCC survey of Russian multinationals, 2013.

^a The majority of companies refused to answer a question on regional distribution of subsidiaries (probably, because of a large share of small subsidiaries in off-shore jurisdictions). Instead of estimating the *Regionality Index* very roughly, we calculated figures for regional distribution of their foreign assets.

Annex table 3. Russia: The top 20 multinationals: Stock exchange listing, etc., end of 2011

(Ranked by foreign total assets in 2011)

| Rank | Name | Domestic stock exchanges | Foreign stock exchanges | Foreigners on board, % | Foreigners in top management, % | CEO nationality | Year of first subsidiary establishment (excluding trade and finance firms) |
|------|------------------|--------------------------|---|------------------------|---------------------------------|-----------------|--|
| 1 | LUKOIL | RTS-MICEX ^a | LSE ^b , FSE ^c , US OTC ^d | 36 | 0 | Russian | 1994 |
| 2 | Gazprom | RTS-MICEX | LSE, FSE | 9 | 0 | Russian | 1994 |
| 3 | Evraz | – | LSE | 50 | 12 | Russian | 2005 |
| 4 | Mechel | RTS-MICEX | NYSE ^e | 25 | 0 | Russian | 2002 |
| 5 | Sovcomflot | – | – | 22 | 27 | Russian | 1992 |
| 6 | Sistema | RTS-MICEX | LSE | 33 | 13 | Russian | 2002 |
| 7 | Severstal | RTS-MICEX | LSE | 50 | 0 | Russian | 2004 |
| 8 | UC RUSAL | RTS-MICEX | Hong Kong Stock Exchange, NYSE | 32 | 5 | Russian | 1999 (its previously separate part – 1994) |
| 9 | NLMK | RTS-MICEX | LSE | 44 | 0 | Russian | 2006 (in fact – 2002) |
| 10 | Atomredmetzoloto | – | – | 0 | 0 | Russian | 2003 |
| 11 | TNK-BP | RTS-MICEX | – | 73 | 50 | Russian | 2000 |
| 12 | TMK | RTS-MICEX | LSE, US OTC | 20 | 0 | Russian | 2006 (in fact – 2002) |
| 13 | MMK | RTS-MICEX | LSE | 40 | 0 | Russian | 2007 |
| 14 | Norilsk Nickel | RTS-MICEX | LSE, OTC Börse Berlin, US OTC | 38 | 0 | Russian | 2003 |
| 15 | Zarubezhneft | – | – | 14 | 0 | Russian | 2002 (in fact – 1981) |
| 16 | NordGold | – | LSE (since Jan. 2012) | 50 | 11 | Russian | 2007 (within Severstal) |
| 17 | INTER RAO UES | RTS-MICEX | – | 0 | 0 | Russian | 2003 |
| 18 | Rosneft | RTS-MICEX | LSE | 22 | 0 | Russian | 2001 |
| 19 | FESCO | RTS-MICEX | – | 33 | 0 | Russian | 1995 |
| 20 | Acron | RTS-MICEX | LSE | 0 | 0 | Russian | 2005 |

Source: IMEMO-VCC survey of Russian multinationals, 2013.

^a Moscow Stock Exchange was established on December 19, 2011 by merging “Russian Trading System” and “Moscow Interbank Currency Exchange”

^b London Stock Exchange

^c Frankfurt Stock Exchange (Deutsche Börse)

^d Over-the-Counter systems (OTCQX, etc.)

^e NYSE = New York Stock Exchange; it is merged with Euronext, Paris

Annex table 4. Russia: The top 10 outward M&A transactions^a, 2009-2011

| Rank | Year of acquisition | Acquirer name | Target name | Target industry | Target country | Value, US\$ million | % of shares |
|--------------|---------------------|-------------------|---------------------|-----------------------------|---|---------------------|----------------|
| 1 | 2009 | Gazprom | Beltransgaz | Pipelines | Belarus | 625 | 12.5 |
| | 2011 | | | | | 2,500 | 50.0 |
| 2 | 2011 | Rosneft | Ruhr Oel | Refineries | Germany | 1,600 | 51.0 |
| 3 | 2009 | LUKOIL | Lukarco | Oil & gas fields | Netherlands (assets in Kazakhstan) | 1,599 | 46.0 |
| 4 | 2009 | Mechel | BCG | Coal mines | United States | 1,447 | 100 |
| 5 | 2010-2011 | TNK-BP | Several BP projects | Oil & gas fields | Venezuela | 935 | less than 40.0 |
| 6 | 2011 | Atomred-metzoloto | Mantra Resources | Uranium mines | Australia (assets in Tanzania) | 920 | 100 |
| 7 | 2010-2011 | TNK-BP | Bloc 06.1 | Oil & gas fields, pipelines | Vietnam | 836 | 35.0 |
| 8 | 2009 | LUKOIL | TRN | Refinery | Netherlands | 725 | 45.0 |
| 9 | 2010 | Atomred-metzoloto | Uranium One | Uranium mines | Canada (assets in Kazakhstan and Australia) | 693 | 31.5 |
| 10 | 2011 | NLMK | CIF | Steel plants | Luxembourg (assets in the EU and United States) | 600 | 50.0 |
| Total | | | | | | 12,480 | |

Source: Thomson ONE Banker, Thomson Reuters and information from financial reports of MNEs.

