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A Member of the World Bank Group



Good corporate governance contributes to a company's competitiveness and reputation, facilitates access to capital markets, and thus helps develop financial markets and spur economic growth. With this in mind, the International Finance Corporation and the U.S. Department of Commerce have combined their efforts to provide Russian managers, directors, and shareholders with a practical tool to implement good corporate governance practices – the Russia Corporate Governance Manual. This Manual refers to and is based on the principal laws and regulations that apply to open joint stock companies. It follows the recommendations of the FCSM's Code of Corporate Conduct and refers to internationally accepted principles of good corporate governance.

"Corporate governance is vital to the interests of every economy, and government has a role to play in establishing the framework for reform - but it is companies that have the tough job of putting governance reform into practice. This is where the Corporate Governance Manual can provide excellent help. It offers a comprehensive workbook for company directors, officers, and advisers in taking up the challenge of corporate governance improvement. Shareholders and stakeholders alike should applaud IFC for bringing practical, and professional advice within reach of every boardroom."

Anne Simpson, Manager,
Global Corporate Governance Forum

"Corporate governance reform in Russia is the continuation of the more general processes of change affecting the country as a whole. Taken together, these developments have created a new environment, new rules regulating the relationships between the market and regulators, between shareholders, shareholders and managers, etc. In the business community there is a growing awareness of the benefits of corporate governance reform, and companies are now working on improving the quality of their corporate governance ..."

Ruben K. Vardanian, President of Troika Dialogue; Chairman of the Board,
OJSC Rosgosstrakh; and Chairman of the RSPP Corporate Governance Committee

"Good corporate governance is a key driver of financial transparency and managerial accountability, essential ingredients for national prosperity in a global economy. We congratulate the U.S. Department of Commerce and the International Financial Corporation of the World Bank for their initiative in bringing about the publication of the Russia Corporate Governance Manual."

Andrew B. Somers, President,
American Chamber of Commerce in Russia

Questions on corporate governance should be addressed to the IFC Russia Corporate Governance Project, via CGPRussia@ifc.org

An electronic version of the Manual is available on the website of the International Finance Corporation under www.ifc.org/rcgp and the U.S. Department of Commerce under www.mac.doc.gov/ggp

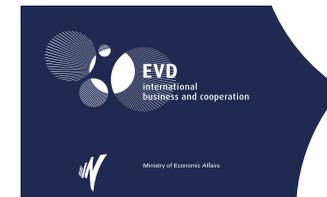
The Russia Corporate Governance Manual

VI Part VI Annexes Model Corporate Governance Documents



Prepared and Published by the International Finance Corporation and the U.S. Department of Commerce

In Partnership with the Agency for International Business and Cooperation of the Dutch Ministry of Economic Affairs and the Swiss State Secretariat for Economic Affairs



The Russia **Corporate Governance** Manual

Part VI

Annexes

Model Corporate Governance Documents

Prepared and Published by the International Finance Corporation
and the U.S. Department of Commerce

In Partnership with the Agency for International Business
and Cooperation of the Dutch Ministry of Economic Affairs
and the Swiss State Secretariat for Economic Affairs

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IMPORTANT NOTICE

The model documents contained in the following Annexes are intended to guide a company in drafting and/or amending its internal documents to meet good corporate governance standards. These documents meet the requirements set forth in Russian law, recommendations proposed in the Federal Commission for the Securities Market's Code of Corporate Conduct (FCSM Code), and internationally recognized best practices utilized by specific companies at the time of this Manual's publication.

These documents have been developed for companies with the following characteristics:

- The company is an open joint stock company;
- The company has subsidiaries;
- State ownership does not exceed 25% of the charter capital, and golden share arrangements do not exist;
- The company has more than 50 shareholders;
- The company has a Supervisory Board;
- The Supervisory Board has the right to increase the charter capital by issuing authorized shares;
- The company has a Revision Commission;
- The company has a General Director and an Executive Board;
- The External Registrar responsible for maintaining the shareholder register is a specialized organization, which is also responsible for carrying out the functions of the Counting Commission;
- Supervisory Board members are elected by cumulative voting;
- Shareholder(s) holding not less than 2% of voting shares may call a Supervisory Board meeting;
- The procedures for preparing and conducting the General Meeting of Shareholders (GMS) are regulated in the by-law for the GMS;
- The company has a Corporate Secretary; and
- The company has created Supervisory Board committees, specifically the Audit Committee, Corporate Governance Committee, Nominations and Remuneration Committee, and Strategic Planning and Finance Committee.

Other companies, irrespective of their legal form, size (in terms of turnover, assets, employees, and/or shareholders), ownership structure, and public listing, may

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benefit from making use of these model documents. However, they should carefully choose and/or adapt the documents to meet their specific needs, and are best advised to carefully consider the costs *versus* the benefits of implementing specific corporate governance structures. In any event, the model documents contained in these Annexes should not be adopted on a wholesale basis, but rather tailored to meet the specific characteristics of each company.

These model documents may be used separately and independently from one another, although many of the provisions contained in different documents are interrelated.

Developing the company's governance structure goes beyond words on paper. The company's management and/or Supervisory Board will be well served to assess the need for specific corporate governance structures and processes before drafting and/or amending specific internal documents. The authors recommend that these model documents be used in conjunction with the Manual that has been jointly prepared by the IFC Russia Corporate Governance Project and the U.S. Department of Commerce. Moreover, the company will benefit from corporate training sessions to ensure that the structures and processes contained in these Annexes are understood by the governing bodies and properly implemented in practice.

Finally, these model documents must not be used without, or viewed as a substitute for, professional legal or any other advice that one would normally use in preparing internal company documents.

Part 1

Corporate Governance Introduced

Annex 1

THE IFC CORPORATE GOVERNANCE PROGRESSION MATRIX FOR RUSSIAN COMPANIES

	Level 1: Compliance with legal and regulatory requirements	Level 2: Initial steps to improve corporate governance are made	Level 3: Advanced corporate governance system	Level 4: Corporate Governance leadership
I. Commitment to CG	<p>✓ The company has developed and follows a valid charter according to Russian legislation with provisions on the protection of shareholder rights and the equitable treatment of shareholders, distribution of authority between the General Meeting of Shareholders (GMS), the Supervisory Board and executive bodies, and information disclosure, and transparency of the company's activities.</p> <p>✓ n/a</p>	<p>✓ The company has developed and follows by-laws regulating the activities and working procedures of the corporate bodies approved by the GMS (the GMS, Supervisory Board, Executive Board, and Revision Commission).</p> <p>✓ The company has a person/officer responsible for the implementation of corporate governance policies in the company.</p> <p>✓ The company follows the main recommendations of the FCSM Code and discloses information to the FCSM on a "comply or explain" basis.</p>	<p>✓ The company has developed and follows a comprehensive set of internal documents that are recommended by the Federal Commission of the Securities Market Code of Corporate Conduct (FCSM Code) and are approved by the Supervisory Board.</p> <p>✓ The company has a designated officer(s) responsible only for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the company (for example, the Corporate Secretary).</p> <p>✓ The company has an explicit and clearly stated plan in place to improve its governance practices and has taken initial steps to implement this plan.</p>	<p>✓ The company has adopted a company level corporate governance code and code of ethics, and follows internationally recognized best practices of corporate governance.</p> <p>✓ The company has formally established a committee of the Supervisory Board responsible for supervising the governance policies and practices of the company (e.g. Corporate Governance Committee).</p> <p>✓ The Company is publicly recognized as a national leader and among the global leaders in corporate governance.</p>
	Meetings	<p>✓ The company has established the Supervisory Board in accordance with legal requirements.</p> <p>✓ The Supervisory Board meets at least once a year.</p>	<p>✓ Detailed procedures for calling and conducting Supervisory Board meetings are clearly defined in by-laws.</p> <p>✓ The Supervisory Board meets at least four times a year.</p> <p>✓ The Supervisory Board keeps minutes of its meetings that include voting results on an individual basis.</p>	<p>✓ The Supervisory Board meets regularly (at least once every six weeks as recommended by the FCSM Code).</p>

Annex 1. The IFC Corporate Governance Progression Matrix for Russian Companies

II. Supervisory Board and General Director/Executive Board	Composition/Independence	Committees	Remuneration	Expertise	Executive Board
<p>✓ Executive Board members do not exceed 25% of the total number of Supervisory Board members.</p>	<p>✓ The charter or the by-laws require the proposing shareholder and other shareholders to provide additional information to the company on the proposed candidates to the Supervisory Board.</p> <p>✓ The number of Supervisory Board members is set in the charter and not by decision of the GMS.</p> <p>✓ The majority of Supervisory Board members are non-executive (outside) directors.</p>	<p>✓ The Supervisory Board has an Audit Committee.</p> <p>✓ Supervisory Board members receive an annual retainer in accordance with a contract signed with the company.</p>	<p>✓ The composition of the Supervisory Board (competencies/skill mix) is adequate for oversight duties and development of company direction and strategy.</p> <p>✓ The Supervisory Board has an independent director, who meets the definition of the FCSM Code.</p>	<p>✓ The company's Supervisory Board includes an experienced financial expert who is a non-executive director.</p> <p>✓ At least 25% or not less than three members of the Supervisory Board are independent directors.</p>	
<p>✓ n/a</p>	<p>✓ The Supervisory Board has an Audit Committee that is chaired by an independent director and is entirely composed of non-executive directors.</p> <p>✓ The Supervisory Board has at least one other committee (e.g. on Nominations and Remuneration).</p>	<p>✓ The annual retainer of non-executives is linked to meeting attendance and additional responsibilities, such as chairmanship and/or work on committees.</p> <p>✓ The company publicly discloses the remuneration of each director on an aggregate basis.</p>	<p>✓ The company's Supervisory Board has other specialized committees as recommended by the FCSM Code or international best practice (e.g. on Strategic Planning, Conflict Resolution).</p> <p>✓ The Audit and Remuneration Committees are composed entirely of independent directors.</p>	<p>✓ The company publicly discloses the remuneration of each director on an individual basis.</p>	
<p>✓ n/a</p>	<p>✓ The company offers access to training programs to its Supervisory Board and executive bodies.</p>	<p>✓ The company conducts regular training for members of the Supervisory Board and executive bodies on corporate governance.</p>	<p>✓ The Supervisory Board conducts regular self-evaluations on a collective and individual basis.</p>	<p>✓ The Supervisory Board conducts regular self-evaluations on a collective and individual basis.</p>	
<p>✓ The company has properly appointed the General Director and Executive Board in accordance with Russian legislation.</p>	<p>✓ The General Director and/or the Executive Board report to the Supervisory Board at least once a year.</p> <p>✓ The working procedures of the Executive Board are clearly specified in the by-laws approved by the GMS.</p> <p>✓ The Executive Board meets on regular basis.</p>	<p>✓ The company has developed a procedure for periodic reports (information briefs) of the General Director and/or Executive Board to the Supervisory Board.</p> <p>✓ The company has a succession plan in place that outlines how it will deal with the loss of senior executives should this occur.</p>	<p>✓ The company has adopted an executive remuneration policy, consisting of a fixed and variable component, inline with internationally recognized principles and practices.</p>	<p>✓ The Company has adopted an executive remuneration policy, consisting of a fixed and variable component, inline with internationally recognized principles and practices.</p>	

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		Level 1: Compliance with legal and regulatory requirements	Level 2: Initial steps to improve corporate governance are made	Level 3: Advanced corporate governance system	Level 4: Corporate Governance leadership
III. Disclosure and Transparency	General	<ul style="list-style-type: none"> ✓ The company meets the main requirements of legislation on issuer reporting by preparing and publishing regular quarterly reports, material information (facts), reports, etc. ✓ Shareholders are provided with information (actual documents) upon their request and as specified by legislation. 	<ul style="list-style-type: none"> ✓ The company discloses information on: <ul style="list-style-type: none"> — affiliated parties and the affiliation of Supervisory Board members; — extraordinary and related party transactions; — Supervisory Board meetings; and — the GMS. 	<ul style="list-style-type: none"> ✓ The company discloses information on the remuneration of the General Director and members of the Executive Board. ✓ The company publishes a comprehensive annual report that includes a corporate governance section. 	<ul style="list-style-type: none"> ✓ The company discloses its corporate governance practices and other material information on the Internet in a timely manner.
	Internal Control	<ul style="list-style-type: none"> ✓ The company has a Revision Commission that meets at least once a year. 	<ul style="list-style-type: none"> ✓ The Revision Commission's scope of work goes beyond legal requirements and is set forth in the by-laws. ✓ The Revision Commission meets regularly (at least four times a year). 	<ul style="list-style-type: none"> ✓ The Revision Commission consists of independent members and at least one member is an experienced financial expert. ✓ The company has a risk management and an internal control system that reports to the General Director and/or Executive Board. 	<ul style="list-style-type: none"> ✓ The results of the work of the Revision Commission are disclosed to shareholders. ✓ The company has a risk management and an internal control system that reports to the Supervisory Board. ✓ The company has an Internal Auditor that reports to the Supervisory Board.
	Financials	<ul style="list-style-type: none"> ✓ The company keeps records and prepares its financial statements in accordance with Russian Accounting Standards. 	<ul style="list-style-type: none"> ✓ The company discloses its financial statements to the public. 	<ul style="list-style-type: none"> ✓ The company keeps records and prepares its financial statements in accordance with IFRS or U.S. GAAP. 	<ul style="list-style-type: none"> ✓ The company's financial statements prepared in accordance with IFRS or U.S. GAAP are properly disclosed.
	External Audit	<ul style="list-style-type: none"> ✓ The company's financial statements are audited annually by an External Auditor. 	<ul style="list-style-type: none"> ✓ The company's External Auditor is independent of the management and major shareholders of the company 	<ul style="list-style-type: none"> ✓ The company's External Auditor is a publicly recognized independent auditing firm. 	<ul style="list-style-type: none"> ✓ The company periodically rotates its audit partner. ✓ The remuneration of the External Auditor is disclosed to shareholders.
	Ownership	<ul style="list-style-type: none"> ✓ n/a 	<ul style="list-style-type: none"> ✓ The beneficial controlling shareholder (50%+1 share) can be identified by the information disclosed by the company. 	<ul style="list-style-type: none"> ✓ The beneficial controlling and blocking shareholders can be identified by the information disclosed by the company. 	<ul style="list-style-type: none"> ✓ The beneficial owners of 5% of voting shares can be identified from the information disclosed by the company.

Annex 1. The IFC Corporate Governance Progression Matrix for Russian Companies

IV. Shareholders Rights	
Minority SH Rights	<p>✓ The company's charter provides for equal rights to all shareholders possessing shares of the same type and class with respect to voting, subscription, and transfer rights.</p> <p>✓ Minority shareholders have representatives on the Supervisory Board.</p> <p>✓ The company has a clearly articulated and enforceable policy in place that protects the rights of minority shareholders in special circumstances, such as change of control.</p> <p>✓ The company has a positive track record on minority shareholder protection. ✓ The company has a system of registering shareholder complaints and effectively regulating corporate disputes.</p>
The General Meeting of Shareholders	<p>✓ The agenda of the GMS is not changed after it is approved by the Supervisory Board.</p> <p>✓ The shareholders receive advance notice of the GMS in a timely manner along with material information; the location is accessible for the majority of shareholders.</p> <p>✓ The shareholders are informed of the decisions made by the GMS and the voting results in accordance with legal requirements.</p> <p>✓ The External Registrar of the company is independent from management and the company's major shareholders.</p> <p>✓ The shareholders have access to additional materials (information) other than what is required by law during the preparation for the GMS.</p> <p>✓ The shareholders have the opportunity to ask questions at the GMS.</p> <p>✓ The procedures for counting votes at the GMS are transparent and exclude the possibility of manipulating voting results.</p> <p>✓ The company charter has a special provision specifying the list of materials made available to the shareholders on specific items of the agenda of the GMS.</p> <p>✓ The company has effective shareholder voting mechanisms in place (e.g. supermajority voting) to protect minority shareholder against unfair actions.</p> <p>✓ Shareholders have the possibility to use electronic means of communication (including the internet) for voting.</p> <p>✓ The company posts materials for the GMS, as well as decisions of the most recent GMS, on its internet site.</p>
Dividends	<p>✓ n/a</p> <p>✓ The procedure for determining the amount of dividends on preferred shares does not violate shareholder rights.</p> <p>✓ The company has formally developed and follows a by-law on dividend policy.</p> <p>✓ The company pays declared dividends not later than 60 days after a decision to declare dividends is made.</p> <p>✓ The company's by-law on dividend policy is publicly disclosed.</p>



Annex 2
A MODEL COMPANY CHARTER

Approved
by the General Meeting of Shareholders
of the Open Joint Stock Company «_____»

Minutes of the [Annual or Extraordinary]
General Meeting of Shareholders

No. _____
of _____ 200_

dated this ___ day of _____, 200_
[The Company's Seal]

CHARTER

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. «_____», an Open Joint Stock Company (hereinafter the Company), was established pursuant to the decision of _____ [enter the name of the governing body that approved the decision] dated as of _____ [enter date].
- 1.2. The Company shall be governed by the present charter (hereinafter the Charter) and any applicable provisions of the Civil Code of the Russian Federation, the Federal Law on Joint Stock Companies, the Federal Law on the Securities Market, and other legislation of the Russian Federation, as well as any other legal acts and regulations adopted pursuant thereto (hereinafter the Law). The Charter also takes into account the recommendations of the Russian Code of Corporate Conduct as developed by the Federal Commission for the Securities Market (hereinafter the FCSM Code).
- 1.3. The duration of the Company shall be unlimited unless reorganized or liquidated pursuant to the Charter and the Law.

Article 2. The Name and Location of the Company

- 2.1. The full registered name of the Company is:
 - 2.1.1. Открытое акционерное общество «_____» (in Cyrillic letters);
 - 2.1.2. Open Joint Stock Company «_____» (in Latin letters).
- 2.2. The abbreviated registered name of the Company is:
 - 2.2.1. ОАО «_____» (in Cyrillic letters);
 - 2.2.2. OJSC «_____» (in Latin letters).
- 2.3. The Company's location and postal address is _____, the Russian Federation, being the location where the Company is registered and where the General Director is located. The Company shall notify the competent registration authorities of its postal address and any changes thereto in the established manner.
- 2.4. The Company has a branch [or a representative office] in the following location in the Russian Federation [and abroad]_____.¹

Article 3. The Purpose and Activities of the Company

- 3.1. The principal purpose of the Company shall be _____ in order to earn profits.
- 3.2. The Company may engage in the following activities with the aim of accomplishing its principal purposes as set forth in Article 3.1. above, while operating within the parameters set forth in the Law and subject to obtaining all necessary licenses or permits:
 - 3.2.1. Conduct all activities related to _____;
 - 3.2.2. _____;
 - 3.2.3. _____;
 - 3.2.4. _____; and

¹ Law on Joint Stock Companies (LJSC), Article 5, Clause 6, provides that information about a company's branches and representative offices must be included in the charter. If the Company does not have branches and/or representative offices, the charter may include a provision that no branches and representative offices have been established.

- 3.2.5. Carry out any and all other activities not prohibited by the Charter or the Law within the Russian Federation or beyond its borders for the accomplishment of the Company's purposes.

Article 4. Charter Capital, Securities, and Funds of the Company

- 4.1. The charter capital of the Company (hereinafter the Charter Capital) shall consist of the nominal value of all shares issued to shareholder(s) and amounts to _____ [in digits] (_____) [in words] Rubles, being the equivalent of _____ [in digits] (_____) [in words] U.S. dollars [alternatively, in Euros] at the official exchange rate of the Central Bank of the Russian Federation on the date of the state registration of the Company's Charter.²
- 4.2. All shares of the Company are registered shares. The Charter Capital is divided into _____ [in digits] (_____) [in words] shares of common stock, each share having a nominal value of _____ [in digits] (_____) [in words] Rubles, and _____ [in digits] (_____) [in words] shares of preferred stock of class A, each share having a nominal value of _____ [in digits] (_____) [in words] Rubles, and _____ [in digits] (_____) [in words] shares of preferred stock of class B, each share having a nominal value of _____ [in digits] (_____) [in words] Rubles, the total value of which comprises one hundred percent (100%) of the Charter Capital.
- 4.3. In addition to the aforementioned issued shares, the Company shall be authorized to issue _____ [in digits] (_____) [in words] additional shares of common stock having a nominal value of _____ [in digits] (_____) [in words] Rubles per share,³ _____ [in digits] (_____) [in words] shares of preferred stock of class A, each share having a nominal value of _____ [in digits] (_____) [in words] Rubles, and _____ [in digits] (_____) [in words] shares of

² This is recommended in cases where the company's charter includes assets denominated in foreign currency.

³ LJC, Article 27, Clause 1. This provision is optional. However, the company may wish to include such a provision in the charter to ease its ability to increase the charter capital, which is only possible within the limits of the authorized charter capital and authorized shares.

