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Timminco CEO at centre of battle over Russian giants

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The leader of high-flying Canadian company Timminco Ltd. is at the centre of a huge corporate controversy in Russia that could dictate the future of two of the world's largest resource companies.

Heinz Schimmelbusch, the man who took Timminco from pennies a share to more than \$30 in less than a year, is accused of being compromised in his role as an independent director of Norilsk Nickel. Controversy has dogged Mr. Schimmelbusch this year, as Timminco came under fire amid questions about a technological process the company developed.

UC Rusal, one of the world's biggest aluminum producers, is pushing for a merger with Norilsk, the world's biggest nickel producer. The battle pits two of Russia's most powerful and famous oligarchs head-to-head -- Rusal's Oleg Deripaska and Norilsk's Vladimir Potanin.

But after a highly controversial meeting this week, it is Mr. Schimmelbusch and fellow Norilsk director Michael Levitt who are getting much of the attention.

Rusal argues that their nominations helped swing the board in Mr. Potanin's favour.

Rusal wants to combine with Norilsk to create a giant diversified metals company that could match such global powerhouses as BHP Billiton PLC and Rio Tinto PLC. Under Mr. Deripaska's guidance, Rusal bought 25% of Norilsk's shares.

The main opponent to a merger is Mr. Potanin, who controls almost 30% of Norilsk through Interros, his holding company.

Last week, the two sides waged a battle for control at Norilsk's annual meeting. Mr. Potanin emerged as the apparent winner as shareholders backed the independent directors he nominated, including Mr. Schimmelbusch. Rusal also got three people elected on the nine-member board.

At the first meeting of the new board this week, Mr. Potanin was named chairman and Sergey Batekhin, the deputy CEO of Interros, was named Norilsk's CEO. It was a clear sign that Mr. Potanin has control of the company.

The meeting prompted a furious response from Rusal. CEO Alexander Bulygin even called it a "well-rehearsed farce" in a published report.

"The decisions made at this meeting demonstrate that the Board is controlled by Interros and does not represent the interests of all shareholders," Rusal said in a statement.

The aluminum giant is livid that Interros got Mr. Schimmelbusch and Mr. Levitt voted onto the board. They were nominated as independent directors, but Rusal argues that they are anything but independent and are essentially on Mr. Potanin's side.

In the case of Mr. Schimmelbusch, Rusal points to prior affiliations between Mr. Schimmelbusch and Interros management as evidence of a conflict, as well as the fact that he supported the elections of Mr. Potanin and Mr. Batekhin.

Along with his position as chief executive of Timminco, Mr. Schimmelbusch heads a company called Advanced Metallurgical Group NV (AMG). Andrei Bougrov, managing director of Interros, used to sit on AMG's board.

Rusal also argues that the board meeting was not called with enough notice, that the election of Mr. Batekhin was done without a proper CEO search and that Mr. Potanin's election went against the recommendation of proxy voting firm ISS.

The battle for Norilsk is far from over, as Rusal may push to expand the Norilsk board from nine members to 13.

Mr. Potanin is also contemplating a merger between Norilsk and iron ore company Metalloinvest, and says a three-way deal with Rusal is a possibility.