^a Excluding deals with re-purchased assets (e.g. 21% of MOL by Surgutneftegas).

Annex table 5. Russia: The top 5 greenfield projects abroad, 2009-2011

| Year of start | Company | Target country | Target industry | Project | Value of investment at the end of 2011, US\$ million |
|---------------|---------|-----------------------|-----------------|------------------------------------|--|
| 2009 | Gazprom | Austria | Gas supply | Second part of gas holder Haidach | 55 |
| 2009 | UTair | Ukraine | Transport | Airlines from Lugansk and Kiev | 50 |
| 2009 | Rosneft | Abkhazia ^a | Oil exploration | New subsidiary "RN-Shelf Abkhazia" | 46 |
| 2011 | Evrz | Kazakhstan | Steel | 65% in the plant in Kostanay | 40 |
| 2009 | Gazprom | Germany | Gas supply | Gas holder Schweinrich | 30 |

Source: IMEMO-VCC survey of Russian multinationals, 2013 (we explain why we use our own figures instead of fDi Intelligence, a service from the Financial Times Ltd., with their numerous mistakes in: Alexey V. Kuznetsov (ed.), "Monitoring of Mutual Investments in the CIS" *Centre for Integration Studies of Eurasian Development Bank Reports*, No. 6 (2012), pp. 40-41)

^a During 2008-2011, Abkhazia was recognized as an independent state only by six UN members (Russia, Nicaragua, Venezuela, Nauru, Vanuatu and Tuvalu).

Annex table 6. Russia: The top 20 multinationals: Corporate social responsibility reports

| Rank | Name | Type of special report | Year of first report issue |
|------|------------------|--|----------------------------|
| 1 | LUKOIL | Every two years sustainability reports for Russia | 2005 |
| 2 | Gazprom | Annual environmental reports | 2001 |
| 3 | Evrast | Only special information in Internet or annual reports | – |
| 4 | Mechel | Only special information in Internet or annual reports | – |
| 5 | Sovcomflot | No special information | – |
| 6 | Sistema | Annual social reports | 2006 |
| 7 | Severstal | Social report in 2010 | 2010 |
| 8 | UC RUSAL | Social reports in 2007 and 2008 and sustainability report in 2010 | 2007 |
| 9 | NLMK | Annual social reports | 2006 |
| 10 | Atomredmetzoloto | Only special information in Internet or annual reports | – |
| 11 | TNK-BP | Annual sustainability reports | 2008 |
| 12 | TMK | Only special information in Internet or annual reports | – |
| 13 | MMK | Annual social reports | 2008 |
| 14 | Norilsk Nickel | Annual corporate social responsibility reports (social reports in 2004-2007) | 2004 |
| 15 | Zarubezhneft | No special information | – |
| 16 | NordGold | Only special information in Internet or annual reports | – |
| 17 | INTER RAO UES | Sustainability and environment responsibility report in 2011 | 2011 |
| 18 | Rosneft | Annual sustainability reports | 2006 |
| 19 | FESCO | Only special information in Internet or annual reports | – |
| 20 | Acron | Only special information in Internet or annual reports | – |

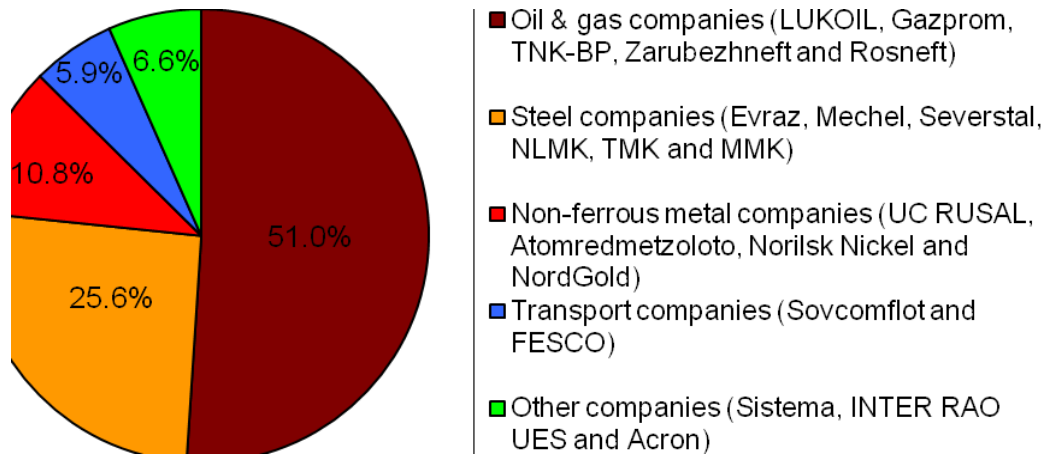
Source: IMEMO-VCC survey of Russian multinationals, 2013.