Annex 2. A Model Company Charter

preferred stock of class B, each share having a nominal value of _____ [in digits] (_____) [in words] Rubles (the “Authorized Common Shares” [and “Authorized Preferred Shares”, respectively]) granting the same rights as issued shares, by decision of the [General Meeting of Shareholders (hereinafter the GMS) < or > Supervisory Board].⁴

4.4. Once the initial Charter Capital has been paid in full:

4.4.1. The Company is authorized to issue options for the acquisition of shares of the Company.⁵ If the Company issues options to acquire shares, the number of authorized shares cannot be less than the number of shares that can be acquired if the options are exercised. The Company may issue options to acquire shares of a specific type and class if the number of shares included in such options does not exceed 5% of the placed shares of that type and class;

4.4.2. The Company shall be authorized to increase its Charter Capital by decision of the GMS⁶ or the Supervisory Board either by:

4.4.2.1. Increasing the nominal value of the Company’s issued shares; or

4.4.2.2. Issuing additional shares in one or more installments, however, subject to the limitations contained in the Charter regarding the total number of Authorized Shares [and Authorized Preferred Shares], and with a corresponding amendment of the Charter.⁷

⁴ LJSC, Article 27, Clause 1. This provision is optional. However, the company may wish to include such a provision in the charter to make it easier to increase the charter capital, which is only possible within the limits of the authorized charter capital and authorized shares.

⁵ Law on the Securities Market, Article 27.1. The regulation of stock options is a novelty in Russian practice. For this reason, the charter provides guidance on how it can be reflected in the Charter.

⁶ LJSC, Article 28, Clause 2; Article 48, Clause 1, Section 6. This provision is optional. The authority to increase the charter capital may be delegated to the Supervisory Board by the charter or by decision of the GMS (LJSC, Article 12, Clause 2; Article 28, Clause 2). The Supervisory Board may increase the charter capital only by issuing authorized shares.

⁷ LJSC, Article 27. Note the requirement of LJSC, Article 27, Clause 2 that, in the case of issuing convertible securities, the number of authorized shares of the specific type and class may not be less than the number of shares needed for conversion. The GMS may also increase the number of authorized shares and issue these shares at the same time. Note that there are anti-dilution rules where the state holds 25% of shares (LJSC, Article 28, Clause 6).

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- 4.5. The Charter Capital may be decreased by decision of the GMS either by decreasing the nominal value of shares or by purchasing a portion of shares for the purpose of reducing the total number of outstanding shares.
- 4.6. Payment for the shares so purchased may be made in cash, securities, assets or property rights, or other rights having monetary value.
- 4.7. The value of any subsequent contributions in-kind to the Charter Capital shall be determined by the Supervisory Board in accordance with the Law. In cases of in-kind contributions to the Charter Capital, their valuation shall be based on an appraisal by an Independent Appraiser.
- 4.8. The Company must establish a reserve fund in the amount of _____ [in digits] (_____) [in words] percent of the Charter Capital.⁸
- 4.9. Annual deductions from the net profits of the Company to be transferred to the reserve fund shall be _____ [in digits] (_____) [in words] percent of the net profits until the reserve fund reaches the amount stipulated by Article 4.8 hereof.⁹

Article 5. Rights and Obligations of Shareholders and Dividends

- 5.1. Each common share shall entitle its owner to equal rights. Each common share grants its owner one vote at the GMS on all matters,¹⁰ and the right to receive dividends and a portion of the Company's assets in the event of the Company's liquidation.
- 5.2. Preferred shares of the same class possess the same rights and have the same nominal value. Preferred shares have no voting rights at the GMS unless otherwise provided for by the Law.

⁸ LJSC, Article 35, Clause 1 provides that the reserve fund may not be less than 5% of the charter capital. In addition, the company may establish other funds that are not required by legislation.

⁹ LJSC, Article 35, Clause 1 provides that the annual deductions from the net profits of the company to the reserve fund may not be less than 5% of the net profits.

¹⁰ The exception to the principle of one share-one vote is cumulative voting.

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- 5.2.1. Class A preferred shares¹¹ entitle their owners, relative to the owners of common shares and other classes of preferred shares, with first priority for receiving dividends and receiving the liquidation value of shares belonging to them.¹²
- 5.2.2. The dividend on each preferred share of class A is ____ [in digits] (_____) [in words] Rubles per year, payable annually no later than ____ [in digits] (_____) [in words] days after the date of the GMS.¹³
- 5.2.3. Any unpaid dividends or dividends not fully paid on class A preferred shares shall accumulate and be paid once the decision to pay dividends on shares of class A is made.
- 5.2.4. The liquidation value of each class A preferred share is ____ [in digits] (_____) [in words] Rubles.¹⁴
- 5.2.5. Each class A preferred share entitles its owner to ____ [in digits] (_____) [in words] votes on all issues on which class A preferred shares provide the right to vote.
- 5.2.6. Class B preferred shares¹⁵ grant their owners second priority for receiving payments for dividends and receiving the liquidation value of shares belonging to them, that is, they receive such payments only after the payment of dividends on class A preferred

¹¹ Class A preferred shares in this case are cumulative preferred shares. LJSC, Article 32, Clause 3 provides that the charter may have a provision for the conversion of preferred shares of a specific class into common shares or preferred shares of another class. If this is provided, the charter must specify the procedure for conversion, in particular, the number, type, and class of the shares into which they are converted and other conversion terms. It is prohibited to amend the said provisions of the charter after the decision is made to float converted preferred shares.

¹² These are only some of the preferences that can be provided for preferred shares. The charter may provide other or additional preferences for preferred shares.

¹³ The charter may provide other ways of determining the amount of dividends to be paid on preferred shares of each class, for example, a percentage of net profits. The period between declaration and the actual payment of dividends shall not exceed 60 days as recommended by the Federal Commission for the Securities Market's Code of Corporate Conduct (FCSM Code), Chapter 9, Section 2.1.3.

¹⁴ The charter may provide other ways of determining the liquidation value to be paid on preferred shares of each class. For example, the percentage of assets left after the satisfaction of claims of creditors can be distributed equally between the owners of class A preferred shares.

¹⁵ Class B preferred shares in this case are non-cumulative preferred shares.

- shares and payment of the liquidation value of class A preferred shares has been completed.
- 5.2.7. The dividend on each preferred share of class B is ____ [in digits] (_____) [in words] Rubles per year, payable annually no later than ____ [in digits] (_____) [in words] days after the date of the GMS.¹⁶
- 5.2.8. The liquidation value of each class B preferred share is ____ [in digits] (_____) [in words] Rubles.
- 5.2.9. Each class B preferred shares entitles its owner to ____ [in digits] (_____) [in words] votes on all issues on which class B preferred shares provide the right to vote.
- 5.3. Shareholders shall have such other rights and obligations as established by the Charter and the Law.¹⁷
- 5.4. The Company has the right to declare and pay dividends on common shares based on the results of each quarter and/or the results of the fiscal year. The Company shall pay declared dividends within _____ [in digits] (_____) [in words] days after the decision to declare dividends has been approved.¹⁸
- 5.5. Dividends shall be paid in money.¹⁹
- 5.6. The failure to pay declared dividends or the incomplete payment of dividends may be a ground for the Supervisory Board to reduce the remuneration of the General Director.²⁰

¹⁶ LJSC, Article 32, Clause 2 provides that if the date for accumulating and paying dividends against preferred shares of a specified class is not specified by the charter, preferred shares of that class are not deemed to be cumulative.

¹⁷ Shareholders have obligations with regard to the rules on related party transactions (LJSC, Articles 81–84), the disclosure of their affiliation with the company (LJSC, Article 93), and confidentiality (Civil Code, Article 67, 139).

¹⁸ LJSC, Article 42, Clause 4. The charter may specify the period during which declared dividends shall be paid. If that period is not specified, the Company Law requires that declared dividends be paid no later than 60 days from the date of approval. FCSM Code, Chapter 9, Section 2.1.3 recommends that in no case should the period for payment of declared dividends exceed 60 days.

¹⁹ LJSC, Article 42, Clause 1 provides that the charter may specify circumstances when dividends are paid in kind. FCSM Code, Chapter 9, Section 2.1.4. recommends that dividends be paid in cash.

²⁰ FCSM Code, Chapter 9, Section 3.

Article 6. The Governing Bodies of the Company

- 6.1. The Company shall have the following governing bodies:
 - 6.1.1. The GMS;
 - 6.1.2. The Supervisory Board;
 - 6.1.3. The General Director; and
 - 6.1.4. The Executive Board.

Article 7. The General Meeting of Shareholders

- 7.1. The GMS is the highest governing body of the Company.
- 7.2. The Annual General Meeting of Shareholders (hereinafter the AGM) must be held annually on the following date: _____ [*insert a date between March 1 and June 30*].
- 7.3. All GMS other than the AGM shall be Extraordinary General Meetings of Shareholders (hereinafter the EGM).
- 7.4. The GMS shall be valid if a quorum is present.²¹
- 7.5. The detailed procedures for preparing and conducting the GMS are specified by the Law, the Charter, and by-laws of the Company.
- 7.6. The AGM shall be held in the Russian Federation in the place where the Company is located or at another location if so specified in the by-laws of the Company or by the Supervisory Board.
- 7.7. The following issues fall within the authority of the GMS and shall be decided upon by a simple majority vote of shareholders participating in the GMS:
 - 7.7.1. An increase in the Charter Capital by increasing the nominal value of placed shares;
 - 7.7.2. An increase in the Charter Capital by issuing additional common and preferred shares through open subscription;

²¹ LJSC, Article 58, Clause 1 defines a quorum for the original and any reconvened GMS. In companies with more than 500 thousand shareholders, the charter may specify a lower quorum for the reconvened GMS. FCSM Code, Chapter 2, Section 2.3 recommends that the quorum for any reconvened GMS in large companies be not less than 20% of voting shares.

- 7.7.3. A reduction of the Charter Capital by decreasing the nominal value of issued shares;
- 7.7.4. A reduction of the Charter Capital by reducing the number of issued shares by retiring purchased or redeemed shares;
- 7.7.5. Splitting and consolidating shares;
- 7.7.6. The election and dismissal of Supervisory Board members;²²
- 7.7.7. Setting the number of Supervisory Board members;²³
- 7.7.8. The approval of the remuneration for Supervisory Board members;
- 7.7.9. The delegation of the authority of the General Director to an External Manager;
- 7.7.10. The election and dismissal of Revision Commission members;
- 7.7.11. The approval of the terms of compensation and remuneration for Revision Commission members;
- 7.7.12. The approval of the annual reports, annual financial statements, including balance sheet, profit and loss statements, statement of cash-flows, and notes to the financial statements, as well as the distribution of profits and losses based on the results of the fiscal year;
- 7.7.13. The declaration and payment of dividends based on the results of each quarter and/or the results of the fiscal year;
- 7.7.14. The election of the External Auditor;
- 7.7.15. Establishing procedures for conducting the GMS;²⁴
- 7.7.16. The election and dismissal of Counting Commission members;²⁵

²² LJSC, Article 66, Clause 4, Paragraph 13, states that directors who are elected with cumulative voting do not necessarily require a simple majority of votes to be elected. The candidates who receive the most votes are elected, which can be fewer than a simple majority of votes.

²³ LJSC, Article 66, Clause 3, Paragraph 1. The number of directors can be determined either by the charter (see Article 8.2 of the Charter) or decision of the GMS.

²⁴ It is advisable to specify the procedures for conducting the GMS in the company's by-laws. LJSC, Article 49, Clause 5 provides that either the charter or by-laws of the company may establish the procedures for decision-making on the issue.

²⁵ LJSC, Article 56, Clause 1, Paragraph 2. If the company has more than 500 shareholders with voting rights, the functions of the Counting Commission shall be performed by the External Registrar of the company. In companies with fewer shareholders with voting rights, the External Registrar could be assigned the functions of the Counting Commission.

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- 7.7.17. Designating the number of Counting Commission members;
 - 7.7.18. The approval of internal documents that regulate the activities of the Company's governing bodies (the Supervisory Board, the General Director, and the Executive Board);
 - 7.7.19. The approval of the by-law for the Revision Commission;
 - 7.7.20. The approval of the reimbursement of expenses for preparing and conducting an EGM if convened by parties other than the Supervisory Board;
 - 7.7.21. The approval of extraordinary transactions that are subject to the approval of the Supervisory Board in cases where the Supervisory Board failed to unanimously approve the transaction and transferred the authority for its approval to the GMS;
 - 7.7.22. The approval of related party transactions in cases specified by the Law on Joint Stock Companies;
 - 7.7.23. A waiver of the obligation of the controlling shareholders to make a buy-out offer during control transactions;²⁶
 - 7.7.24. Determine the list of additional documents that must be kept by the Company;
 - 7.7.25. Authorization for the Company to participate in holding companies, financial and industrial groups, and any associations or other unions of commercial entities; and
 - 7.7.26. Requesting an extraordinary inspection of the financial and economic activities of the Company by the Revision Commission.
- 7.8. A decision of the GMS on the following issues shall be adopted if a three-fourths majority vote of shareholders participating in the GMS is reached:
- 7.8.1. Amending the Charter or approving a new version of the Charter;
 - 7.8.2. The reorganization of the Company;

²⁶ LJSC, Article 80 provides for a waiver of the right to acquire shares in a company with more than 1,000 shareholders in case of acquisition of 30% or more of the company's common shares.

- 7.8.3. The liquidation of the Company and the appointment of the Liquidation Commission;
 - 7.8.4. The approval of the interim and final liquidation balance sheets;
 - 7.8.5. The determination of the number, nominal value, types, and classes of authorized shares that can be issued and placed by the Company, as well as which rights attach to these shares;
 - 7.8.6. The approval of extraordinary transactions involving more than 50 percent of the book value of assets of the Company;
 - 7.8.7. A buyback of shares by the Company in cases specified by the Law on Joint Stock Companies;²⁷
 - 7.8.8. The issue of additional shares through closed subscription;²⁸
 - 7.8.9. The issue of convertible securities through closed subscription;²⁹
 - 7.8.10. The issue of additional shares through open subscription that are 25 or more percent of already placed common shares;³⁰ and
 - 7.8.11. The issue of convertible securities if such securities can be converted into 25 or more percent of already issued common shares.³¹
- 7.9. A decision of the GMS on amending the Charter that limits the rights of preferred shareholders shall be adopted if the decision is approved by:³²
- 7.9.1. A three-fourths majority vote of preferred shareholders of the class whose rights will be affected as a result of Charter amendments; and

²⁷ LJSC, Article 72, Clause 1 provides that the charter may delegate this authority to the Supervisory Board. To avoid potential abuses, the company may not wish to delegate this authority to the Supervisory Board.

²⁸ LJSC, Article 39, Clause 3. The charter may require a higher number of votes to adopt the specified decision.

²⁹ LJSC, Article 39, Clause 3. The charter may require a higher number of votes to adopt the specified decision.

³⁰ LJSC, Article 39, Clause 4, Paragraph 1. The charter may require a higher number of votes to adopt the specified decision.

³¹ LJSC, Article 39, Clause 4, Paragraph 2. The charter may require a higher number of votes to adopt the specified decision.

³² LJSC, Article 32, Clause 4, Paragraph 2. The charter may require a higher number of votes to adopt the specified decision.

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- 7.9.2. A separate three-fourths majority vote of all other shareholders with voting rights participating in the GMS.
- 7.10. A decision on those issues set forth in sections 7.7.9, 7.7.12–7.7.13, 7.8.2–7.8.4 can be taken only if submitted by the Supervisory Board.
- 7.11. [A decision on those issues set forth in sections 7.7.1–7.7.2, 7.7.11, 7.7.18–7.7.19, 7.7.21–7.7.22, 7.7.25, 7.8.6–7.8.8, 7.8.10 can be taken only if submitted by the Supervisory Board.³³]
- 7.12. Issues falling within the authority of the GMS may not be delegated to the executive bodies of the Company.
- 7.13. The notification of the GMS and the voting ballot together with a sample power of attorney³⁴ shall be sent _____ days prior to the GMS³⁵ to all shareholders included in the list of shareholders entitled to participate in the GMS by registered mail [*option*: and/or published in _____ [*name of the printed media*], _____ [*name of the printed media*], and _____ [*name of the printed media*].³⁶ The notification for the GMS may be sent by other means of communication.
- 7.14. The following information and documents shall be made available for shareholders _____ days prior to the GMS:³⁷

³³ Unless the charter provides otherwise.

³⁴ FCSM Code, Chapter 2, Section 1.7 recommends this in order to provide shareholders with the possibility to vote through an authorized representative.

³⁵ LJSC, Article 52, Clause 1 provides that shareholders be notified of the GMS at least 20 days prior to the GMS, at least 30 days prior to the GMS if the agenda covers the reorganization of the company, and 50 days in the event of an EGM if the agenda includes the election of directors by cumulative voting. FCSM Code, Chapter 2, Section 1.1.1 recommends a notification period of at least 30 days.

³⁶ LJSC, Article 52, Clause 1 provides that notification by registered mail is the default rule. The charter, however, may provide for other ways of notification in lieu of, or in addition to, registered mail such as publication in the print media, which requires the charter to specify the name of the print media, personal delivery, and possibly other means of notification. FCSM Code, Chapter 2, Section 1.1.4 also recommends that the company select several print media.

³⁷ LJSC, Article 52, Clause 3 provides a list of information (materials) that shall be submitted to the shareholders as part of the preparation for the GMS. FCSM Code, Chapter 2, Section 1.3.1 recommends additional materials and documents.

- 7.14.1. The annual financial statements, including the balance sheet, profit and loss statement, statement of cash flows, and notes to the financial statements;
 - 7.14.2. The minutes of the Revision Commission and report of the Revision Commission that verifies the data in the annual report;
 - 7.14.3. The report of the External Auditor;
 - 7.14.4. Information on proposed candidates for the position of the General Director, and members of the Executive Board, the Supervisory Board, the Revision Commission, and the Counting Commission;
 - 7.14.5. The draft of amendments to the Charter, if any;
 - 7.14.6. The draft of the new version of the Charter, if any;
 - 7.14.7. Drafts of any internal documents of the Company if same have been submitted for approval;
 - 7.14.8. Drafts of decisions for the AGM;
 - 7.14.9. The annual report;
 - 7.14.10. The recommendations of the Supervisory Board on the distribution of profits, including the amount of dividends and the procedure for their payment, and on the distribution of losses of the Company based on the results of the previous fiscal year;
 - 7.14.11. The report of the Supervisory Board to shareholders;³⁸
 - 7.14.12. Information regarding the position of the Supervisory Board and any dissenting opinions of directors on each agenda item;³⁹ and
 - 7.14.13. Any other information required by the Law and internal documents of the Company.
- 7.15. If the agenda of the GMS includes the election of the Supervisory Board, the General Director, the Revision Commission, the Counting Commission and the approval of the External Auditor, information as to the existence of the written consent of the candidates shall also be provided to shareholders.

³⁸ FCSM Code, Chapter 2, Section 1.3.1.

³⁹ FCSM Code, Chapter 2, Section 1.3.3.

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- 7.16. If the agenda of the GMS includes items that can trigger redemption rights, the following information and documents shall be made available for shareholders during the preparation for the GMS:
- 7.16.1. The report of the Independent Appraiser on the market value of shares of the Company, the redemption of which can be requested;
 - 7.16.2. Information regarding the value of the net assets of the Company based on the data contained in the financial statements for the last reporting period; and
 - 7.16.3. The minutes (or an excerpt from the minutes) of the Supervisory Board meeting that determined the redemption price for shares and indicated that redemption price.
- 7.17. If the agenda of the GMS includes the reorganization of the Company, the following information and documents shall be made available for shareholders during the preparation for the GMS:
- 7.17.1. The basis or grounds for the terms and procedures of the reorganization that is contained in the decision on the consolidation, merger, split-up, divestiture, or transformation, or in the contract on merger or consolidation that is approved by the relevant Supervisory Board;
 - 7.17.2. The annual reports and the financial statements of all companies involved in the reorganization for the last three fiscal years, or for all completed fiscal years if the Company was established less than three years ago; and
 - 7.17.3. The quarterly accounting documents for the quarter that precedes the date of the GMS.
- 7.18. Information and materials should be submitted to the persons entitled to participate in the GMS for the purpose of familiarization at the premises of the Company and other locations specified in the notification on the GMS.⁴⁰
- 7.19. If the agenda of the GMS includes the election of members to the Supervisory Board, the Revision Commission, or the proposed External Auditor of the Company, the candidates shall be present when the GMS discusses this issue.⁴¹

⁴⁰ FCSM Code, Chapter 2, Section 1.1.3 recommends providing additional access to such information through electronic means of communications, including the internet.

⁴¹ FCSM Code, Chapter 2, Section 2.1.4.

