



Association of
Institutional Investors (API)

PRESS RELEASE

21 February 2019

The Association of Institutional Investors representing the interests of major Russian and foreign institutional portfolio investors managing assets worth \$1.2 trillion worldwide, including more than RUB 2 trillion in Russia, considers it necessary to express the public opinion of the portion of the investment community represented by it on the detention of the founder and senior partner, as well as employees of the Baring Vostok investment group.

While the API is certainly not informed about the case in every detail, the publicly available sources, including records of legal proceedings, indicate that its nature is an economic dispute between private (i.e. non-state) business entities currently considered in part by Russian law enforcement authorities as a case provided for by article 159 section 4 of the Criminal Code of Russia. In this case, it is generally expressly prohibited to remand those suspected of committing a crime provided for by this Criminal Procedure Code article into custody as a measure of restraint. Under these circumstances, the court ruling to apply such a measure of restraint has a negative impact on how the business community perceives the Russian judicial system.

Addressing the Federal Assembly on 20 February 2019, the President of Russia specifically noted: “We must rid the system of everything that restricts freedom of enterprise and business initiative. Honest businesses should not face the constant risk of criminal or administrative prosecution (...) 130 jobs are lost on average every time a business closes down as result of an investigation; (...) this is becoming a major economic problem.

“I have already noted this matter in one of my Addresses, and I have cited the relevant figures. Unfortunately, the situation has not improved much,” the President added. Earlier, in his 2015 Address, Vladimir Putin noted that “during 2014, the investigative authorities opened nearly 200,000 cases on so-called economic crimes. But only (...) 15 percent of all cases ended with a conviction. At the same time (...), 83 percent of entrepreneurs who faced criminal charges fully or partially lost their business – they got harassed, intimidated, robbed and then released. This certainly is (...) the direct destruction of the business climate.

Baring Vostok, just as the institutional portfolio investors represented by the API, have always been aiming at increasing Russia’s attractiveness as a place of business and Russian companies’ investment appeal. Now that it has become much more difficult to raise foreign investment in Russia in recent years, Michael Calvey and his staff are among the few successfully meeting this challenge. Their absence from work poses risks of losing a large part of investment for major institutional investors worldwide represented by Baring Vostok, complicates and jeopardizes the management of many Russian companies in which Baring Vostok has invested.

We believe that both Baring Vostok employees and other investors active in Russia are ready to defend their interests and the interests of their clients in strict compliance with the rules for relevant legal proceedings (including timely appearance before investigating officers and attendance at court sessions) and deserve a fair trial for all parties and stakeholders.

In this regard, given the economic nature of the dispute, we consider it necessary to call for a milder measure of restraint for Michael Calvey and Baring Vostok Group's employees in order to let them continue their professional activities.

The API is confident that an impartial and prompt investigation by law enforcement and judicial authorities could minimize the risks of investment climate deterioration, so as to encourage further investment in the Russian economy.

The Association of Institutional Investors (API) is the only association of most active major institutional portfolio investors in Russia with more than RUB 2 trillion in total investment under management in Russia. The API members, including APG AM, Barca Capital, VTB Capital Asset Management, East Capital, Prosperity CM, Sberbank Asset Management, ATON, Investment Holding E-Union, IC RUSS-INVEST, Uralsib Asset Management, Vostok Nafta Investment, Dart Management, EOS Russia, Equinox Fund Management, Genesis Investment Management, PPF ADVISORY (Russia), Raiffeisen CM, etc. implement responsible investment principles being committed to the development of best corporate governance practices at Russian public companies.