Annex table 6a. Russia: The top 5 multinationals by investments in environmental protection, 2011 (US\$ million)

| Rank | Name | Value of investments | Ratio of such investments in revenue, % |
|------|----------------|----------------------|---|
| 1 | Gazprom | 764 | 0.53 |
| 2 | LUKOIL | 700 | 0.52 |
| 3 | Norilsk Nickel | 413 | 2.92 |
| 4 | TNK-BP | 152 | 0.25 |
| 5 | MMK | 121 | 1.30 |

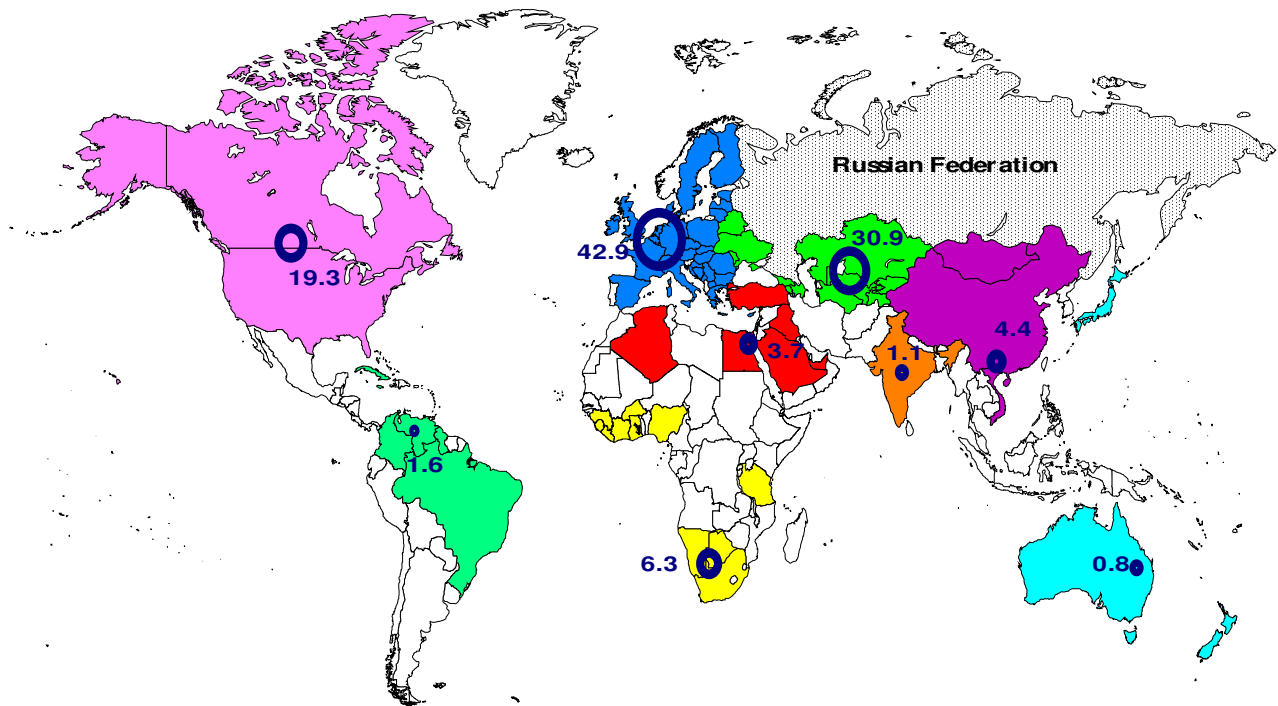
Source: IMEMO-VCC survey of Russian multinationals, 2013.

Annex figure 1. Russia: Breakdown of foreign assets of the top 20 multinationals, by main industry, 2011



Source: IMEMO-VCC survey of Russian multinationals, 2013.

Annex figure 2. Russia: Geographical distribution^a of foreign assets of the top 20 multinationals, 2011 (US\$ billion)



Source: IMEMO-VCC survey of Russian multinationals, 2013.

^a Only countries with foreign assets in subsidiaries of top 20 Russian multinationals are colored.