Article 8. The Supervisory Board

- 8.1. The Supervisory Board shall supervise the executive bodies and provide overall strategic oversight of the Company's activities, except for those issues within the authority of the GMS.
- 8.2. The Supervisory Board shall consist of _____ members who shall be knowledgeable and experienced in the areas of the Company's business activities.⁴²
- 8.3. The following issues fall within the authority of the Supervisory Board:
 - 8.3.1. Determining the priority goals and strategic direction of the Company;
 - 8.3.2. Approving the financial and business plan of the Company;⁴³
 - 8.3.3. Appointing and dismissing the General Director and, upon the recommendation of the General Director, Executive Board members;
 - 8.3.4. Suspending the powers of the External Manager, if the GMS has transferred the authority of the General Director, and appointing an interim General Director;⁴⁴
 - 8.3.5. Supervising the operations of the executive bodies of the Company;
 - 8.3.6. Requesting the minutes of Executive Board meetings;
 - 8.3.7. Authorizing the General Director or an Executive Board member to serve in a similar capacity in any governing body (Supervisory Board, General Director, Executive Board) of another legal entity;
 - 8.3.8. Authorizing other persons, other than the Chairman of the Supervisory Board, to sign contracts with the General Director, Executive Board members, or the External Manager;
 - 8.3.9. Designating the terms of contracts with the General Director, Executive Board members, and the Corporate Secretary, including the terms and conditions for remuneration;

⁴² FCSM Code, Chapter 3, Section 2.2.3 recommends that the Supervisory Board be composed of at least three independent directors, or that at least one-fourth of the total number of members should be independent directors.

⁴³ FCSM Code, Chapter 3, Section 1.1.

⁴⁴ FCSM Code, Chapter 3, Section 1.4.1.

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- 8.3.10. Initiating the steps for the reimbursement of losses caused to the Company by Supervisory Board members;
- 8.3.11. Taking steps to reimburse the Company for losses caused by the General Director and Executive Board members, including the incomplete and/or untimely payment of declared dividends, as well as the failure to provide documents and information to the Supervisory Board where required pursuant to this Charter or by-laws of the Company;
- 8.3.12. Appointing the Corporate Secretary;⁴⁵
- 8.3.13. Establishing permanent and/or *ad hoc* Supervisory Board committees;
- 8.3.14. Approving by-laws and internal documents other than those that require the approval of the GMS or the executive bodies of the Company;
- 8.3.15. Establishing and liquidating branches and/or representative offices of the Company, and making the corresponding amendments to the Charter;
- 8.3.16. Establishing and liquidating subsidiaries and/or dependent companies in the Russian Federation and outside of the Russian Federation;
- 8.3.17. Calling the GMS including both the AGM and any EGM;
- 8.3.18. Determining the form for conducting the GMS, e.g. with joint presence of shareholders or written consent;
- 8.3.19. Determining the date, place, and time of the GMS, the time for commencing and ending the registration of shareholders and their representatives, and the postal address to which completed voting ballots must be sent;
- 8.3.20. Determining the date for compiling the list of persons entitled to participate in the GMS;
- 8.3.21. Reviewing proposals of shareholders and including approved proposals in the agenda of the GMS or rejecting proposals for the agenda;
- 8.3.22. Approving the agenda of the GMS;
- 8.3.23. Submitting proposals to the agenda of the GMS for items that can only be put on the agenda by the Supervisory Board;

⁴⁵ FCSM Code, Chapter 5, Section 2.1.

- 8.3.24. Determining procedures for notifying shareholders of the GMS;
- 8.3.25. Compiling the list of information and materials to be made available for shareholders during the preparation for the GMS, and of the procedure for accessing this information;
- 8.3.26. Determining the form and the text of the voting ballot;
- 8.3.27. Determining the classes of preferred shares, the owners of which shall have voting rights on each agenda item;
- 8.3.28. Including additional items on the agenda of the GMS upon its own initiative;
- 8.3.29. Proposing candidates to the governing bodies on the agenda if shareholders nominated less than the minimum number of candidates;
- 8.3.30. Increasing the Charter Capital by issuing additional authorized shares;
- 8.3.31. Approving of the report on the results of any share buyback by the Company for the purpose of decreasing the Charter Capital;
- 8.3.32. Issuing non-convertible bonds;⁴⁶
- 8.3.33. Approving the decision to purchase bonds placed by the Company;
- 8.3.34. Determining the market value of assets, the placement price, and the redemption price of shares and other securities;
- 8.3.35. Approving the External Registrar of the Company and the terms and conditions of the contract with the Registrar;
- 8.3.36. Using the reserve fund of the Company and other funds, if applicable;
- 8.3.37. Approving recommendations for the GMS regarding the amount of dividends and the approval of the procedure for the payment of such dividends;
- 8.3.38. Approving any extraordinary transactions that involve not more than 50 percent of the book value of the Company's assets;⁴⁷

⁴⁶ Good practice suggests that the Supervisory Board have the authority only to issue non-convertible bonds.

⁴⁷ LJC, Article 78 provides that the charter may stipulate the same approval procedures for other transactions as extraordinary transactions (defined within 25–50% of the book value of the company's assets).

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- 8.3.39. Approving any transactions that involve ten percent of the book value of assets of the Company;⁴⁸
 - 8.3.40. Approving any related party transactions that fall within the authority of the Supervisory Board;
 - 8.3.41. Requesting the Revision Commission to conduct an extraordinary inspection;
 - 8.3.42. Approving recommendations for the GMS regarding the remuneration of Revision Commission members;
 - 8.3.43. Determining the fees of the External Auditor;
 - 8.3.44. Preliminarily approving the annual report of the Company;
 - 8.3.45. Preparing and approving the annual report of the Supervisory Board regarding the business priorities of the Company for inclusion in the annual report of the Company;
 - 8.3.46. Preparing and submitting the report on compliance with the FCSM Code;
 - 8.3.47. Requesting oral and written reports as well as any other documents and information from the General Director, Executive Board members and other officials of the Company that are necessary for fulfilling its functions as a Supervisory Board;
 - 8.3.48. Making decisions regarding operations that go beyond the financial and business plan of the Company (non-standard operations); and
 - 8.3.49. Determining the list of additional documents that shall be kept by the Company.
- 8.4. Issues falling under the authority of the Supervisory Board may not be delegated to the executive bodies of the Company.
 - 8.5. The procedures for preparing and conducting Supervisory Board meetings shall be regulated by this Charter and by-laws of the Company.
 - 8.6. Supervisory Board meetings are convened by the Chairman of the Supervisory Board upon:
 - 8.6.1. The initiative of the Chairman of the Supervisory Board; or
 - 8.6.2. The request of a Supervisory Board member; or
 - 8.6.3. The request of the Revision Commission; or
 - 8.6.4. The request of the External Auditor; or

⁴⁸ FCSM Code, Chapter 4, Section 1.1.3.

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- 8.6.5. The request of the General Director; or
- 8.6.6. The request of the Executive Board; or
- 8.6.7. The request of those shareholders holding two percent or more of voting shares.⁴⁹
- 8.7. A quorum for the Supervisory Board meeting shall be _____ of the elected Supervisory Board members.⁵⁰
- 8.8. The Supervisory Board shall make its decisions by a ___ majority vote of the Supervisory Board members who participate in the Supervisory Board meeting.⁵¹
- 8.9. A Supervisory Board member is prohibited from transferring his vote to any other person, including other members of the Supervisory Board.
- 8.10. The Supervisory Board shall approve the following decisions by unanimous vote of all the acting members of the Supervisory Board:
 - 8.10.1. Increases in the Charter Capital by issuing additional shares; and
 - 8.10.2. Approval of an extraordinary transaction.
- 8.11. The following decisions of the Supervisory Board shall be approved by a three-fourths majority of Supervisory Board members participating in the Supervisory Board meeting:
 - 8.11.1. The suspension of the powers the External Manager for any reason;
 - 8.11.2. The approval of an interim General Director; and
 - 8.11.3. Conducting an EGM to approve the new General Director, or the External Manager.

⁴⁹ FCSM Code, Chapter 3, Section 4.13 recommends that the charter specify other parties who have the right to request a meeting of the Supervisory Board. As an option, the FCSM Code proposes to give this right to a shareholder (or a group of shareholders) possessing at least 2% of voting shares.

⁵⁰ LJSC, Article 68, Clause 2 provides that the quorum for a Supervisory Board meeting should not be less than a majority of the Supervisory Board members. However, the FCSM Code, Chapter 3, Section 4.14 recommends a higher number for a quorum which should be set at a level ensuring that without the presence of non-executive and independent Supervisory Board members, there can be no valid quorum.

⁵¹ LJSC, Article 68, Clause 3 provides for a simple majority vote of Supervisory Board members that are present at the meeting for the Board to adopt a decision, unless the charter or the by-laws require a higher number of votes. The charter may also grant a deciding vote to the Chairman of the Supervisory Board in the event of a tie vote.

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- 8.12. The Supervisory Board shall approve related party transactions by a simple majority vote of those directors who are not interested parties to the transaction.⁵²
- 8.13. The Supervisory Board shall elect the members of Supervisory Board committees by a simple majority vote of all Supervisory Board members.
- 8.14. The Supervisory Board may make its decisions by an absentee vote as specified in the by-laws of the Company.⁵³
- 8.15. The written opinions of absentee Supervisory Board members shall be considered when the Supervisory Board makes decisions.⁵⁴
- 8.16. For the election of Supervisory Board members, shareholders shall receive information on:⁵⁵
- 8.16.1. The identity of the shareholder or the group of shareholders who nominated the candidate;
 - 8.16.2. The age and educational background of the candidate;
 - 8.16.3. The positions held by the candidate during the last five years;
 - 8.16.4. The positions held by the candidate at the moment of his nomination;
 - 8.16.5. The nature of the relationship the candidate has with the Company;
 - 8.16.6. Any positions held by the candidate on the Supervisory Board, or any other official positions that are held by the candidate in other legal entities;
 - 8.16.7. Information on any nominations of the candidate for a position on the Supervisory Board, or any other official positions with other legal entities;
 - 8.16.8. The relationship of the candidate with any affiliated persons;

⁵² LJSC, Article 83, Clause 2 and 3. This applies to companies with 1,000 or fewer shareholders with voting rights. In companies with more than 1,000 shareholders with voting rights, it is only necessary to have a simple majority of independent directors who are not interested parties in the related party transaction.

⁵³ LJSC, Article 68, Clause 1 states that the charter may provide for the approval of decisions through the Supervisory Board by absentee vote when making critical decisions. This is recommended by the FCSM Code, Chapter 3, Section 4.3.2.

⁵⁴ FCSM Code, Chapter 3, Section 4.3.1.

⁵⁵ FCSM Code, Chapter 3, Section 2.3.1.

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- 8.16.9. The nature of the candidate's relationship with major business partners of the Company;
 - 8.16.10. Information related to the financial status of the candidate and other circumstances that may affect the duties of the candidate as a member of the Supervisory Board; and
 - 8.16.11. Any refusal by the candidate to disclose information that has been requested by the Company.
- 8.17. The candidates for the position of Supervisory Board members shall possess:⁵⁶
- 8.17.1. _____;
 - 8.17.2. _____; and
 - 8.17.3. _____.
- 8.18. The Supervisory Board members shall be elected by cumulative voting.
- 8.19. The Supervisory Board members shall:
- 8.19.1. Act in the best interests of the Company and its shareholders;
 - 8.19.2. Carry out their duties with an appropriate level of care and loyalty;
 - 8.19.3. Actively participate in Supervisory Board committees to which they are elected;
 - 8.19.4. Not disclose confidential information, or any other information they became aware of during the course of performing their duties, to persons that do not have access to such information, nor use such information for their own personal interests or for the interests of other persons;
 - 8.19.5. Notify the Supervisory Board in writing of any conflicts of interests and disclose information as to all concluded transactions in which the member was interested; and
 - 8.19.6. Provide the shareholders with complete and accurate information about the Company's activities, financial status, and corporate governance practices in a timely manner.

⁵⁶ FCSM Code, Chapter 3, Section 1.4.2. Insert the relevant qualifications of a candidate for the position of a Supervisory Board member, such as educational background, experience, relevant contacts, and personal characteristics.

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- 8.20. For the purposes of the Charter, Supervisory Board members are deemed independent if their only non-trivial professional, familial, or financial connection to the Company, Supervisory Board, General Director, or any other executive officer is their directorship, and:⁵⁷
- 8.20.1. Over the last three years has not been, and, at the time of his election to the Supervisory Board, is not an officer (manager) or employee of the Company, or an officer or employee of the External Manager of the Company;
 - 8.20.2. Over the last three years has not been, and, at the time of his election to the Supervisory Board, is not an officer of another company in which any of the officers of the Company is a member of the Nominations and Remuneration Committee of the Supervisory Board;
 - 8.20.3. Over the last three years has not been, and, at the time of his election to the Supervisory Board, is not an affiliated person of an officer (manager) of the Company (or officer of the Company's External Manager);
 - 8.20.4. Over the last three years has not been, and, at the time of his election to the Supervisory Board, is not an affiliated person of the Company or an affiliated person of such affiliated persons;
 - 8.20.5. Is not bound by contractual relations with the Company, whereby such member may acquire property or receive money with a value in excess of ten percent of such person's aggregate annual income, not including any remuneration received for participating in activities of the Supervisory Board;
 - 8.20.6. Over the last three years has not been, and, at the time of his election to the Supervisory Board, is not a major business partner of the Company. A major business partner is defined as a business partner whose annual transactions with the Company are valued in excess of ten percent of the book value of assets of the Company; and
 - 8.20.7. Over the last three years has not been, and, at the time of his election to the Supervisory Board, is not a representative of the Government of the Russian Federation.

⁵⁷ FCSM Code, Chapter 3, Section 2.2.2. For an alternative definition of independent directors see Annex 18.

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- 8.21. Independent directors should inform the Supervisory Board of any changes in their independence.
- 8.22. The Supervisory Board may establish committees for the provisional consideration of major issues and the development of proposals in accordance with the requirements specified in the by-laws of the Company.⁵⁸

Article 9. The Executive Bodies

- 9.1. The execution of the day-to-day operations of the Company shall be conducted by the following executive bodies:
 - 9.1.1. The General Director; and
 - 9.1.2. The Executive Board.
- 9.2. Neither the General Director nor Executive Board members shall serve on a governing body of any other Company without the prior approval of the Supervisory Board. The General Director and Executive Board members may not be a member of the governing bodies or an employee of a competing company.
- 9.3. In addition to the authority of the General Director and the Executive Board as defined in the Charter, by-laws, and any other applicable legal provisions, the rights and obligations of the General Director and of the Executive Board may be specified in the employment contract entered into between the Company and the General Director or Executive Board members. Such employment contract shall be signed on behalf of the Company by the Chairman of the Supervisory Board, except that such contracts for Executive Board members shall be signed by the General Director after the terms have been approved by the Supervisory Board.
- 9.4. The General Director presides over Executive Board meetings.
- 9.5. The Executive Board shall consist of _____ persons.
- 9.6. The authority of the executive bodies includes all issues related to the day-to-day management of the Company's activities, except for those is-

⁵⁸ The number, names, authority, and working procedures of Supervisory Board committees will be specified in the by-laws of the Company. See also: Annexes 7–10.

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sues that fall within the authority of the GMS and the Supervisory Board.

- 9.7. The General Director and Executive Board members are elected for _____ [years].⁵⁹
- 9.8. The General Director and Executive Board members may begin to perform their duties from the moment the minutes of the Supervisory Board meeting are signed by the Supervisory Board.
- 9.9. The General Director has the authority to:
 - 9.9.1. Act without a power of attorney on behalf of the Company;
 - 9.9.2. Represent the Company's interests in relations with third parties;
 - 9.9.3. Conclude transactions on behalf of the Company within the limitations set forth by the present Charter and the Law;
 - 9.9.4. Hire staff, sign labor contracts, and manage the performance of all employees of the Company;
 - 9.9.5. _____; and
 - 9.9.6. _____.
- 9.10. The Executive Board has the authority to adopt the following decisions:
 - 9.10.1. Provisional approval of transactions or a group of related transactions with property, the value of which exceeds five percent of the book value of the Company's assets according to the balance sheet prepared for the latest reporting period;
 - 9.10.2. Decisions regarding issues to be included on the agenda of the GMS of subsidiary companies in which the Company is the only shareholder;
 - 9.10.3. Development of the Company's financial and business plans;
 - 9.10.4. _____;
 - 9.10.5. _____; and
 - 9.10.6. Other issues specified by the Law, the Charter, and the by-laws of the Company.

⁵⁹ To ensure continuity in the Company's direction of development, the IFC's RCGP recommends electing the General Director and Executive Board members for a term of 3–5 years, following an initial one-year term.

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- 9.11. The General Director calls the Executive Board meetings either upon his own initiative or upon the request of the Supervisory Board or an Executive Board member.
- 9.12. The procedures for Executive Board meetings shall be regulated by the Law, the Charter, and the by-laws of the Company.
- 9.13. The following decisions are approved by the Executive Board by a three-fourths majority vote of Executive Board members participating in the meeting:⁶⁰
- 9.13.1. _____;
 - 9.13.2. _____; and
 - 9.13.3. _____.
- 9.14. The following decisions are approved by a unanimous vote of Executive Board members participating in the meeting:
- 9.14.1. _____;
 - 9.14.2. _____; and
 - 9.14.3. _____.
- 9.15. The candidates for the positions of General Director, Executive Board members, and the External Manager may not be officials or employees of another company that competes with the Company.
- 9.16. The General Director and Executive Board members shall:
- 9.16.1. Act honestly;
 - 9.16.2. Act in the best interests of the Company and its shareholders;
 - 9.16.3. Act with care and be loyal;
 - 9.16.4. Not disclose confidential information or any other information they became aware of during the performance of their duties to persons who do not have access to such information, nor use such information for their own personal interests or for the interests of other persons;
 - 9.16.5. Notify the Supervisory Board in writing of any conflicts of interests regarding transaction with the Company and disclose information as to all concluded transactions in which the member was an interested party; and

⁶⁰ Insert the list of decisions that require a three-fourths majority vote.

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- 9.16.6. Provide the Supervisory Board and shareholders with complete and accurate information about the Company's activities, financial status, and effective corporate governance practices in a timely manner.
- 9.17. An Executive Board member should:
 - 9.17.1. Regularly attend and actively participate in Executive Board meetings;
 - 9.17.2. Participate actively in the discussion of issues and vote on matters included on the agenda of Executive Board meetings;
 - 9.17.3. Place matters on the agenda of Executive Board meetings or demand that the General Director conduct an Executive Board meeting when this is necessary;
 - 9.17.4. Notify the General Director if the member is unable to attend an Executive Board meeting;
 - 9.17.5. Provide adequate information to the Supervisory Board so that its members are properly informed on corporate matters.⁶¹
- 9.18. The General Director and Executive Board members shall refrain from:
 - 9.18.1. Participating in a competing Company;⁶²
 - 9.18.2. Participating in transactions involving a potential conflict of interest with the Company, such as related party transactions;
 - 9.18.3. Using corporate property and facilities for personal reasons unless authorized by the Supervisory Board; and
 - 9.18.4. Using information or business opportunities for personal benefit.

Article 10. The Corporate Secretary

- 10.1. The Company shall appoint a Corporate Secretary.⁶³
- 10.2. The functions, rights, and duties of the Corporate Secretary shall be defined by the Charter and by-laws of the Company.

⁶¹ FCSM Code, Chapter 3, Section 3.1.2.

⁶² FCSM Code, Chapter 4, Section 2.1.3.

⁶³ FCSM Code, Chapter 5, Introduction.

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- 10.3. The Corporate Secretary shall ensure:⁶⁴
- 10.3.1. Compliance with the Law, the Charter and by-laws of the Company regarding the preparation and conducting of the GMS and Supervisory Board meetings;
 - 10.3.2. The disclosure of relevant information and storage of Company documents;
 - 10.3.3. The examination of shareholder requests;
 - 10.3.4. The resolution of disputes related to the violation of shareholder rights; and
 - 10.3.5. _____.
- 10.4. The candidates for Corporate Secretary shall have:⁶⁵
- 10.4.1. _____;
 - 10.4.2. _____; and
 - 10.4.3. _____.
- 10.5. The Corporate Secretary is entitled to receive any information from the Company's governing bodies and employees as required to perform his functions. The Supervisory Board, the General Director, the Executive Board, and other officials of the Company shall provide the Corporate Secretary with any information so requested.⁶⁶
- 10.6. The Corporate Secretary is appointed by the Supervisory Board and shall perform his duties pursuant to the provisions of the Charter, the by-laws of the Company, and provisions of the contract entered into between the Secretary and the Company.⁶⁷

Article 11. The Revision Commission and External Audits

- 11.1. The Revision Commission shall be elected at the AGM and remain in existence until the next AGM.
- 11.2. The Revision Commission shall consist of _____ members.

⁶⁴ FCSM Code, Chapter 5, Section 1.

⁶⁵ FCSM Code, Chapter 5, Section 2.2.1. Insert qualifications required for the candidate for the position of a corporate secretary, such as education background, experience, and personal characteristics.

⁶⁶ FCSM Code, Chapter 5, Section 1.6.1.

⁶⁷ FCSM Code, Chapter 5, Section 2.1.

