

SCIENTIFIC ADVISOR'S REFERENCE

Program:	Master in Corporate Finance
Student:	Nikita Dirin
Title of thesis:	THE RELATIONSHIP BETWEEN BOARD STRUCTURE AND FINANCIAL PERFORMANCE OF RUSSIAN OPEN JOINT STOCK COMPANIES WITH STATE OWNERSHIP

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.

Objective evaluation of the quality of corporate governance contributes to decisions that can minimize possible losses while investing. An effective system of corporate governance in Russian companies today is a competitive advantage, such as tangible or financial resources. It is well known that board of directors is a main internal mechanism of corporate governance. How effective are boards of directors in Russia today? And how do they cope with their tasks in specific type of companies - companies with state participation? If board members have seats on several boards, does it help companies to be more productive? Could the existence of specialized committees be treated as an indicator of corporate governance level in the company and to be a determinant of better financial performance? N. Dirin tried to get answers to these important questions, conducting analysis of the relationship of corporate governance in the company and its financial performance. The aim of his research was to find out the relationship between the financial performance of Russian companies with state ownership, in which direct share of state is less than 50%, and key characteristics of board of directors. In order to achieve these goals the author stated and consequently fulfilled the tasks related to the analysis of the efficiency concepts, approaches to performance assessment, and characteristics of the board of directors. The author substantiated the possible relation of these characteristics with the companies' financial performance. Student correctly solves the problem specified conducting his empirical research for companies with state ownership in which direct share of state is less than 50%. All this contributes to the argument that the conducted work has its originality.

Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.

The structure is logical. The structure of Master thesis is as following: the research consists of two parts. In Introduction part, Dirin N. justified relevance of the topic, stated the goal and objectives, gave short description of methods of the research. In the first chapter, Dirin N. describes companies with state participation, key characteristics of boards of directors in general and features of boards in Russia. The first chapter includes description of different international and Russian approaches to financial performance evaluation in the corporate governance context. In the second chapter, he provides academic background review and hypotheses formulation, sample selection and statistical analysis of variables, regression results interpretations and conclusions.

Theoretical part is consistent with the empirical part. What concerns the different approaches to efficiency assessment, the classification of efficiency measurement methods is presented, the author discusses their advantages and shortcomings, explains the choice of the measure to be used in the study. In this part, the author analyzes the literature on corporate governance in Russia, particularly on characteristics of board of directors. An empirical study is conducted on the sample of Russian companies with state ownership.

Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.

N. Dirin has analyzed big amount of publications related to relationship between the financial performance of companies and characteristics of board of directors. He reviewed many scientific papers on corporate governance. In his research, the author used methodology that was based on

contemporary publications devoted to corporate governance in Russian and international practices. Strong point of the thesis is correct and broad analysis and discussion of the obtained results.

Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.

The research on the relationship between key characteristics of the board of directors and indicators of financial performance of Russian open joint stock companies with state ownership was based on the sample, which consists of companies, included into Register of companies whose shares are owned by the Russian Federation, and having in state property less than 50% of ordinary shares in each reporting period. The study period includes 3 years from 2010 to 2012.

As a scientific advisor I would like to mention, that study conducted by Dirin N. required big amount of time and perseverance of researcher. This is due to the fact that the disclosure of information on such characteristics of board members as education, age, previous work experience, number of board seats held etc. is little or almost not revealed in the studied companies. In order to trace the "busyness" of directors, Dirin N. had to painstakingly build chains of information, what was very time-consuming. Of course, this research has strengths and weaknesses, but what is interesting and important that the study contains unique of its kind information about the status of corporate governance in Russian "pseudo-open" companies with state ownership. Meaning of such research has not to be undervalued.

Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.

The thesis is conducted independently. The author applied existing methodology used in the previous works devoted to evaluation of the company's performance and relation between characteristics of the board of directors and financial performance of companies. It allowed him to provide arguments in favor of his base-line model. Author has justified the introduction of control variables used in previous studies to identify the link between board of director's characteristics and financial performance of companies.

Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.

Author addresses the obtained results primarily to the government, which in practice can be actively involved in more precise control for further corporate governance legislative acts. N. Dirin provided justification of his point of view that results of the research can be used as strategic recommendations that are quite concrete.

Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, references.

The layout of the thesis meets the requirements for master thesis preparation.

The Master thesis of Dirin N. meets the requirements for master thesis of MCF program thus the author of the thesis can be awarded the required degree.

10.06.2015

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