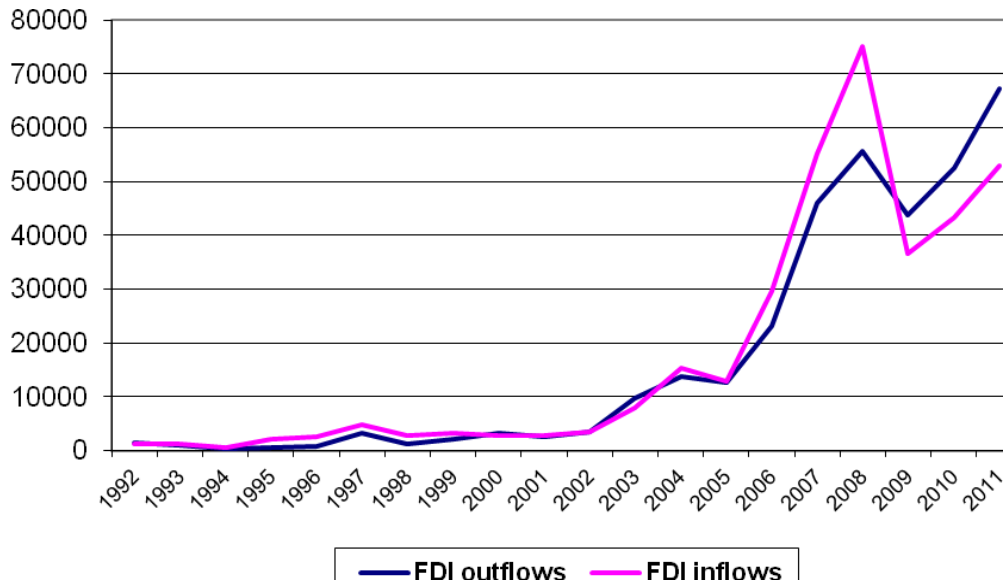
Annex figure 3. Russia: Headquarters locations of the top 20 multinationals, 2011



Source: IMEMO-VCC survey of Russian multinationals, 2013.

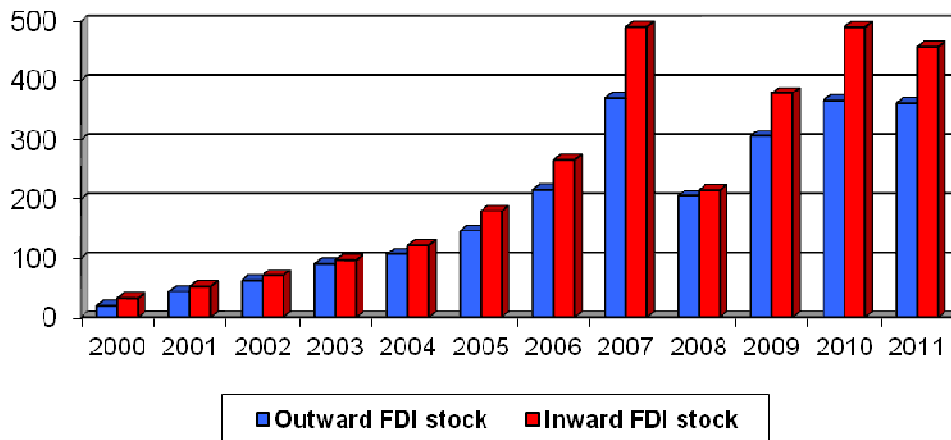
| | |
|------------------|---|
| Velikiy Novgorod | Head office of Acron |
| Lipetsk | Head office of NLMK |
| Magnitogorsk | Head office of MMK |
| Vladivostok | Head office of FESCO |
| Moscow | Head offices of the other 16 companies |
| St. Petersburg | Place of official registration of Sovcomflot, although its head office is in Moscow |
| Cherepovets | Place of official registration of Severstal, although its head office is in Moscow |
| Dudinka | Place of official registration of Norilsk Nickel, although its head office is in Moscow |