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- 11.3. The Revision Commission shall perform its duties in conformity with the Law, the Charter, and the by-laws of the Company.
- 11.4. The Revision Commission shall:
 - 11.4.1. Inspect the Company's financial and business activities by performing regular and extraordinary inspections, and submit its reports to the GMS;
 - 11.4.2. Inspect specific aspects of the Company's financial and business activities upon the request of a shareholder or a group of shareholders owning at least ten percent of voting shares, or at the request of the Supervisory Board;
 - 11.4.3. Verify compliance of the activities of the Supervisory Board with the Law;
 - 11.4.4. Verify facts regarding the use of insider information;
 - 11.4.5. Verify the timeliness of payments to contractors, payments to the budget, calculations and payments of dividends, and the performance of other obligations by the Company;
 - 11.4.6. Examine the use of the Company's reserve fund and other funds;
 - 11.4.7. Verify the timeliness of payments for issued shares of the Company;
 - 11.4.8. Review the Company's financial status, its solvency, and creditworthiness;
 - 11.4.9. Confirm the accuracy of data contained in the Company's annual report and other annual financial statements;
 - 11.4.10. Oversee the valuation of the Company's net assets;
 - 11.4.11. Inform the GMS and the Supervisory Board of any problems or deficiencies revealed;
 - 11.4.12. _____;
 - 11.4.13. _____; and
 - 11.4.14. Perform any other duties as specified by the Law, the Charter, and the by-laws of the Company.
- 11.5. The Company shall have an External Auditor who shall be elected by the GMS.
- 11.6. The External Auditor shall act pursuant to the Law and the provisions of the contract entered into between the Company and the External Auditor.

Article 12. The Annual Report of the Company

- 12.1. The annual report shall include the following information:⁶⁸
- 12.1.1. The Company's position in its industry;
 - 12.1.2. Priority directions of the Company's activities;
 - 12.1.3. The report of the Supervisory Board on the Company's results in its principal areas of activity;
 - 12.1.4. Prospects for the Company's development;
 - 12.1.5. The report on the payment of declared dividends;
 - 12.1.6. The analysis of the principal risks associated with the Company's activities;
 - 12.1.7. A list of extraordinary transactions concluded by the Company during the reporting year, including the significant terms of those transactions and the governing body of the Company that approved these transactions;
 - 12.1.8. A list of related party transactions concluded by the Company during the reporting year including a list of related parties, the significant terms of such transactions and the governing the body of the Company that approved these transactions;
 - 12.1.9. The composition of the Supervisory Board, including information regarding changes in the composition of the Board that took place during the reporting year, as well as information on members of the Supervisory Board, including a brief summary of their personal data and information on their share ownership in the Company during the reporting year;
 - 12.1.10. Information on the General Director and Executive Board members including a brief summary of their personal data and information on their share ownership in the Company during the reporting year;
 - 12.1.11. Criteria for the determination of and the amount of remuneration and expenses for the General Director, each member of the Execu-

⁶⁸ This article lists only legal requirements for the annual report of the Company. It does not include annual financial statements. Other information can be included in the annual report based on best practices. For more details, see the Model Annual Report in Annex 29 and FCSM Regulation No. 17/ps on Additional Requirements to the Procedure of Preparing, Calling, and Conducting the General Meeting of Shareholders, 31 May 2002, Section 3.6.

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- tive Board, and each member of the Supervisory Board, and the aggregate amount of remuneration paid to all these persons and governing bodies during the reporting year;
- 12.1.12. Information regarding the Company's compliance with the recommendations of the FCSM Code;
 - 12.1.13. The Company's corporate governance policies and practices;
 - 12.1.14. _____;
 - 12.1.15. _____; and
 - 12.1.16. Any other information required to be included in the by-laws of the Company.
- 12.2. The annual report shall be signed by the General Director, Chief Accountant, and Supervisory Board members.⁶⁹

Article 13. Miscellaneous Provisions

- 13.1. The General Director shall ensure that the originals or, in lieu thereof, notarized copies of the following corporate records and documents be maintained by the Company as provided by the Law:
 - 13.1.1. The Charter and any amendments and additions thereto, which have been registered in the manner required by the Law, the decision on the establishment of the Company, and the certificate of state registration of the Company;
 - 13.1.2. Any documents confirming the Company's rights to property reflected on its balance sheet;
 - 13.1.3. Internal documents;
 - 13.1.4. Regulations of the Company's branch(es) or representative office(s);
 - 13.1.5. Corporate documents of subsidiaries and dependent companies, if any;
 - 13.1.6. Annual reports and financial statements;
 - 13.1.7. Share prospectuses;
 - 13.1.8. Accounting documents;
 - 13.1.9. Financial reporting documents presented to the appropriate governing bodies;

⁶⁹ FCSM Code, Chapter 7, Section 3.3.8.

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- 13.1.10. Minutes of the meeting of GMS, the Supervisory Board, the Revision Commission, and the Executive Board, as well as all documents approved by the General Director;
 - 13.1.11. A list of related parties of the Company indicating the number of shares of each type and class belonging to each such person;
 - 13.1.12. Reports of the Revision Commission, External Auditor, and state and municipal financial oversight bodies;
 - 13.1.13. Documents on the Company's employees; and
 - 13.1.14. Other documents as required by the Law.
- 13.2. The Charter shall become effective immediately upon registration with the relevant state agency.

A TABLE OF CHARTER PROVISIONS

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
1. General Provisions				
1.1.	The legal form of the company (open or closed). ⁷⁰	Mandatory Law on Joint Stock Companies (LJSC), Article 7, Clause 1; Article 11, Clause 3.	LJSC, Article 7, Clause 1 states that the legal form of the company shall be reflected in the company name.	1.1.
1.2.	The duration of the company's activities.	Optional LJSC, Article 2, Clause 5.	«The Company is established for the period of _____ years.»	
1.3.	In the event the company is a subsidiary of another legal entity, the charter of the subsidiary can provide for binding instructions from the parent company to the subsidiary.	Optional LJSC, Article 6, Clause 3.		
2. The Name and Location of the Company				
2.1.	The location of the company.	Mandatory LJSC, Article 4, Clause 2; Article 11, Clause 3.		2.3.
2.2.	The name and abbreviation of the name of the company.	Mandatory LJSC, Article 11, Clause 3.		2.1. and 2.2.
2.3.	Information on branches and representative offices of the company.	Conditional LJSC, Article 5, Clause 6; Article 11, Clause 3.	«1. The Company has the following branches: 1.1. _____ (name and location); 1.2. _____ (name and location). 2. The Company has the following representative offices: 2.1. _____ (name and location); 2.2. _____ (name and location).»	2.4.
2.4.	Information that a single shareholder owns all shares of the company.	Conditional CC, Article 98; Clause 6.	«A single shareholder owns all shares of the Company.»	
3. Charter Capital, Securities and Funds of the Company				
3.1.	The amount of the charter capital.	Mandatory LJSC, Article 11, Clause 3.		4.1.

⁷⁰ This overview does not include provisions stipulated by the Law on Joint Stock Companies for Closed Joint Stock Companies.

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No.	Provisions	Primary References	Other References/Comments	Model Charter (Clause)
3.2.	The amount of the reserve fund.	Mandatory LJSC, Article 35, Clause 1.	«The reserve fund may not be less than 5% of the charter capital of the Company.»	4.8.
3.3.	The amount of annual deductions to the reserve fund.	Mandatory LJSC, Article 35, Clause 1.	«The deductions may not be less than 5% of net profits until the attainment of the amount of the reserve fund as established by the charter of the Company.»	4.9.
3.4.	The number and nominal value of shares of each type and class issued by the company.	Mandatory LJSC, Article 11, Clause 3; Article 27, Clause 1.	The charter must provide information regarding preferred shares if it has issued them.	4.2.
3.5.	The opportunity to decrease the charter capital by purchasing and retiring a part of issued shares.	Optional LJSC, Article 29, Clause 1; Article 72, Clause 1.		4.5.
3.6.	The possibility for the company to buyback shares it has already issued.	Optional Article 72, Clause 2.	«The Company may buyback shares issued by the Company by the decision of the General Meeting of Shareholders [or, the Supervisory Board].»	
3.7.	The form of payment, other than cash, for the buyback by the company of shares issued by the company.	Optional LJSC, Article 72, Clause 4.		4.6.
3.8.	The formation of a special fund for employees from the net profits of the company.	Optional LJSC, Article 35, Clause 2.	This fund should be used to buy shares of the company and distribute them among employees free-of-charge.	
3.9.	The procedure for conversion, and the number of shares of each type and class into which the securities can be converted, as well as other terms of the conversion.	Conditional LJSC, Article 32, Clause 3.	The inclusion of this procedure is mandatory if the charter has a provision on the conversion of preferred shares of a specific class into common shares or preferred shares of another class.	
3.10.	The procedure for the conversion of securities other than shares into preferred shares.	Conditional LJSC, Article 37, Clause 1.	The inclusion of the procedure in the charter for the conversion of securities other than shares into preferred shares of the company is mandatory if the company has issued securities convertible into preferred shares.	
3.11.	The number and rights attached to authorized shares of each type and class.	Optional LJSC, Article 27, Clause 1.	The company cannot issue additional shares if the charter does not specify the number of authorized shares of each type and class.	4.3.
3.12.	The procedures and conditions for issuing authorized shares.	Optional LJSC, Article 27, Clause 1.		

Annex 3. A Table of Charter Provisions

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
3.13.	The possibility to issue bonds upon the decision of a governing body other than the Supervisory Board.	Optional LJSC, Article 33, Clause 2.		
3.14.	The possibility to confer voting rights to shares owned by a company founder before these shares are paid in full.	Optional LJSC, Article 34, Clause 1.		
3.15.	The possibility to set restrictions on the types of property for the payment of shares.	Optional LJSC, Article 34, Clause 2.		
3.16.	Limitations regarding conducting closed subscriptions of shares in an Open Joint Stock Company.	Optional LJSC, Article 7, Clause 2. Article 39, Clause 2.		
4. Rights and Obligations of Shareholders and Dividends				
4.1.	The rights of shareholders attached to each type and class of company shares.	Mandatory LJSC, Article 11, Clause 3; Article 27, Clause 1.	The charter has to provide information regarding the rights attached to preferred shares only if it has issued them.	5.1, 5.2.
4.2.	The special right of the Russian Federation, a Russian region or a municipal entity to participate in the management of the company (Golden Share).	Conditional LJSC, Article 11, Clause 3; Article 12, Clause 4.	The charter has to provide information regarding the Golden Share if it exists.	
4.3.	The limitations on the total number and the total nominal value of shares that can be owned by one shareholder or limitations on the maximum number of votes that can be cast by one shareholder.	Optional LJSC, Article 11, Clause 3.	«No shareholder may possess more than _____ percent of the charter capital of the Company. No shareholder may exercise more than _____ votes on any issue on which the shareholder may vote.»	
4.4.	The amount of dividends to be paid on preferred shares of each class.	Conditional LJSC, Article 32, Clause 2.	The amount of dividends on preferred shares of each class must be specified in the charter if the company issues preferred shares.	5.2.2.
4.5.	The priority of payment of dividends and/or of the liquidation value to be paid on preferred shares of each class.	Conditional LJSC, Article 32, Clause 2.	The priority for the payment of dividends and/or of the liquidation value is mandatory if the company issues preferred shares of two or more classes with a dividend rate being specified for each of them.	5.2.1.
4.6.	The possibility to accumulate and subsequently pay unpaid or not fully paid dividends on preferred shares of a specific class until the specified date.	Optional LJSC, Article 32, Clause 2.	If the dates for accumulation and payment of dividends on preferred shares of a specific class are not specified by the charter, preferred shares of the said class are not cumulative.	5.2.3.

No.	Provisions	Primary References	Other References/Comments	Model Charter (Clause)
4.7.	The definition of property or assets other than money in which dividends can be paid.	Optional LJSC, Article 42, Clause 2.	«The Company may pay declared dividends in kind. The following assets can be used to pay dividends: 1. _____; 2. _____; and 3. _____»	
4.8.	The period (date of disbursement) for the payment of annual dividends.	Optional and Recommended by the FCSM Code LJSC, Article 42, Clause 4, FCSM Code, Chapter 9, Section 2.1.3.	The company must pay declared dividends within 60 days of the approval of the decision to declare dividends.	5.4.
4.9.	The authority of the Supervisory Board to reduce the remuneration of the General Director and Executive Board members in case of incomplete or late payment of dividends.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 9, Section 3.		5.6.
5. The General Meeting of Shareholders				
5.1.	The competence of the General Meeting of Shareholders (GMS).	Mandatory LJSC, Article 11, Clause 3.		7.7, 7.8.
5.2.	The list of issues on which the GMS must vote by a qualified majority of votes.	Mandatory LJSC, Article 11, Clause 3.		7.8.
5.3.	The procedures that must be followed when the company prepares and conducts GMS.	Mandatory LJSC, Article 11, Clause 3.		7.5, 7.10–7.19
5.4.	The period when the company must hold the Annual General Meeting of Shareholders (AGM).	Mandatory LJSC, Article 47, Clause 1.	«The AGM must be held at least two months after, but not later than six months after the end of the fiscal year.»	7.2.
5.5.	Names of print media where the notification of the GMS must be published.	Conditional LJSC, Article 52, Clause 1.		7.13.
5.6.	The use of electronic means to notify shareholders of the GMS.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 1.1.3.		

Annex 3. A Table of Charter Provisions

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
5.7.	The use of several print media to notify shareholders of the GMS.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 1.1.4.		7.1.3.
5.8.	The list of decisions of the GMS upon the proposal of parties other than the Supervisory Board.	Optional LJSC, Article 49, Clause 3.	LJSC, Article 48, Clause 1, Paragraphs 2, 6, 14–19.	
5.9.	The procedure for approving procedural decisions during the GMS.	Optional LJSC, Article 49, Clause 5.	These procedures can also be specified in by-laws.	
5.10.	The possibility to set a number of votes greater than three-fourths majority vote of preferred shareholders of a specific class who participate in the GMS in order to approve a specific decision that affects the rights of preferred shareholders.	Optional LJSC, Article 32, Clause 4.		
5.11.	The possibility to set a number of votes greater than three-fourths majority vote of voting shares who participate in the GMS in order to approve a decision on the issuance of additional shares or securities convertible into shares by closed subscription, issuance of common shares being more than 25% of previously issued common shares, issuance of securities convertible into common shares and being more than 25% of previously issued common shares.	Optional LJSC, Article 39, Clauses 3 and 4.		
5.12.	The method for notifying persons who are entitled to participate in the GMS, including the media to be used, and the circulation of ballots for voting by means other than by registered mail.	Optional LJSC, Article 52, Clause 1.	See also LJSC, Article 60, Clause 2 for methods of distribution of voting ballots by means other than by registered mail as determined by the charter.	7.1.3.
5.13.	The list of documents, other than those specified by the Company Law, that must be made available to shareholders during the preparation for the GMS.	Optional and Recommended by the FCSM Code LJSC, Article 52, Clause 3; FCSM Code, Chapter 2, Section 1.3.1.		7.14–7.17.

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No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
5.14.	The list of information (materials) that must be made available to shareholders during the preparation for the GMS with respect to a specific agenda item.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 1.3.1.		7.14–7.17
5.15.	The requirement to distribute the report of the Supervisory Board on financial performance of the company to shareholders before the GMS.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 1.3.1.		7.4.11.
5.16.	The period within which the company must make the information (materials) available for shareholders during the preparation for the GMS.	Optional Regulation 17/ps of the Federal Commission for Securities Market, Section 3.8.	«The Company must provide the shareholders with information (materials) that the shareholders have the right to request during the preparation for the GMS within [less than 5] days after the request has been received.»	
5.17.	The possibility for shareholders to have access to information (materials) related to the GMS through the internet or other means.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 1.3.5.		
5.18.	The definition of the location for holding GMS.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 1.6.1.		7.6.
5.19.	The period for submitting proposals for the AGM which is more than 30 days after the end of the financial year.	Optional LJSC, Article 53, Clause 1.	«A shareholder (or a group of shareholders) possessing at least 2% of voting shares of the Company may propose agenda items not later than _____ days after the end of the financial year.»	
5.20.	The period for proposing candidates to the Supervisory Board if the agenda of the Extraordinary General Meeting of Shareholders (EGM) includes elections with cumulative voting.	Optional LJSC, Article 53, Clause 2.	«A shareholder (or a group of shareholders) possessing at least 2% of voting shares may propose candidates for the Supervisory Board to be elected with cumulative voting during the EGM in _____ [less than 30] days before the EGM is held.»	

Annex 3. A Table of Charter Provisions

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
5.21.	The period for holding an EGM to elect the Supervisory Board with cumulative voting which is less than 70 days after the request to conduct an EGM is made.	Optional LJSC, Article 55, Clause 2.	«A shareholder (or a group of shareholders) owning at least 10% of voting shares may request to hold an EGM to elect the Supervisory Board with cumulative voting within _____ [less than 70] days after the request to conduct the EGM.»	
5.22.	The period for holding a mandatory EGM which is less than 40 days after the request to conduct an EGM is made.	Optional LJSC, Article 55, Clause 3.	«The mandatory EGM must be convened by the Supervisory Board _____ [less than 40] days after the decision to conduct the mandatory EGM is approved by the Supervisory Board.»	
5.23.	The period for conducting a mandatory EGM to elect the Supervisory Board with cumulative voting which is less than 70 days after the request to conduct an EGM is made.	Optional LJSC, Article 55, Clause 3.	«The mandatory EGM to elect the Supervisory Board with cumulative voting must be convened by the Supervisory Board _____ [less than 70] days after the decision to conduct the mandatory EGM is approved by the Supervisory Board.»	
5.24.	The period for which the GMS can be postponed if the quorum does not exist on any of agenda items at the moment when the GMS must be opened.	Optional Federal Commission for the Securities Market (FCSM) Regulation 17/ps, Section 3.8.	«If a quorum of the GMS does not exist on any of the agenda items at the moment when the GMS must be opened, the Meeting can be postponed for _____ [less than 2] hours. The GMS can be postponed only once.»	
5.25.	The possibility to set the quorum at less than 30% of voting shares that participate in the reconvened GMS in companies with more than 500,000 shareholders.	Optional LJSC, Article 58, Clause 3.	«The quorum for the reconvened GMS exists if the shareholders possessing at least _____ [less than 30] percent of voting shares participate in the GMS when the Company has more than 500,000 shareholders.»	
5.26.	The requirement that the company distribute voting ballots in advance in companies with fewer than 1,000 shareholders with voting rights.	Conditional LJSC, Article 60, Clause 2.	The company must distribute voting ballots in advance of the GMS even if the company has fewer than 1,000 shareholders with voting rights.	
5.27.	The possibility to distribute voting ballots in advance to shareholders by using methods other than registered mail.	Conditional LJSC, Article 60, Clause 2.	«The Company distributes voting ballots to shareholders in advance of the GMS by _____ [e.g. faxing the ballots].»	
5.28.	The possibility to publish voting ballots in the print media accessible to all shareholders if the company has more than 500,000 shareholders.	Conditional LJSC, Article 60, Clause 2.	«The Company can publish voting ballots in _____ [name of the print media] for the GMS when the Company has more than 500,000 shareholders.»	
5.29.	The possibility to set the quorum not less than 20% of voting shares that participate in the reconvened GMS in companies with more than 500,000 shareholders.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 2.3.		

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
5.30.	The requirement for candidates of the Supervisory Board, executive bodies, the Revision Commission, and the External Auditor to be present during the GMS when the agenda includes the election of these bodies.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 2.1.4.		7.19.
5.31.	The procedures for monitoring the counting process during the GMS and the authority of persons in charge of counting the votes during the GMS.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 2, Section 2.4.2.	These procedures can also be specified in by-laws.	
6. The Supervisory Board				
6.1.	The authority of the Supervisory Board.	Mandatory and recommended by the FCSM Code LJSC, Article 11, Clause 3; FCSM Code, Chapter 3, Section 1.5.		8.1, 8.3.
6.2.	The list of Supervisory Board decisions to be approved by a qualified majority of votes.	Mandatory LJSC, Article 11, Clause 3.		8.10, 8.11.
6.3.	The possibility to delegate the authority of the GMS to the Supervisory Board to increase the charter capital by issuing additional shares.	Optional LJSC, Article 28, Clause 2.	«The Supervisory Board has the authority to increase the charter capital by issuing and placing additional shares authorized by the Company.»	8.3.30.
6.4.	The possibility to delegate the authority of the GMS to the Supervisory Board to approve the issue of bonds convertible into shares and other types of securities convertible into shares.	Optional LJSC, Article 33, Clause 2.	«The Supervisory Board has the authority to approve the issue of convertible bonds and other securities convertible into shares.»	
6.5.	The possibility to delegate the authority of the Supervisory Board to issue bonds and other types of securities to others than the Supervisory Board.	Optional LJSC, Article 33, Clause 2.	«The GMS has the authority to issue non-convertible bonds and other securities.»	
6.6.	The list of additional information on candidates that can be elected during the GMS.	Optional LJSC, Article 53, Clause 4.	These procedures can also be specified in by-laws.	8.16.
6.7.	The possibility to delegate the authority to prepare and conduct the GMS if the company does not establish a Supervisory Board.	Optional LJSC, Article 64, Clause 1.	In companies with less than 50 share holders of voting shares, the charter may provide that no Supervisory Board will be established. In this case, the charter has to appoint a person or a body that is responsible for preparing and conducting the GMS.	

Annex 3. A Table of Charter Provisions

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
6.8.	The number of Supervisory Board members.	Optional LJSC, Article 66, Clause 3.	The number of Supervisory Board members can also be determined by the decision of the GMS.	8.2.
6.9.	The approval of the special procedure for carrying out non-standard operations falling outside the scope of the financial and business plans.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 8, Section 2.2.2.		
6.10.	The number of votes required to elect the Chairman of the Supervisory Board.	Optional LJSC, Article 67, Clause 1.	«The Chairman of the Supervisory Board must be elected by the _____ majority of Supervisory Board members [e.g., the GMS].»	
6.11.	The number of votes required to re-elect the Chairman of the Supervisory Board.	Optional LJSC, Article 67, Clause 1.	«The Chairman of the Supervisory Board must be re-elected by the _____ majority of Supervisory Board members [e.g., the GMS].»	
6.12.	The provision that a person other than the Chairman of the Supervisory Board should preside over the GMS.	Optional LJSC, Article 67, Clause 2.	The Chairman of Supervisory Board usually presides over the GMS unless the charter provides otherwise.	
6.13.	Quorum and independent directors.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 4.14.	The quorum of the Supervisory Board meeting should be set at a level so that the presence of non-executive and independent directors is required for a quorum to exist.	
6.14.	The quorum greater than the minimum set by the Company Law for Supervisory Board meetings.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 4.15.		8.7.
6.15.	The right of persons other than the Chairman of Supervisory Board, other Supervisory Board members, the Revision Commission, to convene a Supervisory Board meeting.	Optional LJSC, Article 68, Clause 1.		8.6.
6.16.	The procedure for preparing and conducting Supervisory Board meetings.	Optional LJSC, Article 68, Clause 1.	These procedures can also be specified in by-laws.	
6.17.	The possibility to approve decisions by the Supervisory Board by written consent.	Optional and Recommended by the FCSM Code LJSC, Article 68, Clause 1; FCSM Code, Chapter 3, Section 4.3.2.	These procedures can also be specified in by-laws.	8.1.4.

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
6.18.	The determination of the quorum for conducting valid Supervisory Board meetings, being not less than half the number of elected Supervisory Board members.	Optional LJSC, Article 68, Clause 2.	These procedures can also be specified in by-laws. See also LJSC, Article 83, Clause 2.	8.7.
6.19.	The right of a shareholder (or a group of shareholders) owning at least 2% of voting shares to request a Supervisory Board meeting.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 4.13.		8.6.
6.20.	The number of votes necessary to approve decisions of the Supervisory Board other than by a majority vote of participating directors.	Optional LJSC, Article 68, Clause 3.	These procedures can also be specified in by-laws.	8.10, 8.11.
6.21.	The right of the Chairman of the Supervisory Board to cast a decisive vote in case of tie vote.	Optional LJSC, Article 68, Clause 3.	«The Chairman of the Supervisory Board has a decisive vote in case of a tie vote.»	
6.22.	The possibility that written opinions of members not physically present during the Supervisory Board meeting be taken into consideration.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 4.3.1.		8.15.
6.23.	The possibility that written opinions of members not physically present during the Supervisory Board meeting be taken into consideration and considered for determining the quorum of the Board meeting.	Optional LJSC, Article 68, Clause 1.		
6.24.	The Supervisory Board's authority to approve procedures for internal control.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 1.2.1.		
6.25.	The Supervisory Board's authority to suspend the authority of the executive bodies.	Optional and Recommended by the FCSM Code LJSC, Article 69, Clause 4; FCSM Code, Chapter 3, Section 1.4.1.	The charter may provide that the authority of the Supervisory Board include the suspension of the General Director (external manager), as well as fixing the period of and reasons for such suspension.	

Annex 3. A Table of Charter Provisions

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
6.26.	The Supervisory Board's authority to determine the terms and conditions of the contract with the General Director, Executive Board members, and an External Manager.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 1.4.3.		8.3.9.
6.27.	The definition of specific criteria for Supervisory Board candidates.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 2.1.3.		8.17.
6.28.	The provision that the Supervisory Board should consist of at least one-fourth or not less than three independent directors.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 2.2.3.	For the definition of independent directors, see FCSM Code, Chapter 3, Section 2.2.2.	
6.29.	The procedures and grounds for the election of new Supervisory Board members in case of early termination of the previous Supervisory Board.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 2.2.4.		
6.30.	A list of information on Supervisory Board candidates that must be disclosed to shareholders.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 2.3.1.		8.16.
6.31.	Fiduciary duties of directors.	Optional and recommended by the FCSM Code FCSM Code, Chapter 3, Section 3.1.1.		8.1.9.
6.32.	The possibility to establish Supervisory Board committees.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 4.7.1.		8.2.2.

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No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
7. The Executive Bodies				
7.1.	The list of issues on which the Executive Board members must vote by a qualified majority.	Mandatory LJSC, Article 11, Clause 3.		9.14, 9.15
7.2.	The provision that specifies the division of authority between the single member and collective executive bodies.	Conditional LJSC, Article 69, Clause 1.	If the company has both single member and collective executive organs, the charter has to specify the authority of each of these bodies separately.	9.2.
7.3.	The authority of the Supervisory Board to suspend the powers of the General Director elected by the GMS and appoint an interim General Director.	Conditional LJSC, Article 69, Clause 4.		
7.4.	The Supervisory Board's authority to suspend the powers of the External Manager and appoint an interim General Director.	Conditional LJSC, Article 69, Clause 4.		8.3.4.
7.5.	The restriction of the scope of authority of the interim General Director.	Optional LJSC, Article 69, Clause 4.		
7.6.	The authority "as defined in the most comprehensive manner possible" of the General Director and Executive Board members.	Recommended by the FCSM Code FCSM Code, Chapter 4, Section 1.1.1.		
7.7.	The definition of the quorum for a Executive Board meeting as not less than half the number of elected Executive Board members.	Optional LJSC, Article 70, Clause 2.	These procedures can also be specified in by-laws.	
7.8.	The definition of additional requirements for candidates to the positions of General Director, Executive Board members, heads of major divisions, the External Manager, and the remuneration of these parties.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 3, Section 1.4.2; FCSM Code, Chapter 4, Section 2.1.1; FCSM Code, Chapter 4, Section 2.1.8.		
7.9.	The provision that individuals who are members, officers, or employees of legal entities competing with the company should not be appointed or elected to the positions of General Director or Executive Board member.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 4, Section 2.1.3.		9.1.2.

Annex 3. A Table of Charter Provisions

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
7.10.	The provision that the General Director is not engaged in activities other than the discharge of his duties related to the management of the current affairs of the Company.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 4, Section 2.1.4.		
7.11.	The procedures for the appointment of new members of the Executive Board, in particular in the case of death or incapacity of existing members.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 4, Section 2.1.6.		
7.12.	Prior to approval of the delegation of the powers of the General Director to an external manager, the Supervisory Board should determine the procedures applicable for selection of the External Manager.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 4, Section 2.1.9.	These procedures can also be specified in by-laws.	
7.13.	Fiduciary duties of Executive Board members and the General Director.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 4, Section 3.1.1.		9.16–9.18.
8. The Corporate Secretary				
8.1.	The procedure for appointing the Corporate Secretary and the definition of his responsibilities.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 5, Section 2.1.1.		10.3, 10.6.
8.2.	The provision that all corporate bodies and officers must assist the Corporate Secretary in discharging his duties.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 5, Section 1.6.1.		10.5.
8.3.	The definition of requirements for candidates for the position of Corporate Secretary.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 4, Section 2.2.1.		10.4.

No.	Provisions	Status/ Primary References	Other References/Comments	Model Charter (Clause)
9. Extraordinary, Control and Related Party Transactions				
9.1.	The possibility to apply the procedures for extraordinary transactions to other transactions defined by the charter.	Optional and Recommended by the FCSM Code LJSC, Article 78, Clause 1; FCSM Code, Chapter 6, Section 1.1.		
9.2.	The possibility to develop criteria for the definition of related party transactions in addition to those established by the Company Law.	Optional LJSC, Article 81, Clause 1.		
9.3.	The notification of non-controlling shareholders about their right to sell their shares to a shareholder (or a group of shareholders) owning at least 30% of common shares.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 6, Section 2.4.		
9.4.	The waiver of the duty of a shareholder (or a group of shareholders) owning at least 30% of common shares to make a mandatory offer.	Optional LJSC, Article 80, Clause 2.		
10. The Revision Commission and External Audits				
10.1.	The procedure for electing the Revision Commission.	Mandatory LJSC, Article 85, Clause 1.		11.1.
10.2.	Additional authorities of the Revision Commission.	Optional LJSC, Article 85, Clause 2.		11.4.
10.3.	The procedures for appointing employees of the Control and Revision Service (Internal Auditor) as defined by the FCSM Code.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 8, Section 1.1.1.		
10.4.	The definition of requirements for employees of the Control and Revision Service (Internal Auditor), members of the Audit Committee and the Revision Commission.	Optional and Recommended by the FCSM Code FCSM Code, Chapter 8, Section 1.3.2.		



Annex 4

A MODEL COMPANY-LEVEL CORPORATE GOVERNANCE CODE

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

_____ dated this __ day of _____, 200_
[The Company's Seal]

CORPORATE GOVERNANCE CODE

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Preamble

The purpose of this Company Code of Corporate Governance (hereinafter the Company Code) is to improve and systematize the governance of the Open Joint Stock Company «_____» (hereinafter the Company), make its governance more transparent, and demonstrate the Company's commitment to good corporate governance by developing and furthering:

- Responsible, accountable, and value-based performance management;
- Effective oversight, with executive bodies that act in the best interests of the Company and its shareholders, including minority shareholders, and seek to enhance shareholder value in a sustainable manner; and

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- Appropriate information disclosure and transparency, as well as an effective system of risk management and internal control.

By adopting, following, and updating the Company Code, the Company's charter, and by-laws on a regular basis, the Company confirms its desire to demonstrably lead and promote good corporate governance. To foster the confidence of its shareholders, employees, investors, and the general public, the Company Code goes beyond the established legal and regulatory framework in Russia today, and embraces both national and internationally recognized corporate governance principles and practices.

The Company's governing bodies and employees understand this Company Code as their joint obligation, and accordingly, obligate themselves to ensure that its provisions and its spirit are adhered to and acted upon throughout the Company [and its subsidiaries and dependent companies].

Background and Profile

The Company's mission is to _____. Its objectives are to _____, _____, and _____.⁷¹

The Company operates in the following business sectors: _____. It operates in the following regions: _____, _____, and _____, as well as countries: _____, _____ and _____.

The Company is publicly listed on the _____ exchange.

Part I. Commitment to Corporate Governance

1. Definition and Principles

The Company defines corporate governance as a set of structures and processes for the direction and control of companies, which involves a set of relationships between the Company's shareholders, Supervisory Board, and executive bodies with the

⁷¹ This section is intended to provide an overview of the company's mission, objectives, and main areas of activity. It may also include other areas that may be of interest to the readers of the Company Code that will enable them to gain a broad understanding of the company, its business, geographical location, and rationale for drafting the Company Code.

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purpose of creating long-term shareholder value. It views corporate governance as a means to improve operational efficiency, attract financing at a lower cost, and build a better reputation. It also views a sound system of governance as an important contribution to the rule of law in the Russian Federation, and an important determinant of the role of the Company in a modern economy and society.

The Company Code sets out the Company's corporate governance framework and is based on Russian legislation, the Federal Commission for the Securities Market's Code of Corporate Conduct (FCSM Code), as well as internationally recognized best practices and principles, such as the OECD Principles of Corporate Governance.

The Company's corporate governance framework is based on the following principles:

- **Accountability:** This Company Code establishes the Company's accountability to all shareholders and guides the Company's Supervisory Board in setting strategy, and guiding and monitoring the Company's management.
- **Fairness:** The Company obligates itself to protect shareholder rights and ensure the equitable treatment of all shareholders, including minority [and foreign] shareholders. All shareholders are to be granted effective redress for violation of their rights through the Supervisory Board [or a shareholder rights committee, if established].
- **Transparency:** The Company is to ensure that timely and accurate disclosure is made on all material matters regarding the Company, including the financial situation, performance, ownership, and governance of the Company, in a manner easily accessible to interested parties.
- **Responsibility:** The Company recognizes the rights of other stakeholders as established by laws and regulations, and encourages co-operation between the Company and stakeholders in creating sustainable and financially sound enterprises.

The Company, its key officers and all employees act in accordance with all applicable laws and regulations, and, furthermore, shall comply with ethical standards of business conduct as defined by this Company Code, the FCSM Code and _____ [name other source of ethical standards].

2. Internal Corporate Documentation

This Company Code is principle-based. More specific corporate governance structures, processes, and practices are regulated in the Company's charter and the by-laws for the:

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- General Meeting of Shareholders (GMS);
- Supervisory Board;
- Executive bodies;
- The Audit Commission; and
- _____.⁷²

This set of internal corporate documents follows legal and regulatory requirements, and incorporates the main provisions of the FCSM Code and internationally recognized corporate governance practices. The above-mentioned corporate documents are published on the Company's website.

3. General Governance Structure

The Company has the following governing and other bodies:

- **The General Meeting of Shareholder.** The highest governing body of the Company allows the shareholders to participate in the governance of the Company;
- **The Supervisory Board** is responsible for the strategic direction of the Company, and the guidance and oversight of management; [the Company's Supervisory Board may also establish committees on audit, corporate governance, nominations and remuneration, strategic planning and finance];
- **The General Director and the Executive Board** carry out the day-to-day management of the Company and implement the strategy set by the Supervisory Board and shareholders;
- **The Revision Commission** oversees the financial and economic activities of the Company and reports directly to the GMS;
- **The Corporate Secretary** ensures that the governing bodies follow internal rules and external regulations to facilitate clear communications between the governing bodies, and acts as an adviser to directors and senior executives;
- **The Internal Auditor** develops and monitors internal control procedures for the business operations of the Company. The Internal Auditor reports di-

⁷² Best practice calls for additional by-laws for the Corporate Secretary; for all Supervisory Board committees established; on internal control; on the company's dividend policy; on risk management; on information disclosure and transparency; and on corporate governance policies in groups of companies. The company may also wish to draft a company code of ethics.

rectly to the Supervisory Board [through the Audit Committee], and reports administratively to the General Director.

4. Compliance with and Adherence to Corporate Governance Policies and Practices

The Company's _____ is responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the Company.⁷³

Part II. Good Board Practices

The Company views a vigilant, professional, and independent Supervisory Board as essential for good corporate governance. The Supervisory Board cannot substitute for talented professional managers, nor change the economic environment in which the Company operates. It can, however, influence the performance of the Company through its supervision, guidance, and control of management in the interests and for the benefit of the Company's shareholders. Executive bodies also play a crucial role in the governance process. The effective interaction between governing all bodies, and a clear separation of authorities is key to sound corporate governance.

1. At the Supervisory Board Level

a. Authority. The Supervisory Board's scope of authority is set forth in the Company's charter, in conformity with relevant legislation and the recommendations of the FCSM Code.

b. Size. The Supervisory Board [upon the recommendation of its corporate governance committee, if established] recommends the appropriate size of the Supervisory Board. The Supervisory Board's size is fixed in the Company's charter. Achieving the needed quality and mix-of-skills will be the primary consideration in arriving at the overall number.

⁷³ Good practice suggests that the Corporate Secretary develop and the Supervisory Board's Corporate Governance Committee approve these policies.

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c. Election, Term, and Dismissal. Directors are elected for a one-year term. The Company uses cumulative voting to elect its directors.

The Supervisory Board does not believe it is in the best interests of the Company or its shareholders to introduce term limits. Experienced directors, familiar with the Company and the industry in which it operates, are key to providing proper guidance.

The GMS may only dismiss all directors. Grounds for dismissal are included in the Company's charter [or by-law for the Supervisory Board].

d. Composition and Independence. The composition of the Supervisory Board is determined in such a way that combines the representatives of various shareholder groups, including minority shareholders.

The Supervisory Board's composition, competencies, and mix-of-skills are adequate for oversight duties, and the development of the Company's direction and strategy. Each individual director has the experience, knowledge, qualifications, expertise, and integrity necessary to effectively discharge Supervisory Board duties and enhance the Board's ability to serve the long-term interests of the Company and its shareholders. The Supervisory Board has a broad range of expertise that covers the Company's main business, sector, and geographical areas, and includes at least _____ experienced financial experts who are non-executive, independent directors.⁷⁴ A full and complete set of information on the directors' qualifications is set forth and annually reviewed by the Supervisory Board [upon the recommendation of its corporate governance committee] and fixed in the Company's charter or by-laws.

The law prohibits the General Director from being the Chairman of the Supervisory Board. To enhance unbiased oversight, the Company believes that a non-executive director should chair the Supervisory Board.

The Company's Supervisory Board is composed of not more than 25% of executive directors who are employees of the Company.

To ensure the impartiality of decisions and to maintain the balance of interests among various groups of shareholders, __ [number or percentage] of the Supervisory Board's members are independent directors. The Company defines those

⁷⁴ Good practice suggests that the Supervisory Board consist of at least two such persons. Should this not be possible, then the Supervisory Board shall hire an outside, independent adviser.

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directors who have no material relationship with the Company beyond their directorship as independent. The Supervisory Board ascertains which members are to be deemed independent during the first Supervisory Board meeting. Criteria for determining director independence shall be based on the FCSM Code, complemented by other internationally recognized definitions, and specified in the Company's charter and annual report.

The Company recognizes that directors that have served for longer than seven years shall not be considered independent directors.

e. Structure and Committees. The Company has established the following Supervisory Board committees:

- The Audit Committee;
- _____;
- _____; and
- Other committees deemed necessary by the Supervisory Board.⁷⁵

All committees have by-laws containing provisions on the scope of authority, competencies, composition, working procedures, as well as the rights and responsibilities of the committee members.

Each committee is to provide provisional consideration of the most important issues that fall within the authority of the Supervisory Board. After each of its meetings, the committee shall report on the meeting to the Supervisory Board.

f. Working Procedures. The Supervisory Board meets according to a fixed schedule, set at the beginning of its term, which enables it to properly discharge its duties. As a rule, the Supervisory Board shall meet at least ___ times a year.⁷⁶

⁷⁵ Other Supervisory Board committees recommended by the FCSM Code and generally-accepted best practices cover areas in which there is an especially large potential for conflicts of interest and the need for independent thought, in particular, the nominations and remuneration committee. Companies may eventually wish to consider adding further committees on corporate governance, strategic planning and finance, shareholder rights, ethics, and/or corporate conflicts resolution. However, companies should be prudent in the establishment of committees. Excessive numbers of committees may be costly, difficult to manage, and may fragment Board deliberations.

⁷⁶ Good practice suggests that four to ten Supervisory Board meetings per year are sufficient to properly discharge the Board's duties.

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Non-executive directors meet separately from executive members at least once a year.

Detailed procedures for calling and conducting Supervisory Board meetings are defined in the Supervisory Board's by-law. All directors are provided with a concise but comprehensive set of information [by the Corporate Secretary] in a timely manner, concurrently with the notice of the Board meeting, but no less than ____ days before each meeting.⁷⁷ This set of documents is to include: an agenda; minutes of the prior Board meeting; key performance indicators, including relevant financial information prepared by management; and clear recommendations for action.

The Supervisory Board keeps detailed minutes of its meetings that adequately reflect Board discussions, signed by the Chairman [and the Corporate Secretary], and include voting results on an individual basis. The Company keeps transcripts (verbatim reports) of important Board decisions, such as the approval of extraordinary transactions.

g. Self-Evaluation. The Supervisory Board conducts a yearly self-evaluation. This process is to be organized by _____ [e.g. the corporate governance committee] and the results are to be discussed by the full Supervisory Board. Independent consultants may also be invited to assist the Supervisory Board in this process.

h. Training and Access to Advisers. The Company offers an orientation program for new directors on the Company, its business, and other issues that will assist them in discharging their duties. The Company also provides general access to training courses to its directors as a matter of continuous professional education. The Supervisory Board and its committees shall also have the ability to retain independent legal counsel, accounting, or other consultants to advise the Supervisory Board when necessary.

i. Remuneration. The remuneration of non-executive directors is competitive and is comprised of an annual fee (part of which can be paid in the form of shares in lieu of cash), a meeting attendance fee, and an additional fee for the chairmanship of committees or the Supervisory Board itself. The remuneration package shall, however, not jeopardize a director's independence. Executive directors are not paid beyond their executive

⁷⁷ Good practice suggests around two weeks.

remuneration package. The Supervisory Board [nominations and remuneration committee] periodically reviews the remuneration paid to directors. All directors sign a contract with the Company. The Company publicly discloses the remuneration of each director on an individual basis.