Annex figure 4. Russia: Inward and outward FDI flows, 1992-2011



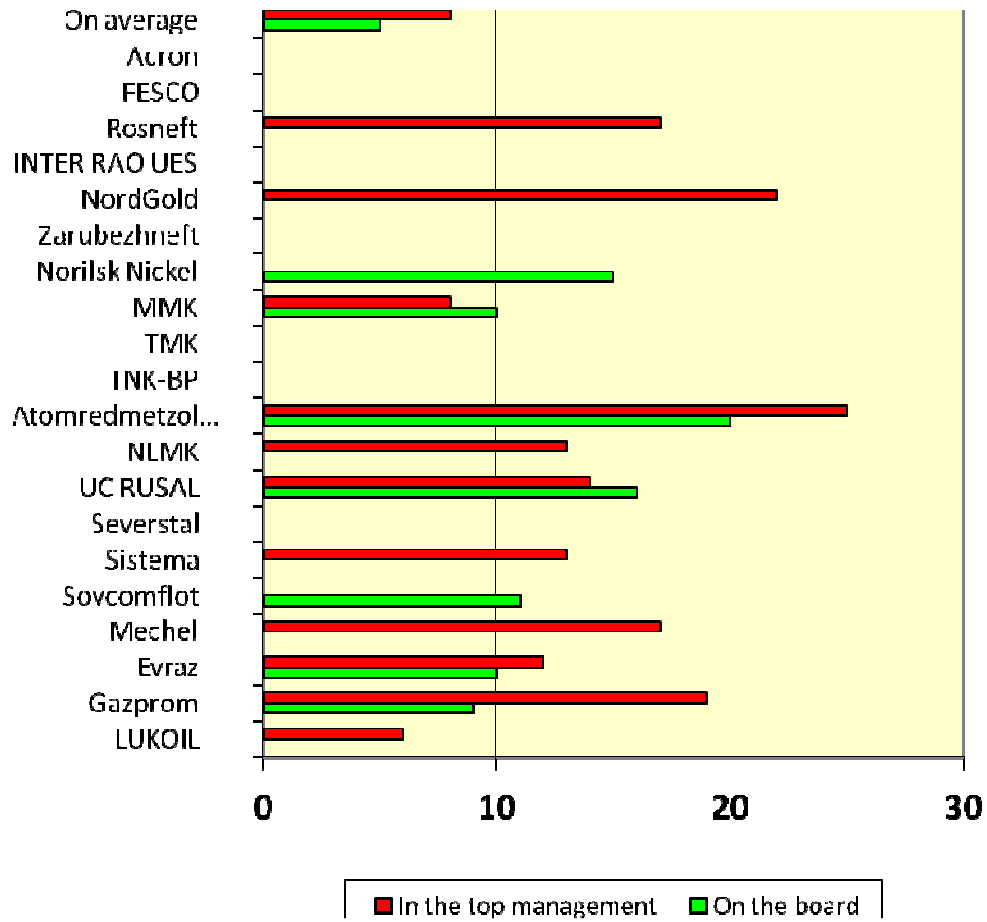
Source: Bank of Russia

Annex figure 5. Russia: Inward and outward FDI stocks, 2000-2011



Source: Bank of Russia

Annex figure 6. Russia: Women on the board and in top management of the top 20 multinationals, 2011



Source: IMEMO-VCC survey of Russian multinationals, 2013.

Annex II. Corporate profiles of the top 20

LUKOIL

<http://www.lukoil.com>

Since its foundation in 1991, LUKOIL has been the largest private oil company in Russia and one of the largest in the world. The company specializes in exploration and production of oil and gas, the production of petroleum products and other related activities. LUKOIL's main shareholders are its President V. Alekperov and its Vice-President L. Fedun. The main foreign shareholder, ConocoPhillips, sold its 20% share in 2011. The main resource bases and refineries of LUKOIL are situated in Russia. The resource base is mainly in Western Siberia. LUKOIL's refineries are situated in European Russia and Western Siberia. It sells retail petroleum products in the majority of Russian regions. LUKOIL has assets in many foreign countries. The company began its investment expansion abroad in the middle of the 1990s. Its first projects focused on the development of its resource base in countries such as Azerbaijan, Kazakhstan and Egypt. Today, it has oil exploration and extraction activities in Europe, Asia, Africa and Latin America. LUKOIL also began to acquire refineries and petrochemical plants in Ukraine and EU countries. Its foreign retail network consists of approximately 3650 filling stations and extends to 25 countries (mainly in Europe, but also in the United States).

Gazprom

<http://www.gazprom.com>

Gazprom, founded in 1989, is the largest Russian company in terms of total revenue. It specializes in the exploration, production, transportation, storage, processing and marketing of hydrocarbons. Its main product is natural gas. Gazprom also produces and supplies heat and electric power. Gazprom is one of the world's leading companies. The Russian state and state-owned companies (Rosneftgaz) control over 50% of Gazprom's share capital. Gazprom's assets are located in many Russian regions, but the key resources are in Western Siberia and on the shelf. Gas production concentrates in Western Siberia and the Volga region; and oil production is in Western Siberia and the Far East region. Gazprom's gas pipelines exceed 160,000 kilometers in length. Gazprom still holds a leading position in Russian gas distribution. Because of the specifics of the natural gas industry, Gazprom began its expansion abroad in the 1990s in European countries. Presently, Gazprom has several projects of gas exploration and production in several countries worldwide. European countries have become an area for Gazprom's investments in the development of its gas transmission system and for gas sales.