The Company will not provide personal loans or credits to its directors.

Further, the Company shall not provide stock options to its directors unless approved by the GMS.

j. Duties and Responsibilities. Directors act in good faith, with due care and in the best interests of the Company and all its shareholders — and not in the interests of any particular shareholder — on the basis of all relevant information. Each director is expected to attend all Supervisory Board and applicable committee meetings.

The Supervisory Board must decide as to whether its directors can hold positions in the governing bodies of other companies. The Company shall not prohibit its directors from serving on other Supervisory Boards. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

Directors shall not divulge or use confidential or insider information about the Company.

Directors shall abstain from actions that will or may lead to a conflict of interest with the Company. When such a conflict exists, directors shall disclose information about the conflict of interests to the other directors and shall abstain from voting on such issues.

2. At the Executive Body Level

The Company understands that the day-to-day management of the Company requires strong leadership from the General Director. It also recognizes the challenge and complexity of running a Company and believes in teamwork, a collective rather than individual approach. The Company has thus established an Executive Board, chaired by the General Director.

a. Authority. The General Director and the Executive Board carry out the Company's day-to-day management, implementing its goals and objectives, and carrying out its strategy.

Annex 4. A Model Company-Level Corporate Governance Code

b. Size. The General Director [in close cooperation with the nominations and remuneration committee, if established] proposes to the Supervisory Board an appropriate number of Executive Board members. The size of the Executive Board is fixed in the Company's charter upon the recommendation of the Supervisory Board. Achieving the needed quality and mix of executives will be the primary consideration in arriving at the overall number.

c. Election, Term, and Dismissal. The Supervisory Board [or the GMS] elects the General Director for a _____ year term.⁷⁸ The General Director in turn submits proposals for Executive Board membership to the Supervisory Board for approval. Other Executive Board members are appointed for a _____ year term.

The Supervisory Board may dismiss the General Director. The Supervisory Board may also dismiss Executive Board members, upon close coordination with the General Director. Grounds include, among other things, providing false information to the Supervisory Board, willful neglect of his duties and responsibilities, or conviction of a criminal act.

d. Composition. The Executive Board's composition, competencies, and mix-of-skills are suited to the effective and efficient running of the Company's day-to-day operations. Each Executive Board member, including the General Director, has the experience, knowledge, qualifications, and expertise necessary to effectively discharge his duties.

All Executive Board members have the:

- Trust of the Company's shareholders, directors, other managers, and employees;
- Ability to relate to the interests of all shareholders and to make well-reasoned decisions;
- Professional expertise and education to be an effective manager;
- Business experience, knowledge of national issues and trends, and knowledge of the market, products, and competitors; and
- Capacity to translate knowledge and experience into solutions that can be applied to the Company.

⁷⁸ Good practice suggests that the Supervisory Board elect the General Director and the other Executive Board members upon the recommendation of the General Director. The IFC's RCGP recommends a term ranging from three to five years, following an initial one-year term.

e. Working Procedures. The Executive Board meets regularly, and agenda issues are communicated in advance. The working procedures of the Executive Board are specified in the by-laws for the Executive Board.

f. Succession Planning. The Supervisory Board is to adopt a succession plan that outlines how it will effectively deal with the temporary or permanent loss of senior executives. To assist in this process, the General Director is to provide the Supervisory Board with a list of individuals best suited to replace the Company's key executives, including the position of the General Director.

g. Remuneration and Evaluation. The amount of remuneration of the General Director and members of the Executive Board is set by the Supervisory Board, and approved by the GMS. The remuneration shall have a fixed and variable component, and the latter is tied to key performance indicators, in-line with the input into the Company's long-term development and creation of shareholder value.

The Company will not provide personal loans or credits to its executive officers.

h. Duties and Responsibilities. The General Director and Executive Board members shall act in good faith and with due care in the best interests of the Company and all its shareholders — and not the interests of a particular shareholder — on the basis of all relevant information.

The General Director and Executive Board members shall abstain from actions that will or may lead to a conflict between their and the Company's interests. When such a conflict exists, members of the executive bodies shall disclose information about the conflict of interests to the Supervisory Board, and shall abstain from deliberating and voting on such issues.

3. Interaction Between the Supervisory Board and Executive Bodies and the Role of the Corporate Secretary

Good corporate governance provides for an open dialogue between the Company's Supervisory Board and executive bodies. The Company has thus developed a procedure for periodic reports (information briefs) of the General Director and Executive Board to the Supervisory Board, as specified in the Executive Board's by-law. The Supervisory Board shall further have unrestricted access to the Company's management and its employees. The Corporate Secretary plays a key, overall role in facilitating this process.

Annex 4. A Model Company-Level Corporate Governance Code

The Company's Corporate Secretary is employed on a full-time basis. The Corporate Secretary possesses the necessary qualifications and skills to ensure that the governing bodies follow internal rules and external regulations; facilitates clear communications between the governing bodies in-line with the Company's charter, by-laws, and other internal rules; and keeps the Company's key officers abreast of the latest corporate governance developments.

Part III. Shareholder Rights

All shareholders have the right to participate in the governance and the profits of the Company. All rights are regulated in the Company's charter and by-laws.

1. General Meetings of Shareholders

The Company has a by-law for the GMS that provides a detailed description of all the procedures for preparing, conducting, and making decisions at the GMS.

a. Preparation. Every shareholder that holds voting shares is entitled to participate and vote during the GMS, and receive advance notification, an agenda, as well as accurate, objective, and timely information sufficient for making an informed decision about the issues to be decided at the GMS. The Company's executive bodies will be responsible for this process, which is to be implemented by the Corporate Secretary.

The Company has a fair and effective procedure for submitting proposals to the agenda of the GMS, including proposals for the nomination of Supervisory Board members. The agenda of the GMS is not changed after the Supervisory Board approves it.

b. Conducting the GMS. The Company takes all the steps necessary to facilitate the participation of shareholders in the GMS and vote on the agenda items.

The venue of the GMS is easily accessible for the majority of shareholders. Registration procedures are convenient and allow for quick and easy admittance to the GMS.

The Company's executive bodies are to help shareholders exercise their voting rights in the event they are unable to physically attend the GMS. The executive bodies will do so by providing shareholders with a power of attorney form, based

upon which the shareholder will have an opportunity to instruct his proxy on how to vote on agenda items.

The Company ensures that members of the Supervisory Board, executive bodies, Revision Commission, and External Auditor are present during the GMS to answer questions. Each shareholder has the right to take the floor on matters on the agenda, and submit relevant proposals and questions. The chairman of the GMS conducts the meeting professionally, fairly, and expeditiously.

Voting is conducted by ballot. The Company has effective shareholder voting mechanisms in place (e.g. super-majority voting) to protect minority shareholders against unfair actions, as regulated in its charter and by-law for the GMS. The procedures for counting votes at the GMS are transparent and exclude the possibility of manipulating voting results. The External Registrar of the Company shall also fulfill the functions of the Counting Commission.

c. Results. The voting results and other relevant materials are distributed to shareholders, either at the end of the GMS or very soon after the GMS is held, as well as to the general public by posting them on the Company's internet site and publishing them in the mass media in a timely manner.

2. (Minority) Shareholder Rights Protection

The Company has a system of registering shareholder complaints and effectively regulating corporate disputes [through the Supervisory Board's shareholder relations committee].

a. Supervisory Board representation. Minority shareholders have ___ [number] identifiable representatives on the Supervisory Board.⁷⁹

b. External Registrar. The Company engages an independent External Registrar to maintain the shareholder register. The Company ensures a reliable and efficient ownership registration system of shares and other securities through the selection and appointment of an independent External Registrar that has proper technical equipment and an excellent reputation.

⁷⁹ Good practice suggests that the Supervisory Board's composition reflect the shareholding structure, but that the Supervisory Board have at least one identifiable minority shareholder representative.

Annex 4. A Model Company-Level Corporate Governance Code

c. **Takeover policy.** The Company has a clearly articulated and enforceable policy in place that protects the rights of minority shareholders in special circumstances, such as a change of control.

3. Related Party Transactions

The Company avoids related party transactions. When this is not possible, the Company discloses all relevant information on related party transactions including information on the affiliated parties and the affiliation of directors and members of other governing bodies.

4. Dividend Policy

The Company has formally developed and follows a written dividend policy. This dividend policy is publicly disclosed on the Company's website.

The procedure for determining the amount of dividends on preferred shares does not violate other shareholder rights. The Company's dividend policy:

- Establishes a transparent, understandable, and predictable mechanism for determining the amount of the dividends;
- Ensures that the dividend payment procedure is easy and efficient; and
- Provides for the complete and timely payment of declared dividends.

Part IV. Information Disclosure and Transparency

Transparency, and timely and accurate information disclosure is a key corporate governance principle for the Company.

1. Disclosure Policies and Practices

The Company discloses and provides easy access to all material information, including the financial situation, performance, ownership, and the governance structure of the Company to shareholders free of charge. The Supervisory Board prepares and approves a by-law on information disclosure and makes it publicly available on the Company's internet site. The Company publishes a comprehensive annual report that includes a corporate governance section, and prepares

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other reports, such as the prospectus, quarterly reports, and material facts reports. The Company discloses its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

The Company takes measures to protect confidential information as defined in its by-law on information disclosure. Any information obtained by the Company's employees and the members of the governing bodies may not be used for their personal benefit.

2. Financial Reporting

The Company keeps records and prepares a full set of financial statements in accordance with Russian Accounting Standards. [In addition, the Company prepares its accounts in accordance with International Financial Reporting Standards (IFRS) [or U.S. GAAP] and discloses these in its regulatory filings, including the annual report, and on the internet.]

Detailed notes accompany financial statements so that the users of the statements can properly interpret the Company's financial performance. A management discussion and analysis (MD&A), as well as the opinions of the External Auditor and Revision Commission, shall complement all financial information.

[The company produces consolidated accounts when required by accounting standards.]

3. Internal Audit and Control

a. The Revision Commission. The Company's Revision Commission is to meet at least ___ [number] times a year to carry out its duties as specified by law and its by-laws. The Revision Commission shall consist of independent members, of which at least ___ [number] members are experienced financial experts. Its scope of authority and activity goes beyond legislative requirements.⁸⁰

b. The Internal Auditor. The Company has an Internal Auditor [or office of the Internal Auditor] that is responsible for the daily internal control of the

⁸⁰ Supervisory Board audit committees are becoming increasingly common internationally. Good practice suggests that the Company strengthen the role of the Supervisory Board's Audit Committee and make sure that it complements the functions of the Revision Commission. Good practice suggests that the Revision Commission meet at least four times per year, and that it be composed of at least one financially literate member.

Annex 4. A Model Company-Level Corporate Governance Code

Company's finances and operations. The Internal Auditor is staffed by a highly respected and reputable person[s], and reports to the Supervisory Board [or Audit Committee] functionally and to the General Director administratively.⁸¹ The Internal Auditor's authority, composition, working procedures, and other relevant matters are regulated in its by-law.

c. The Supervisory Board's Audit Committee. The Audit Committee is to focus on three key areas: financial reporting, risk management, and internal and external audit. This committee is to be chaired by an independent director and composed of non-executive directors, each of which is recognized for his or her financial literacy. Its exact authority, composition, working procedures, and other relevant matters are regulated in its by-laws.

4. The External Audit

An External Auditor audits the Company's financial statements. The External Auditor is a publicly recognized independent auditing firm, where independent means independence from the Company, the Company's management, and major shareholders. The Company ensures that the Audit partner is periodically rotated. The remuneration of the auditor is disclosed to shareholders. The External Auditor is selected by the GMS following an open tender and upon the recommendation of the Supervisory Board.

5. Ownership Structure

The Company ensures that beneficial owners of five percent or more of the voting shares are disclosed. Any corporate relations in case of groups of companies are also clearly identifiable and disclosed to the public.

⁸¹ Good practice suggests that the Internal Auditor be a member of the Institute of Internal Auditors (see also: <http://www.iaa-ru.ru>).



Annex 5
A MODEL CODE OF ETHICS

APPROVED
By decision of the Supervisory Board
of the Open Joint Stock Company «_____»
Supervisory Board Minutes
No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __ day of _____, 200_
[The Company's Seal]

CORPORATE CODE OF ETHICS

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Preamble

The purpose of this Code of Ethics is to:

- Commit the Open Joint Stock Company «_____» (hereinafter the Company) to the highest standards of ethical behavior;
- Encourage ethical conduct and sanction misconduct within the Company; and
- Develop an ethical culture within the Company that is based on such standards and conduct, and that will be applied by directors, managers, and employees alike.

By adopting, following, and updating this Code of Ethics on a regular basis, together with the Company's corporate governance code, charter, and by-laws, the Company confirms its desire to demonstrably lead and promote good ethical behavior. Ethics is not simply a question of obeying the law. Consequently, and to foster the confidence of its shareholders, employees, investors, and the public, this Code of Ethics goes beyond the legal and regulatory framework prevalent in

Russia today. It embraces both national and internationally recognized principles and practices.⁸²

The Company's governing bodies and employees understand this Code of Ethics as their joint obligation, and obligate themselves to ensure that its spirit and provisions are respected and acted upon throughout the Company [and its subsidiaries and dependent companies].

This Code of Ethics is reviewed and updated on an annual basis and published internally via the Company's intranet site, as well as on the Company's internet site under www._____.ru.

Part I. The Company's Values

In all internal and external relationships, the Company demonstrates its commitment to [insert Company's values]:⁸³

- Obey the Law;
- _____; and
- _____.

Part II. The Company's Ethical Principles

The Company is committed to act ethically in all aspects of its business.

The Company's ethical standards are based on the following principles:

- Honesty;
- Integrity;
- Fairness; and
- Transparency.

⁸² This ethics code was prepared using the "Basic Guidelines for Codes of Business Conduct" as a resource guide. A copy of these guidelines can be obtained in "Business Ethics: A Manual for Managing a Responsible Business Enterprise in Emerging Market Economies" and found under www.mac.doc.gov/ggp. Internationally recognized principles include, among others, the Sullivan Principles (www.globalsullivanprinciples.org), UN Principles on Corporate Ethics (www.unglobalcompact.org), Coalition for Environmentally Responsible Economies (www.ceres.org), ILO standards on labor issues (www.ilo.org), the OECD Conventions on Bribery and Corruption, and OECD Guidelines for Multi-national Enterprises (www.oecd.org).

⁸³ Company values often focus on delivering quality products and services; leadership (in terms of innovation, and research and development); promoting shareholder value; protecting the environment; satisfying customers; acting with honesty, integrity, and respect for people; etc.

Similarly, the Company expects the same in its relationships with all those with whom it does business.

The Company's ethical standards focus on the following shareholders: employees, customers, business partners, government, society, and the community at large.⁸⁴ These ethical standards shall also apply to all business areas [for all subsidiaries and dependent companies both within and outside of Russia].

The Company's ethical standards are based on:

- Respecting the rule of law, and Russian laws and regulations;
- Respecting human rights;
- Conducting business with integrity and fairness, renouncing bribery and corruption or similar unacceptable business practices, and not giving or accepting gifts and entertainment unless they fall under business custom, and are immaterial and infrequent;
- Creating mutual advantage in all the Company's relationships;
- Building and fostering trust; and
- Demonstrating respect for the community the Company operates in, as well as for the environment.

The Company shall develop specific, measurable targets for improving ethical behavior.

Part III. Ethical Standards for the Company's Relationship with its Stakeholders⁸⁵

1. Employees and Officers

The Company values its employees as the keystone to success. The Company is thus committed to treating all employees with dignity, trust, and respect, and to

⁸⁴ A company's areas of focus will depend largely on the industry in which it operates and its business sector. Thus, a company in the banking sector may wish to focus on issues different than those of a company in the oil sector (e.g. financial control, insider trading, and/or money laundering vs. environmental protection). Areas of focus can be structured around topics and/or relationships. Topics include health, safety, and environmental concerns; bribery and corruption; legality; conflicts of interest; human rights; gifts and entertainment; control and finance; etc. Relationships can include relations with employees, customers, business partners, suppliers, joint-venture partners, etc.

⁸⁵ Among the company's stakeholders are its shareholders. Shareholders are not treated explicitly in this document since shareholder issues are addressed more fully in the context of corporate governance. Detailed guidance can be found in other Annexes of this Manual.

building a long-term relationship based on Russian labor law and the respect of human rights.

The Company will not employ child labor.

It is the Company's policy to provide for and regularly improve upon a healthy, safe, and secure working environment for its employees.

Conflicts of interests can actually, or at least can appear to, compromise the judgment or objectivity of the Company's employees and officers. Conflicts of interest are to be avoided. To the extent that they cannot be avoided, employees and officers should inform supervisors and take themselves out of the decision-making process with respect to the conflict of interests.

The Company is an equal opportunity employer. Its recruitment, promotion, and compensation policy is based on merit and is free of discrimination. Clear and transparent policies have been developed and put into practice.

Discrimination or harassment at the workplace will not be tolerated. Charges of discrimination or harassment will be thoroughly investigated and dealt with by the relevant officer within the Company [Company's ethics officer and/or the Supervisory Board's ethics committee].

Employees are recognized and rewarded for their performance, based on performance objectives, and constructive and regular feedback through face-to-face meetings.

The Company has in place a training program, accessible to all employees, which encourages individuals to formulate personal development plans and provides for coaching, mentoring, and formal skill-enhancing training.

The Company prohibits the use of confidential and insider information by all officers and employees, and has developed a detailed procedure to effectively deal with insider trading and insider information.

In the interests of transparency, the Company has regular communications and holds consultations with employees regarding such topics as employment conditions and other issues that may affect the interests of employees.

2. Customers

Customer satisfaction is an overriding concern of the Company. Safe, high quality products and services, fair pricing, and appropriate after-sales service define the Company's relations with its customers.

The Company always seeks to deliver on its promises.

3. Business Partners

The Company believes that a long-term relationship with its business partners (suppliers, contractors, participants in joint ventures, and _____) founded on respect, trust, honesty, and fairness is vital to its success.

The Company will encourage its business partners to share its ethical standards.

The Company will fulfill its contractual obligations and respect its business relations. Thus:

- Contractual negotiations shall be conducted based on mutual respect and benefit;
- Business relations shall be based on high performance standards, delivering in a timely and qualitative manner, prompt settlement of bills, and _____; and
- In case of a commercial dispute, the Company will negotiate in good faith to arrive at a consensus and a fair solution.

The Company is committed to complying fully with the Russian Law on Anti-money Laundering and only conducts business with reputable suppliers, business customers, and other partners who are involved in legitimate business activities and whose funds are derived from legitimate sources.

4. Government

The Company will pay its taxes in full and in a timely manner.

The Company abides by all federal and regional regulations, including voluntary codes and guidelines such as the Federal Commission for the Securities Market's Code of Corporate Conduct (FCSM Code), and adheres to both the letter and the spirit of such codes and guidelines.

The Company has legally obtained the licenses required to do business.

The Company seeks to build and manage a sound relationship with governmental authorities on an arm's length basis. No attempts to improperly influence governmental decisions shall be made, and the Company will not offer, pay, solicit, or accept bribes in any form or shape, either directly or indirectly, in its dealings with the government, administration, or courts. Transparent procedures regarding transactions engaged in by the Company with any government agency or official, or in dealings with any company owned or controlled by a government agency or official, shall be established to this end.

5. Society and the Wider Community

The Company views itself as an integral part of the community in which it operates and is committed to a sound relationship built on respect, trust, honesty, and fairness.

The Company is committed to creating jobs and developing local talent when this is economically possible.

The preservation of the environment is of great importance to the Company. The Company strives to minimize the environmental impact from its activities by reducing waste, emissions, and discharges, and by using energy efficiently. All operations and activities will be carried out according to the highest standards of care and in line with internationally recognized principles.⁸⁶

The Company is committed to help the local community through a variety of charities and foundations, educational organizations, and similar institutions

Non-governmental Organizations (NGOs) are a key element to any society and the Company seeks to build constructive relationships with such organizations to build a better society, and maintain a cleaner and safer environment for all.

The Company promises to discuss and consider the specific developmental needs of the communities in which it operates, through a process of regular, open dialogue.

Part IV. Implementation

1. Means to Obtain Advice

Many business decisions are complex and may involve dilemmas that require judgment to make an ethical choice. In cases of uncertainty, all officers and employees are expected to act responsibly and raise the ethical dilemma with their managers. Should this not lead to a satisfactory solution, the ethical issue can be raised with an ethics officer to obtain clarification. All officers and employees have the right to consult directly with an ethics officer [and/or the Supervisory Board's ethics committee] who, in turn, shall advise and take action in accord with the values contained in this Ethics Code.

⁸⁶ For example, ISO 14000 on Environmental Management, as developed by the International Organization for Standardization (www.iso.ch).

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Questions or concerns can be addressed by e-mail to ethics@companyname.ru, or by phone, fax, or regular mail to the Company's ethics officer:

Last Name, First Name, Patronymic

Tel.: _____ (ext.)

Fax: _____

Address: _____

E-Mail: _____

2. Processes and Responsibility

Each individual is responsible for his or her ethical behavior. Adherence to the Code of Ethics is made obligatory for all employees, and is incorporated into all employee contracts by reference, and linked to all disciplinary procedures.

Department heads are accountable to the General Director and/or the Executive Board for implementing this Code of Ethics within their departments, ensuring that all officers and employees understand it, and for providing assurances that they are operating according to the standards set by this Ethics Code. The General Director and/or the Executive Board are to provide the same assurances to the Supervisory Board. The principles and provisions in this Code of Ethics have been integrated into the Company's internal control system. Rigorous and objective processes to measure performance, identify shortcomings and gaps, and implement measures to address such ethical shortcoming and gaps, are regularly reviewed and modified as necessary.

The Supervisory Board's Ethics Committee [if established] periodically reviews and updates these principles, reviews the extent to which its standards are applied in practice, and formulates proposals for the Supervisory Board's approval.

3. Training Program

The Company offers a training course in ethics for all new directors, managers, and employees. This course offers practical examples and applications of this Code of Ethics.

Periodic and specialized training courses are offered to officers and employees, as part of the Company's continuous professional education program.

Part 2

Good Board Practices



Annex 6

A MODEL BY-LAW FOR THE SUPERVISORY BOARD

Approved
by the General Meeting of Shareholders
of the Open Joint Stock Company «_____»

Minutes of the [Annual or Extraordinary]
General Meeting of Shareholders

No. _____
of _____ 200_

dated this __day of _____, 200_
[The Company's Seal]

BY-LAW FOR THE SUPERVISORY BOARD

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law on the Supervisory Board (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been developed in accordance with the legislation of the Russian Federation (hereinafter the Law), the Company charter, and the recommendations of the Federal Commission for the Security Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law shall regulate the Supervisory Board's authority; the rights, duties, and responsibilities of the Supervisory Board and its members; Board composition; term of office of Supervisory Board members (hereinafter directors); procedures for the election of directors, including their nomination; the Supervisory Board's working procedures and its relationship with the other governing bodies of the Company; Board structure, including committees; director liability; remuneration; as well as procedures for the dismissal of directors prior to the expiration of their term of office.

Annex 6. A Model By-Law for the Supervisory Board

- 1.3. The Supervisory Board shall act in accordance with the Law, the Company charter, the By-law and other internal corporate documents.
- 1.4. The relationship between the Company and its directors is regulated by civil law contracts to be signed by the Chairman of the General Meeting of Shareholders (hereinafter the GMS) on behalf of the Company.⁸⁷

Article 2. Authority

- 2.1. The Supervisory Board is a governing body of the Company responsible for setting the Company's strategy and business priorities, as well as guiding and controlling managerial performance, and for making decisions on matters that do not fall under the authority of the GMS.
- 2.2. The authority of the Supervisory Board in the area of strategic governance shall include:
 - 2.2.1. Guiding, setting, and monitoring the Company's strategy and business priorities, including the annual financial and business plans of the Company upon the recommendation of the Executive Board;
 - 2.2.2. Appointing and managing the performance of the General Director [and, upon his recommendation, the Executive Board members of the Company];⁸⁸
 - 2.2.3. Establishing and liquidating branches and representative offices, [and approving the by-laws of branches and representative offices];
 - 2.2.4. Defining the list of additional documents that shall be kept by the Company;
 - 2.2.5. Preparing the report on compliance with the FCSM Code.
- 2.3. The authority of the Supervisory Board in the area of preparing and conducting the GMS shall include:
 - 2.3.1. Deciding on the form of the GMS (physical presence of shareholders or written consent);

⁸⁷ This could be the Chairman of the General Meeting of Shareholders, who is often the Chairman of the previous Supervisory Board.

⁸⁸ LJSC, Article 65, Clause. 9, Paragraph 2 provides that under the charter of a company the Supervisory Board may have the powers to establish executive bodies and dismiss its members prior to termination of their term of office.

- 2.3.2. Determining the date, place, and the starting time of the GMS, beginning and ending the registration of shareholders, and postal address to which completed voting ballots must be sent;
- 2.3.3. Determining the date for preparing the list of persons entitled to participate in the GMS;
- 2.3.4. Approving the agenda for the GMS;
- 2.3.5. Setting procedures for the notification of shareholders about the GMS;
- 2.3.6. Determining the list of information (materials) to be made available for shareholders during the preparation for the GMS and the procedures for providing access to such information;
- 2.3.7. Approving the form and the text of the voting ballot;
- 2.3.8. Determining the class(es) of preferred shares the owners of which have the right to vote on separate agenda items;
- 2.3.9. Calling the AGM;
- 2.3.10. Reviewing the shareholder proposals to the agenda of the GMS and the candidates to the elective positions in the Company;
- 2.3.11. Putting items to the agenda of the GMS irrespective of the items proposed by the shareholders;
- 2.3.12. Including candidates in the list of candidates for election to the Supervisory Board, the Revision Commission, and the Counting Commission in case of the absence or insufficient number of candidates proposed by shareholders;
- 2.3.13. Calling an Extraordinary General Meeting of Shareholders (EGM) at the request of the Revision Commission, External Auditor, as well as shareholders holding not less than 10% of voting shares;
- 2.3.14. Reviewing proposals on calling an EGM and making a decision on calling or refusing to call such EGM within five days after the receipt of the request;
- 2.3.15. Notifying the interested parties of the decision to call an EGM or of the motivated refusal not later than three days after making such decision;
- 2.3.16. Calling an EGM in case any one of the directors ceases to be independent as defined by clause 3.10 herein, in cases when, as a result of this, the number of independent directors on the Supervisory Board becomes less than is set forth by the charter;

Annex 6. A Model By-Law for the Supervisory Board

- 2.3.17. Providing shareholders with access to information to be made available for the GMS, including at the location of most major groups of shareholders;
- 2.3.18. Proposing the following issues for the GMS' consideration (based on the recommendation of the Supervisory Board):⁸⁹
 - 2.3.18.1. The reorganization of the Company, the form of such reorganization, and other issues related to the Company's reorganization;
 - 2.3.18.2. The liquidation of the Company, appointment of the Liquidation Commission and approval of the relevant documents;
 - 2.3.18.3. The delegation of the General Director's powers to an External Manager;
 - 2.3.18.4. The recommendation on the amount of dividends to be distributed to shareholders, as well as the procedures for their distribution;
 - 2.3.18.5. The approval of the annual report;
 - 2.3.18.6. The increase of the charter capital;
 - 2.3.18.7. Splitting and consolidating shares;
 - 2.3.18.8. The approval of extraordinary transactions involving assets the total value of which is in excess of 50% of the book value of the Company's assets, or transactions involving assets the total value of which ranges from 25 to 50% of the book value of the Company's assets, unless the Supervisory Board has reached a consensus on approving such a transaction;
 - 2.3.18.9. The approval of related party transactions in cases where the Supervisory Board may not approve such a transaction due to the fact that all members are related parties and/or are not independent directors, as well as in cases where the number of disinterested directors is less than the quorum for a Board meeting as specified in the charter;
 - 2.3.18.10. The buyback by the Company of its own shares;⁹⁰

⁸⁹ Articles 2.3.18.6–2.3.18.13 are only applicable if provided for in the company charter.

⁹⁰ If the charter provides that decisions on the purchase of the company's shares shall be made by the GMS.

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- 2.3.18.11. The participation in holding companies, financial and industrial groups, and other groupings of commercial organizations;
- 2.3.18.12. The approval of by-laws for the Supervisory Board, GMS, Executive Bodies, Revision Commission, as well as by-laws regulating the Company's other bodies; and
- 2.3.18.13. The remuneration of Revision Commission members and the External Auditor's fee.

- 2.3.19. Issuing a preliminary approval of the annual report of the Company; and
- 2.3.20. Drafting and approving the annual report of the Supervisory Board on the Company's business priorities to be included in the annual report.

- 2.4. The authority of the Supervisory Board in the area of securities and assets shall include:
 - 2.4.1. Approving reports on the results of a share buyback by the Company for decreasing the charter capital by retiring such shares;
 - 2.4.2. Deciding on non-convertible bonds issue;
 - 2.4.3. Deciding on purchasing bonds issued by the Company in cases specified by the Charter;
 - 2.4.4. Determining the monetary value of assets, issue price, and redemption price of securities;
 - 2.4.5. Making available to shareholders the list of assets to be used as payment for shares and the report on valuation of such assets if the agenda of the AGM includes an item on placement of additional shares, payment for which is to be made in kind;
 - 2.4.6. Recommending to the GMS the amount and procedures for the payment of dividends;
 - 2.4.7. Deciding on the use of the reserve and other funds of the Company;
 - 2.4.8. Approving extraordinary transactions in cases specified by the Law and the charter of the Company;

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- 2.4.9. Approving transactions involving assets the total value of which exceeds ___% of the book value of the Company's assets;⁹¹
- 2.4.10. Approving related party transactions in cases specified by the Law and the charter of the Company.
- 2.5. The authority of the Supervisory Board in the area of its working procedures and supervision of executive bodies and the External Registrar of the Company shall include:
 - 2.5.1. Establishing permanent and/or interim Supervisory Board committees;
 - 2.5.2. Developing criteria for evaluating directors' performance.
 - 2.5.3. Authorizing directors or other persons to sign employment contracts with the General Director, Executive Board members, and the Corporate Secretary on behalf of the Company;
 - 2.5.4. Determining the terms of employment contracts, including the remuneration of the General Director and Executive Board members, as well as the Corporate Secretary of the Company;
 - 2.5.5. Suspending the powers of the External Manager;
 - 2.5.6. Calling an EGM to approve the decision on dismissal of the External Manager and the transfer of the General Director's powers to a new External Manager;
 - 2.5.7. Consenting the General Director and Executive Board members to hold positions in the governing bodies of other companies;
 - 2.5.8. Holding the General Director and Executive Board members liable, including for incomplete or delayed payment of dividends, as well as for refusing to provide documents and information to the Supervisory Board in cases specified by the By-law;
 - 2.5.9. Requesting minutes of Executive Board meetings;
 - 2.5.10. Recommending to the GMS the remuneration of Revision Commission members, as well as the External Auditor's fees;
 - 2.5.11. Requesting an extraordinary inspection of financial and business operations of the Company by the Revision Commission;

⁹¹ FCSM Code, Chapter 4, Section 1.1.3. Recommends that transactions, the total value of which is in excess of 10% of the book value of the company's assets, be approved by the Supervisory Board.

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- 2.5.12. Requesting oral or written reports, as well as any documents and information necessary for it to perform its functions, from the General Director and Executive Board members;
- 2.5.13. Approving the External Registrar of the Company and the terms of contract with the Registrar, and terminating such contract;
- 2.5.14. Appointing and dismissing the Corporate Secretary;
- 2.5.15. Approving the following internal corporate documents:
 - 2.5.15.1. By-law on Risk Management;
 - 2.5.15.2. By-law on Information Policy;
 - 2.5.15.3. By-law for the Corporate Secretary;
 - 2.5.15.4. By-law on Branches and Representative Offices;
 - 2.5.15.5. List of confidential and insider information;
 - 2.5.15.6. Procedures for internal control over financial and business operations of the Company;
 - 2.5.15.7. Other internal documents of the Company, other than those to be approved by the GMS or executive bodies in accordance with the requirements of the charter;
- 2.5.16. Making decisions on approval of transactions outside the financial and business plan (non-standard transactions).
- 2.6. Issues falling within the competence of the Supervisory Board may not be delegated to the General Director or the Executive Board.
- 2.7. Directors shall have the right to receive from the executive bodies and heads of the main structural units of the Company all information necessary for them to perform their duties.

Article 3. Composition

- 3.1. The Supervisory Board shall have __ members.⁹²
- 3.2. Only individuals may be eligible to be elected to the Supervisory Board. An individual who is not a shareholder may also be eligible.

⁹² LJSC, Article 66, Clause 3 provides that the number of directors may be specified by the charter or the decision of the GMS subject to the requirements of the Company Law. The Supervisory Board of companies with more than 1,000 holders of voting shares shall consist of at least seven members, and the Supervisory Board of companies with more than 10,000 holders of voting shares shall have at least nine members.

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- 3.3. Persons elected to the Supervisory Board may be re-elected an unlimited number of times.
- 3.4. Directors may not hold directorships in more than _____ other companies.⁹³
- 3.5. Supervisory Board member may not be a partner, General Director (External Manager), member of the governing body or employee of a legal entity competing with the Company.⁹⁴
- 3.6. A person that has been found guilty of committing an economic offence, or offence against governmental and/or local authorities, or a person on whom administrative penalties were imposed for offences related to business, finance, taxes, and duties, or securities market operations, may not be elected to the Supervisory Board.
- 3.7. Members of the Revision Commission and the Corporate Secretary may not at the same time be directors.
- 3.8. The Chairman of the Supervisory Board shall head the Supervisory Board.
- 3.9. Executive Board members and any other executives may not account for more than one quarter of directors.
- 3.10. Not less than one third of the total number of directors shall be independent directors. Under the definition set forth in the Charter, the following persons shall be considered independent:⁹⁵
 - 3.10.1. Who were not over the past three years, and are not, the officers (managers) or the employees of the Company, or officers or employees of the External Manager;
 - 3.10.2. Who were not over the past three years, and are not, officers of another company in which any of the officers of the Company is a member of the Supervisory Board's Nominations and Remuneration Committee;
 - 3.10.3. Who were not over the past three years, and are not, affiliated persons of an officer (manager) of the Company (officer of the External Manager);⁹⁶

⁹³ Not more than five directorships may be considered as best practice.

⁹⁴ The "competing company" can be defined by analogy with Civil Code, Article 73, Clause 3.

⁹⁵ The definition of the term "independent director" is included in accordance with the recommendations of the FCSM Code, Chapter 3, Section 2.2.2. See also: Annex 18.

⁹⁶ See the definition of affiliated persons in the Law on Competition and Restriction of Monopolistic Operations in the Commodity Markets, Article 4.

- 3.10.4. Who were not over the past three years, and are not, affiliated persons of the Company, or affiliated persons of such affiliated persons;
 - 3.10.5. Who are not bound by contractual relations with the Company, whereby they may acquire property (receive cash funds) having value in excess of 10% of such persons' aggregate annual income, other than through receipt of remuneration for their work on the Supervisory Board;
 - 3.10.6. Who were not over the past three years, and are not, major business partners of the Company (the annual total value of transactions with which is in excess of 10% of the total book value of the Company's assets); and
 - 3.10.7. Who were not over the past three years, and are not, representatives of the government.
- 3.11. An independent director who has served on the Supervisory Board of the Company for a period of over seven years may not be considered independent.

Article 4. Term of Office

- 4.1. The Supervisory Board shall be elected for the period until the next AGM.
- 4.2. The newly elected Supervisory Board shall enter into office, and the previous Board shall resign, from the date of signing by the Counting Commission of the voting results minutes.
- 4.3. If the Annual General Meeting of Shareholders (AGM) was not held within the timeframe established by the charter, the powers of the Supervisory Board shall be terminated with the exception of the powers to prepare, call, and conduct the GMS.

Article 5. Nomination

- 5.1. Only shareholders owning at least 2% of voting shares on the date of the proposal shall have the right to make nominations to the Supervisory Board.
- 5.2. The Company shall receive proposals from the shareholders within ___ calendar days of the end of the fiscal year.⁹⁷

⁹⁷ The company shall receive such proposals within 30 days upon completion of the fiscal year unless the company's charter provides for a longer period (LJSC, Article 53, Clause 1).

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- 5.3. The Supervisory Board shall have the right to add candidates to the list of potential Supervisory Board members if an insufficient number of candidates have been nominated by shareholders.
- 5.4. The proposal nominating candidates to the Supervisory Board shall not include candidates in excess of the number of directors set forth in the Company's charter.
- 5.5. The candidates can be nominated by:
 - 5.5.1. Registered mail sent to _____(address) and the attention of: _____ [*position of person in charge of receiving proposals*];
or
 - 5.5.2. Hand delivery against receipt to _____ [*the Secretary of the Supervisory Board or the Corporate Secretary, if any, or other person authorized to receive written correspondence*].
- 5.6. The nomination date shall be established pursuant to the requirements for preparing, calling, and conducting the GMS set forth by the FCSM.
- 5.7. The nomination proposal shall be made in writing and shall include:
 - 5.7.1. Last, first, and middle name of each proposed candidate, and the date of birth;
 - 5.7.2. Name of the body for which candidates are nominated (the Supervisory Board);
 - 5.7.3. Name(s) of the shareholder(s) submitting the proposal;
 - 5.7.4. Number, types, and classes of shares held by the submitting shareholder(s);
 - 5.7.5. Education received, including continuing professional education (name of educational establishment, date of completion, education received);
 - 5.7.6. Professional experience, including positions held for the past ___ years, management positions occupied by the candidate in the governing bodies of other legal entities for the recent ___ years;⁹⁸

⁹⁸ FCSM Code, Chapter 3, Section 2.3.1 recommends a five-year period.

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- 5.7.7. List of legal entities in which the candidate participates or has an interest, including the number of shares or units held in the charter capital of such legal entity;
 - 5.7.8. List of persons with whom the candidate is affiliated, and the basis for such affiliation;
 - 5.7.9. Relation of the candidate to the affiliated persons and major counter-parties of the Company, and the statement of candidate's affiliation with the Company;
 - 5.7.10. Statement of any previous convictions and administrative disqualifications;
 - 5.7.11. _____; and
 - 5.7.12. _____.
- 5.8. Such proposal shall also contain the agreement of the candidate to be elected.
 - 5.9. The proposal shall be signed by the shareholder or by proxy. If the proxy signs the proposal, the power of attorney shall be attached.
 - 5.10. The Supervisory Board shall review the submitted proposals and decide whether the nominees are to be included into the list of candidates for election to the Supervisory Board within five days upon expiration of the period set forth in Clause 5.2 hereof.
 - 5.11. A grounded decision of the Company's Supervisory Board to refuse a nominee in the list of candidates shall be sent to the nominating shareholder(s) within three days following the relevant decision.
 - 5.12. The nominees shall be included in the list of candidates except when:
 - 5.12.1. The shareholder(s) failed to observe the timeline set forth in Clause 5.2 hereof;
 - 5.12.2. The shareholder(s) does not hold the requisite number of Company's voting shares set forth in Clause 5.1 hereof;
 - 5.12.3. The proposal does not meet the requirements of Clause 5.7 hereof; and
 - 5.12.4. The matter proposed for inclusion in the agenda of the GMS is not in the jurisdiction of the GMS and/or does not meet the requirements of the law.
 - 5.13. A candidate to the Supervisory Board shall have the right to withdraw before he is included in the list of candidates.

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Article 6. Election and Dismissal

- 6.1. Directors shall be elected by cumulative voting. Each voting share shall grant to the holder thereof the number of votes equal to the number of Supervisory Board members set forth in the charter. A shareholder may cast all his votes for one candidate or distribute the votes among several candidates at his own discretion.
- 6.2. The candidates for whom the largest number of votes is cast shall be deemed elected to the Supervisory Board.
- 6.3. In connection with the elections to the Supervisory Board the shareholders shall be provided with information on:⁹⁹
 - 6.3.1. The shareholder/group of shareholders proposing such candidate;
 - 6.3.2. The candidate's age and education;
 - 6.3.3. Professional experience, including positions held during the past five years;
 - 6.3.4. The position held as of the moment of nomination;
 - 6.3.5. The nature of the candidate's relations with the Company;
 - 6.3.6. The candidate's directorships and other positions held by the candidate in other legal entities;
 - 6.3.7. Nominations to the Supervisory Board or to positions in governing bodies of other legal entities;
 - 6.3.8. The candidate's relations with the Company's affiliates;
 - 6.3.9. The candidate's relations with the Company's major contractors;
 - 6.3.10. The candidate's status and other circumstances which may affect his ability to perform his duties as a director; and
 - 6.3.11. The candidate's refusal to provide information requested by the Company.
- 6.4. The GMS may dismiss the Supervisory Board prior to the expiration of its term of office. The GMS may make such decision only with regard to all directors.

⁹⁹ FCSM Code, Chapter 3, Section 2.3.1.

- 6.5. In case of dismissing the Supervisory Board prior to the expiration of its term of office, the newly elected directors shall be in office until the election of the new Supervisory Board at the next AGM.
- 6.6. In case of resignation of any directors, such director shall remain liable under the laws of the Russian Federation. Such director shall inform the Supervisory Board of his intention to resign in writing at least __ month(s) in advance.¹⁰⁰
- 6.7. In case the number of directors becomes less than the number required to constitute a quorum under the provisions of Clause 8.11 hereof, the Supervisory Board shall make a decision to call an EGM to elect a new Supervisory Board. The remaining directors shall not have the right to make any decisions other than calling such EGM.