Evraz

<http://www.evraz.com>

Evraz Group is a leader of the Russian steel industry. Founded in 1992, Evraz Group now is a vertically integrated company that produces iron ore, cast iron, steel, rolled metal, coal and vanadium. The company is also a part of the global steel market. Two-thirds of the Evraz Group's equity is held by Lanebrook Ltd., which is controlled by R. Abramovich, A. Frolov, A. Abramov and Y. Shvidler. The company's main mining assets are located in the Urals region and in Siberia. In 2009 it bought a vanadium producer in the Tula region. Its Russian steel plants are located in Western Siberia and the Urals region. Evraz Group began foreign expansion only in the middle of

the 2000s with the acquisition of two European producers of steel and rolled metal in Italy and the Czech Republic. Currently, Evraz Group has foreign plants in Canada, various European countries, South Africa, Ukraine and the United States.

Mechel

<http://www.mechel.com>

Founded in 2003, Mechel today is a steel and mining company producing iron ore, iron, steel and rolled metal as well as nickel. The company also has coal and generating assets, as well as ports. The Chairman of the Board of Directors, I. Zyuzin, still controls more than 65% of Mechel's equity. The company has four divisions: mining, steel, ferro-alloys and power segments. All four divisions include Russian assets located in the Urals region, Siberia and the northwest part of the country with the key mill of the company in the Chelyabinsk region. Mechel's foreign expansion began in 2002 with the acquisition of a plant in Romania. Before 2009 the company's foreign assets included steel mills and power plants in Europe and mining assets in Kazakhstan. But, despite the crisis, in 2009 Mechel acquired an American company, Bluestone, producing coking coal. Then, in 2011, Mechel purchased a large steel plant in Ukraine.

Sovcomflot

<http://www.scf-group.com>

Sovcomflot is the leading Russian shipping company specializing in the offshore transport of oil, oil products and liquefied gas. It was founded in 1988 as a commercial enterprise. Today Sovcomflot is one of the top five global tanker companies. It is the world's leader operating medium-range product carriers, arctic shuttle tankers and ice-class liquefied natural gas carriers. Sovcomflot also is the second global operator of aframax tankers. Its fleet includes more than 150 vessels north and south of the country and in the Far East. Sovcomflot, in contrast to the majority of top Russian MNEs, is not listed on any stock exchange in Russia or other countries. The company still remains fully state-owned. Sovcomflot is not represented in many foreign countries. The company generally "invests" overseas by registering its fleet under the flag of Cyprus and other countries with lax shipping regulations. The Group has subsidiaries in Cyprus, Spain, the United Kingdom, Singapore and Liberia.

Sistema

<http://www.sistema.com>

A joint-stock financial holding company, Sistema is a diversified conglomerate. The corporation had this diversified structure from its foundation in 1993, when its main assets in telecommunications, trade, tourism, oil production and development were acquired. Today the key sectors for Sistema are telecommunications (MTS), oil (Bashneft), and electricity. Other Sistema companies are also leaders in different sectors of the Russian economy. For example, travel agency Intourist is the leader in inbound tourism while RTI Systems is famous in equipment production. Sistema's shares, and those of its subsidiary companies, are traded on several stock exchanges. Sistema's Chairman of the Board, V. Evtushenkov, still controls more than 60% of its equity. The Russian assets of the company are in many administrative regions with the key territory being Central Russia. Sistema acquired its first foreign assets only in 2002 – in Belarus and the Czech Republic. Most of its foreign expansion has been in sectors of telecommunications and high technology. In 2011 Sistema had assets in several

CIS countries, the Czech Republic, Greece, Austria, India, Turkey and the United States.

Severstal

<http://www.severstal.com>

According to 2011 figures, Severstal is the second largest steel company in Russia and one of the largest in the world. The company was founded in 1993. Through its vertically integrated structure, Severstal produces coal, iron ore, steel and rolled metal. In 2007, the company began to diversify its structure and established a gold division. In 2011, however, that division became a separate company, NordGold. Severstal's shares are traded on several stock exchanges but A. Mordashov still controls almost 80% of the company's share capital. Currently, all assets are divided into three divisions: Severstal Resources, Severstal Russian Steel and Severstal International. Severstal Resources and Severstal Russian Steel include assets in Russia that are located in northwest of the country and in Siberia. The key region for the company is Volodga, with its Cherepovets steel mill. Severstal acquired its first foreign asset in 2004. From that time and until the global economic crisis, the company purchased several enterprises in North America, Europe and Africa. However, during the crisis significant assets in the EU were sold. In 2011 Severstal had large subsidiaries in the United States and significant affiliates in Ukraine, Italy, Liberia and Brazil.

UC RUSAL

<http://www.rusal.ru/en>

Rusal was founded in 2000. Rusal changed its name into UC RUSAL (United Company RUSAL) in 2007 after merging with SUAL and some other companies. Currently it is the largest producer of aluminium in the world and the only one in Russia. The company is also one of the largest producers of alumina. In addition to aluminium and alumina, UC RUSAL produces bauxite, nepheline ore, alloys, foil, and packaging materials. It also has a power-generating division. Its main shareholders are the founder of Rusal, O. Deripaska, via the En+ Group that had 48% of Rusal's equity, a partner Onexim Holding with a share of 17%, and SUAL Partners, with a share of almost 16%. Russian assets located in Siberia, the Urals region and Central Russia form the basis of UC RUSAL's business. Rusal's foreign expansion began in the early 2000s with the acquisition of assets in CIS countries and Guinea. Foreign activity widened in the second half of the 2000s especially in 2007 when UC RUSAL was founded. As a result, in 2011 UC RUSAL had large subsidiaries in several CIS and European countries, as well as in Guinea, Guyana, Jamaica and Nigeria.

NLMK

<http://www.nlmk.com>

Like many Russian steel companies, NLMK (former Novolipetsk Steel Mill) was founded in the 1990s and now produces iron, steel, rolled metal and iron ore. It also produces coke and coal and has transport assets. Because of its key mill in Lipetsk, NLMK takes a strong market share in Russia. NLMK is listed on several stock exchanges, but more than 85% of NLMK's equity is held by Fletcher Group Holding Ltd., which is controlled by V. Lisin. Key assets of the company are located in Central Russia; other assets are in the Urals region and Western Siberia (resource base). NLMK began its foreign expansion only in 2005 with the acquisition of a steel producer in Denmark. In 2011, the company had assets in the EU (Belgium, Italy, France and others) and in the United States.

Atomredmetzoloto

<http://www.armz.ru/eng>

ARMZ Uranium Holding Co. (JSC Atomredmetzoloto) is one of the world's largest companies in the uranium mining industry. It is among the top three uranium mining companies by uranium output and ranks second by resource base. Atomredmetzoloto is the successor to the world's largest uranium production complex set up by the Soviet Union. In 2008, all uranium mining companies in Russia, as well as a number of uranium joint ventures in the CIS and abroad, were brought together under Atomredmetzoloto, after the restructuring of Russia's nuclear industry had been completed. The Zarechnoye mine in Kazakhstan has been under partial Russian control since 2003. Thus, it is the earliest foreign asset of Atomredmetzoloto. In 2010, Atomredmetzoloto acquired 51.4% of shares of Uranium One Inc., a Canadian public uranium mining company. In 2011, ARMZ Uranium Holding Co. acquired 100% of shares of Mantra Resources Limited, an Australian public company.

TNK-BP

<http://www.tnk-bp.ru/en>

TNK-BP is a large vertically integrated oil company with a diversified upstream and downstream portfolio. TNK-BP was formed in 2003 as a result of the merger of BP's Russian oil and gas assets and the oil and gas assets of Alfa, Access/Renova group (AAR). BP and AAR each owned 50% of TNK-BP. The shareholders of TNK-BP also owned close to 50% of Slavneft, a vertically integrated Russian oil company. In 2013, Rosneft acquired TNK-BP. The company's upstream operations are located primarily in West Siberia, East Siberia and the Urals region. For years, the main foreign subsidiary of TNK-BP was in Ukraine. In 2011 the company radically diversified its geography, acquiring large foreign assets in Vietnam and Venezuela. In March 2013, TNK-BP came under full control of Rosneft.

TMK

<http://www.tmk-group.com>

Founded in 2001, TMK is the largest pipe producer in Russia. It produces almost all types of pipes, but particularly those that are used in the oil and gas industry, energy, chemical industry, aviation and construction. Almost 70% of TMK's equity is still held by TMK Steel Ltd., which is controlled by TMK chairman D. Pympyanskiy. TMK's Russian assets still include only four key enterprises that are located in Central Russia and the Urals region. Foreign expansion is not the main direction of TMK's development. It began in 2002 but, at present, the company has production only in Kazakhstan, Romania and the United States. Its subsidiaries in North America are the main elements of TMK's activities abroad. Its foreign sales network is more developed.

MMK

<http://eng.mmk.ru>

Magnitogorsk Iron and Steel Works OJSC (MMK Group, MMK) ranks among the world's largest steel producers. Its steel plant in Magnitogorsk was built in the 1930s. In 1992, a private company was established on the base of this plant through privatization. V. Rashnikov controls about 87% of MMK's equity. The company's steel assets still are concentrated in the Urals region, but it also has coal mines in the Kemerovo region and some other assets in its resource segment. MMK made a first

attempt to make significant FDI in 2006, in Pakistan. However the attempt failed. In 2007, the company began construction of a steel plant in Turkey. Since 2010, MMK has controlled 100% of this subsidiary.

Norilsk Nickel

<http://www.nornik.ru/en>

Norilsk Nickel is the largest Russian company in the non-ferrous metal industry. Like many other Russian large companies it is a privatized Soviet giant. It produces mainly copper, nickel, platinum and palladium, but also gold, silver, cobalt and some other non-ferrous metals. Because of its resource base, Norilsk Nickel is one of the world leaders producing non-ferrous metals. Now the company's main shareholders are its founder, V. Potanin, and UC RUSAL. In Russia Norilsk Nickel has two main divisions (mining and producing assets) and is located in East Siberia and northwest of the country. It also has power and transport assets. Norilsk Nickel acquired its first foreign assets only in 2003, in the United States. The company now has production facilities in Australia, Botswana, Finland, South Africa and the United States. With its well-developed sales and service networks, Norilsk Nickel ranks among Russian leaders by geographical diversification.

Zarubezhneft

<http://www.nestro.ru>

Founded in 1967, Zarubezhneft is the oldest company of the Russian oil and gas sector. The company specializes in exploration, development and operation of oil and gas fields as well as in construction and operation of oil refineries, pipelines and other oil and gas infrastructure. Zarubezhneft is not listed on any Russian or foreign stock exchanges due to its traditional state-controlled status and its role as a strategic enterprise of Russia. One hundred percent of Zarubezhneft's equity is owned by the Russian state. Because of its initial orientation to foreign operation the company has very few Russian assets, which are mainly in Central Russia and the Urals region. More recently, however, Zarubezhneft has begun to develop its Russian division including oil production in the Nenets Autonomous region. International activity of the company has been carried out in such countries as Algeria, Angola, Cuba, India, Iraq, Kazakhstan, Syria and others. In the 2000s, its key foreign assets were concentrated in Vietnam. In 2011 Zarubezhneft also operated in Kazakhstan, Turkmenistan, Bosnia and Herzegovina, Croatia, Serbia and Cuba.

NordGold

<http://www.nordgold.com>

NordGold's business began in 2007, when its ultimate parent company at that time, Severstal, diversified into gold mining by acquiring mines in Kazakhstan and Russia. NordGold became a separate company in 2011. In January 2012, Nordgold commenced trading as an independent public company via a listing of global depository receipts on the London Stock Exchange. In 2011, the company had gold mines in Kazakhstan, Guinea and Burkina Faso.

INTER RAO UES

<http://www.interrao.ru/en>

State-controlled INTER RAO UES was founded in 1997. The main specialization of the company is generation and distribution of electric power. INTER RAO UES is one of the leaders of this Russian sector. State-owned companies control over 55% of INTER RAO UES's equity. INTER RAO UES's domestic assets are located in several regions in various parts of Russia. Key interests of INTER RAO UES have always been connected with foreign activities. Its first foreign assets were acquired in CIS countries (Armenia and Georgia) in 2003. Power plants and distributors of electricity in other CIS and European countries later also became a part of INTER RAO UES's business.

Rosneft

<http://www.rosneft.com>

Rosneft was established in 1993. Rosneft is the leader of Russia's oil industry, and ranks among the world's top publicly traded oil and gas companies. The company is primarily engaged in exploration and production of hydrocarbons, production of petroleum products and petrochemicals, and marketing of outputs. Rosneft has been included in the Russian Government's List of Strategic Enterprises and Organizations. The state holds 75.16% in the company while approximately 15% of shares are in free-float. Subsidiaries in Western Siberia, Eastern Siberia and in the Samara region are Rosneft's most important production and development units. Rosneft began its foreign expansion at the beginning of the 2000s in Algeria and Kazakhstan. However, Rosneft became a significant investor abroad only in 2011 when it acquired control over four refineries in Germany.

FESCO

<http://www.fesco.ru/en>

Founded as a stock company in 1992 FESCO today is the leading transportation and logistics company in Russia. It specializes in shipping, rail transportation and port services and provides sophisticated cargo services. For many years, Industrial Investors Group of S. Generalov was a key FESCO shareholder. However, another group, Summa, acquired 70% of the company's equity in 2012. FESCO has assets in many Russian regions, which its specialization in cargo services requires. But the main activity is concentrated in Primorskiy kray where key terminals are located. Its port division also includes assets in Central Russia (St. Petersburg and Novorossiysk). Foreign activity is a part of FESCO's usual activity. The company founded its first foreign subsidiary in 1995 in Australia. In 2009 it had foreign assets in several countries including the most important locations in terms of transport services such as China, the United States, Hong Kong and Australia. At the same time, the main part of FESCO's fleet is registered in countries with favourable legislation (Cyprus, British Virgin Islands and Marshall Islands).

Acron

<http://www.acron.ru/en>

Acron is one of Russia's leading companies producing mineral fertilizers, ammonia, organic and non-organic compounds. Formal shareholders of Acron are several limited companies, which V. Kantor controls. Acron's Russian assets include two key enterprises located in Central Russia and

the northwest part of the country in addition to mining projects in the Urals and the Murmansk region. The company also has transport assets. The first foreign acquisition Acron made was in China in 2005. Then Acron put into operation its port terminal in Estonia and also purchased a mining project in Canada.