Article 7. The Chairman

- 7.1. The Chairman of the Supervisory Board (hereinafter the Chairman) shall be elected by the directors from among themselves by a majority vote of all elected directors.
- 7.2. The person acting as the General Director [or another executive] of the Company may not be elected the Chairman.
- 7.3. The Supervisory Board shall have the right to dismiss and re-elect its Chairman at any time by a majority vote of all the elected directors.
- 7.4. The Chairman shall:
 - 7.4.1. Organize the work of the Supervisory Board, ensuring conditions for the free exchange of opinions by all directors, and open discussion of agenda items;
 - 7.4.2. Arrange for a fixed schedule and call Supervisory Board meetings, prepare the agenda for and preside over the meetings, as well as organize voting by written consent of the directors in accordance with the provisions of the charter;
 - 7.4.3. Organize meeting minutes [and transcripts] and sign the minutes;

¹⁰⁰ This rule applies only when a civil agreement is made with the member of the Supervisory Board.

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- 7.4.4. Not later than ____ days after the receipt of a proposal on the nomination of candidates for the position of General Director and Executive Board members, request information about the existence of any criminal offense or administrative penalties imposed on such candidates;
 - 7.4.5. Sign the employment contracts with the General Director and Executive Board members on behalf of the Company, unless this right has been delegated to other person(s) by the Supervisory Board, not later than ____ days after the Counting Commission signs the minutes on the voting results;
 - 7.4.6. Ensure for efficient decision-making on all agenda items, including sufficient background materials, proper discussions, and voting;
 - 7.4.7. Provide all directors with the information necessary for the meetings in a timely manner, but not less than __ week(s) before the meeting;¹⁰¹
 - 7.4.8. Establish Supervisory Board committees, nominate directors to such committees, and coordinate the relations between the committees and the officers and executives of the Company;
 - 7.4.9. Maintain regular contact with the other bodies and officers of the Company, namely, the General Director and other key executives;
 - 7.4.10. Receive written proposals of shareholders on calling an EGM and nominating candidates to the governing bodies of the Company;
 - 7.4.11. Preside over the GMS except when, under the law, persons and bodies calling the GMS have the right to appoint the Chairman of the GMS; and
 - 7.4.12. Prepare reports on the activities of the Supervisory Board for the year to be included in the annual report of the Company.
- 7.5. In case of the absence of the Chairman, another director shall perform his functions by the Supervisory Board's decision, made by a majority vote of directors participating in the meeting.

¹⁰¹ Good practice indicates between ten and 15 days.

Article 8. Meetings

- 8.1. Supervisory Board meetings shall be convened by the Chairman on his own initiative as required, but at least once every _____ [*number of weeks or months*],¹⁰² as well as upon request of:
 - 8.1.1. A director;
 - 8.1.2. The Revision Commission;
 - 8.1.3. The External Auditor;
 - 8.1.4. The General Director;
 - 8.1.5. An Executive Board member;
 - 8.1.6. Shareholder(s) — owner(s) of at least 2% of voting shares. Shareholders shall have the right to demand that a meeting be convened only to discuss issues that may be proposed for consideration by the GMS on the recommendation of the Supervisory Board, calling the AGM and EGM, as well as approval of transactions that require approval by the Supervisory Board.¹⁰³
- 8.2. The request of the person initiating the meeting of the Supervisory Board shall be made in writing by registered mail to the address of the Company or handed to the Corporate Secretary.
- 8.3. The date of the request to call a Supervisory Board meeting shall be determined by the cancellation stamp, or the date of receipt of the request by the Corporate Secretary.
- 8.4. The request shall be signed by the director who requests the calling of the meeting, or by the General Director, the Chairman of the Revision Commission, the External Auditor, or the person representing the shareholder(s) requesting such meeting.
- 8.5. The request shall contain:
 - 8.5.1. The name of the person requesting the meeting;
 - 8.5.2. Wording of the agenda items; and
 - 8.5.3. Form of the meeting.

¹⁰² FCSM Code, Chapter 3, Section 4.2.1 recommends holding Supervisory Board meetings at least once every six weeks.

¹⁰³ FCSM Code, Chapter 3, Section 4.13.

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- 8.6. Within ____ days after the receipt of the request, the Chairman shall call the Supervisory Board meeting.
- 8.7. In case of unjustified refusal or inability of the Chairman to call the Supervisory Board meeting, any other director may call such meeting.
- 8.8. Notice on the date, place, and time of the Supervisory Board meeting, together with the agenda of the meeting and the information on procedures for reviewing materials and information required to prepare for the meeting, shall be sent by registered mail or delivered to every director and the person who requested the meeting in cases when the meeting is called at the request of persons listed in Clause 8.1. hereof not later than ____ [10] days before the date of the meeting. The date of the notice shall be the date of the cancellation stamp or the date of delivery of the notice.
- 8.9. The first Supervisory Board meeting shall be held not later than ____ month(s) after the election of the Supervisory Board.¹⁰⁴
- 8.10. The agenda of the first meeting shall include the following items:
 - 8.10.1. Election of the Chairman;
 - 8.10.2. Determining business priorities of the Company;
 - 8.10.3. Establishing committees of the Supervisory Board;
 - 8.10.4. Determining independent directors.
 - 8.10.5. _____; and
 - 8.10.6. _____.
- 8.11. Supervisory Board meetings shall include a full set of relevant materials to be prepared by the Corporate Secretary and relevant executives.
 - 8.11.1. The Supervisory Board materials shall include an executive summary highlighting the main issues, including risks and consequences of inaction, and offer practical solutions. Detailed information shall be included in the Annexes.
 - 8.11.2. Materials for Supervisory Board meetings shall include:
 - 8.11.2.1. The company's financial and non-financial key performance indicators, as set by the Supervisory Board and prepared by the General Director;
 - 8.11.2.2. A full set of financial information;

¹⁰⁴ Good practices suggests one month. This meeting is often held right after the AGM.

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- 8.11.2.3. Minutes and recommendations from the last Supervisory Board meeting;
 - 8.11.2.4. Marketing and sales figures;
 - 8.11.2.5. Production data;
 - 8.11.2.6. The report of the Internal Auditor; and
 - 8.11.2.7. _____.
- 8.12. The quorum for the Supervisory Board meetings shall be _____ [not less than half] of all directors. This number shall include at least two directors none of whom is the General Director or an Executive Board member.
- 8.13. For the purposes of voting at the meetings, each director shall have one vote.
- 8.14. The transfer of votes from one director to another, as well as transfer of votes to any other person by the power of attorney shall not be permitted.
- 8.15. The Chairman shall have the right to cast a decisive vote in case of a tie vote.
- 8.16. Decisions of the Supervisory Board shall be made by a simple majority vote of directors who participated in the meeting, including absentee voting, unless otherwise provided herein and in the Company's charter.
- 8.17. The Supervisory Board shall make decisions on the following issues by a three-fourths majority vote of directors who participated in the meeting:
- 8.17.1. _____;
 - 8.17.2. _____; and
 - 8.17.3. _____;
- 8.18. Decisions on the placement of bonds by the Company, with the exception of convertible bonds, as well as approval of major transactions involving assets the total value of which ranges from 25 to 50% of the book value of the Company's assets, shall be made by unanimous decision of all the directors without taking into account the votes of retired Board members.
- 8.19. Decisions on the approval of other transactions made by the Company, as set forth by the charter, with the exception of the transactions made in the ordinary course of business, shall be made by the unanimous decision of

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all the directors without taking into account the votes of retired Board members.

- 8.20. Decisions on approval of related party transactions shall be made by a majority vote of independent directors who are not interested parties in such transactions as defined in the law. When all directors are interested parties and/or are not independent, the decision on approving such transactions shall be made by the GMS.
- 8.21. Decisions on the approval of the contractual terms with the General Director and/or Executive Board members shall be made by the majority vote of directors participating in the meeting. The General Director and Executive Board members shall not vote on such issues.
- 8.22. The Supervisory Board may make decisions at the meetings held in the form of joint attendance, or joint attendance taking into account written opinions of the absent directors, for the purposes of establishing quorum of the meeting and the results of the voting, as well as by absentee voting.
- 8.23. Notice about the meeting shall be made in accordance with the provisions of Clause 8.8 hereof.
- 8.24. The notice shall consist of two parts.
- 8.25. The first part of the notice shall contain the following information:
 - 8.25.1. Full legal name and location of the Company;
 - 8.25.2. Date, place, and time of the meeting;
 - 8.25.3. Agenda of the meeting;
 - 8.25.4. Information about the procedures for review, the materials and information required for preparing the meeting, or the list of the attached materials.
- 8.26. The second part of the notice (written opinion) shall contain the following:
 - 8.26.1. Postal address to which the written opinion should be mailed;
 - 8.26.2. Deadline for the acceptance of written opinions;
 - 8.26.3. Wording of decisions on each item of the agenda;
 - 8.26.4. Voting options on each item: “for”, “against”, “abstained”;
 - 8.26.5. Space for formulating the written opinion of the director on each item of the agenda;
 - 8.26.6. Space for signature of the director with the reminder that the signature is mandatory.

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- 8.27. The second part of the notice may be sent to the Supervisory Board by registered mail, courier, or delivered to the Corporate Secretary personally by the director or his representative.
- 8.28. Decisions on conducting the Supervisory Board meeting by absentee vote shall be made by the Chairman or the person requesting the extraordinary meeting.
- 8.29. The following decisions may not be made by absentee vote:
- 8.29.1. Approval of business priorities and the financial and business plan of the Company;
 - 8.29.2. Calling of the AGM and decisions necessary for its calling and conducting;
 - 8.29.3. Preliminary approval of the annual report of the Company;
 - 8.29.4. Calling or refusal to call an EGM;
 - 8.29.5. Election, dismissal, and re-election of the Chairman;
 - 8.29.6. Election and dismissal of the executive bodies of the Company [if these decisions fall within the authority of the Supervisory Board under the charter];
 - 8.29.7. Recommendations to the GMS on the reorganization or the liquidation of the Company.
 - 8.29.8. _____; and
 - 8.29.9. _____;
- 8.30. The ballot for absentee voting signed by the Chairman and materials required for preparing the meeting shall be sent by registered mail or delivered personally to directors with his confirmation of receipt at least ten days prior to the date of the meeting.
- 8.31. The date of receipt of the voting ballot by the director shall be the date of the cancellation stamp or the date of delivery of the document.
- 8.32. The voting ballot shall contain the following information:
- 8.32.1. Full legal name and location of the Company;
 - 8.32.2. Wording of the issues offered for voting, and decisions on each item of the agenda;
 - 8.32.3. Voting options on each item: “for”, “against” “abstained”;
 - 8.32.4. Information about the procedures for review, the materials and information necessary for preparing the meeting, or the list of the attached materials;

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- 8.32.5. Postal address to which the mail-in ballots shall be sent; and
- 8.32.6. Deadline for accepting the ballots.
- 8.33. The date of receipt of the voting ballot by the director shall be the date of the cancellation stamp or the date of delivery of the document.
- 8.34. Directors whose voting ballots were received on or before the established deadline shall be considered to have participated in the voting.
- 8.35. The Corporate Secretary shall draft the minutes on the absentee voting results.
- 8.36. A report on the voting results shall be sent to the directors by registered mail or delivered personally to directors with confirmation of receipt within ___ days after the date of the minutes on voting results.
- 8.37. Written opinions shall not be taken into account for the purposes of establishing a quorum and the voting results when making decisions on the approval of extraordinary and related party transactions.

Article 9. Minutes and Verbatim Reports

- 9.1. The Corporate Secretary shall prepare minutes of the Supervisory Board's meetings.
- 9.2. The minutes shall be made within three days after the meeting. The minutes shall contain the following information:
 - 9.2.1. Full legal name and location of the Company;
 - 9.2.2. Place (address) and time of the meeting;
 - 9.2.3. Agenda of the meeting;
 - 9.2.4. Persons attending the meeting and quorum;
 - 9.2.5. Directors who did not attend the meeting but submitted their written opinions;
 - 9.2.6. Issues put to vote and the voting results on an individual basis;
 - 9.2.7. Decisions made;
 - 9.2.8. _____; and
 - 9.2.9. _____.
- 9.3. The minutes of the Supervisory Board meeting shall be signed by the Chairman who shall be responsible for their accuracy, all directors who participated in the meeting, and the Corporate Secretary.

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- 9.4. Written opinions of the directors shall be appended to the minutes.
- 9.5. The minutes on the results of absentee voting shall be made within three days after the final date for acceptance of the ballots and shall be signed by the Chairman and the Corporate Secretary. The minutes shall include the following information:
 - 9.5.1. Issues put to absentee vote;
 - 9.5.2. Wording of decisions on each issue; and
 - 9.5.3. Voting results on each issue.
- 9.6. The Company shall provide the Supervisory Board's minutes to the Revision Commission, the External Auditor upon request, as well as provide copies of such documents at the request of shareholders for a fee that shall not exceed the cost of making and mailing of such copies.
- 9.7. The Company shall keep minutes of the Supervisory Board meetings at the location of the executive body of the Company.
- 9.8. The Corporate Secretary organizes verbatim reports of Supervisory Board meetings.

Article 10. Committees

- 10.1. The Supervisory Board may establish *ad hoc* or permanent committees for preliminary review and consideration of the most important issues within the authority of the Supervisory Board.
- 10.2. The Company shall establish the following Supervisory Board committees¹⁰⁵:
 - 10.2.1. _____;
 - 10.2.2. _____; and
 - 10.2.3. _____.
- 10.3. Only directors may become committee members.

¹⁰⁵ FCSM Code, Chapter 4 recommends establishing Strategic Planning, Nominations and Remuneration, Corporate Conflicts, and Audit Committees. Other committees recognized internationally include the Corporate Governance Committee and Ethics Committee.

Annex 6. A Model By-Law for the Supervisory Board

- 10.4. The same director may not serve on more than ___ committees.¹⁰⁶
- 10.5. The committees may employ the services of experts and specialists. The Supervisory Board shall determine the fees for the services of such experts and specialists.
- 10.6. Committee meetings shall be convened by the chairman of the committee, any committee member, or the Supervisory Board decision.
- 10.7. The results of the committee's work shall be reflected in a written decision signed by all members of the committee attending the meeting and submitted to the Chairman.
- 10.8. Opinions of the committee shall be treated as recommendations only.
- 10.9. Further details are regulated in separate by-laws on committees.

Article 11. Duties and Liability

- 11.1. Directors, while exercising their rights and performing their duties, shall:
 - 11.1.1. In all their decisions act reasonably, and in good faith, and in the best interests of the Company and its shareholders. This means careful consideration of all available information, and making careful and balanced decisions that may be expected of a good director in similar circumstances;
 - 11.1.2. Actively take part in the meetings and work of the Supervisory Board and the committees to which they have been elected;
 - 11.1.3. Seek clarifications and ask questions on issues that are unclear or not understandable;
 - 11.1.4. Notify the Supervisory Board in advance of their inability to attend the Supervisory Board meetings stating the reasons for such absence;
 - 11.1.5. Act in accordance with the following conflicts of interests rules and regulations:
 - 11.1.5.1. Immediately inform the Chairman in writing about any personal commercial or other interest (direct or indirect) in the transactions, contracts, or projects involving the Company, including intentions to enter into transactions

¹⁰⁶ Best practice suggests to prohibit permitting any director to sit on more than three Supervisory Board committees.

- with the securities of the Company in which they are directors, or subsidiary (dependent) companies thereof, as well as disclose information on any transactions made by them with such securities in accordance with the procedures set forth in the Company's by-laws;
- 11.1.5.2. Not accept from individuals or legal entities any gifts, services, or benefits, which are, or may be, considered as compensation for decisions or actions made by the director in his official capacity, with the exception of symbolic tokens of goodwill in accordance with the generally accepted norms of politeness or exchange of souvenirs during official events;
- 11.1.5.3. Not disclose confidential, insider, and other official information that became known to him in the course of performing his duties as a director, to persons who do not have access to such information, nor use such information in their own personal interests or in the interest of third parties both during the term of their office and for the period of ____ years after they leave the Company;
- 11.1.5.4. Act in compliance with all the rules and procedures set forth by by-laws of the Company on ensuring security and protection of the confidential information about the Company;
- 11.1.6. Provide complete and accurate information on the business and financial performance of the Company to the Supervisory Board; and
- 11.1.7. Independent directors shall refrain from actions as a result of which they would cease to be independent. If, as a result of a change in circumstances, an independent director ceases to be independent, he shall inform the Supervisory Board thereof in writing within ____ [*period of time*].
- 11.2. Directors shall be liable to the Company for losses incurred by the Company through their fault (omission) unless the law provides for other grounds and scope of liability.

Annex 6. A Model By-Law for the Supervisory Board

- 11.3. Directors who voted against the decision that resulted in losses to the Company, or did not participate in the voting shall not be liable for such losses.
- 11.4. In determining the grounds for, and the amount of, director liability ordinary business practices and other relevant circumstances shall be taken into account.
- 11.5. If several directors are liable under Clause 11.2. hereof, they shall be jointly and severally liable to the Company.
- 11.6. In case the Company becomes insolvent (bankrupt) through fault of the directors they may, in case of insufficiency of the Company's assets, bear subsidiary liability under the Company's obligations.
- 11.7. Insolvency of the Company shall be deemed to have resulted from the actions of directors only if such persons exercised their right to give mandatory instructions or their power to direct the actions of the Company being fully aware that such actions would result in the insolvency of the Company.

Article 12. Remuneration

- 12.1. Subject to the decision of the GMS, directors during the term of their office shall receive compensation of expenses incurred by them in connection with the performance of their duties as directors or Supervisory Board committee members, and remuneration.
- 12.2. Remuneration of the directors shall consist of:
 - 12.2.1. A fixed annual remuneration;
 - 12.2.2. A fixed fee upon meeting attendance;
 - 12.2.3. Fees for additional work such as for work on Supervisory Board committees; and
 - 12.2.4. Additional fees for additional responsibilities such as for serving as the Chairman of the Supervisory Board or one of its committees.
- 12.3. Executive directors do not receive additional fixed remuneration for their directorship.

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- 12.4. Non-executive directors receive equal fixed remuneration.
- 12.5. Fixed remuneration shall be payable once a _____, provided the director attended at least _____% of the Supervisory Board meetings.

Article 13. Evaluation

- 13.1. Performance of the Supervisory Board and each of its directors shall be evaluated in accordance with the criteria developed by the Supervisory Board [Nominations and Remuneration Committee].



Annex 7

**A MODEL BY-LAW FOR THE SUPERVISORY BOARD'S
AUDIT COMMITTEE**

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __ day of _____, 200_
[The Company's Seal]

BY-LAW FOR THE SUPERVISORY BOARD'S AUDIT COMMITTEE

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law for the Audit Committee (hereinafter the By-law) of the Supervisory Board of the Open Joint Stock Company «_____» (hereinafter the Company) has been drafted in accordance with the laws of the Russian Federation (hereinafter the Law), the charter of the Company and other internal corporate documents, and relevant recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law shall define the authority of the Supervisory Board's Audit Committee (hereinafter the Committee) and its members, and further, shall define the rights and responsibilities of the Committee's members, election, composition, and dismissal of Committee members, meeting procedures, as well as the remuneration of Committee members.
- 1.3. The Committee has been established to assist the Supervisory Board in performing its guidance and oversight functions effectively and efficiently, and is specifically charged with ensuring the integrity of the Company's financial statements, internal control policies and procedures, interacting with the External Auditor, and internal audit policies and procedures.
- 1.4. All proposals developed by the Committee are recommendations only and thus non-binding to the Supervisory Board.

Annex 7. A Model By-Law for the Supervisory Board's Audit Committee

Article 2. Authority

- 2.1. The following issues shall fall within the authority of the Committee:
 - 2.1.1. As to financial accounting and reporting, to:
 - 2.1.1.1. Provide assistance during the organization and preparation of the Company's financial statements and accounts, and to ensure the veracity, transparency, and completeness of the financial information disclosed by the Company;
 - 2.1.1.2. Ensure compliance with the Company's accounting policies and practices as applied in the Company's financial reports, and evaluate and rate such practices as either aggressive, balanced and appropriate, or conservative;
 - 2.1.1.3. Identify and review significant accounting and reporting issues, including any recent professional and regulatory provisions from oversight authorities, and assess and understand their impact on the financial reports of the Company;
 - 2.1.1.4. Oversee the periodic financial reporting process implemented by management, and review the interim and annual financial statements of the Company as well as review preliminary announcements prior to their release or publication;
 - 2.1.1.5. Develop and make recommendations to the Revision Commission regarding the Company's overall accounting policy, and specifically, develop recommendations for an analysis of the Company's financial reports and assessments, and the results of any audits conducted; and
 - 2.1.1.6. Develop and make recommendations to the Revision Commission for the annual report prior to its approval by the Supervisory Board of the Company, including the full set of financial statements, including notes, and management's discussion and analysis.
 - 2.1.2. As to internal control and risk management, to:
 - 2.1.2.1. Develop and review the major risks faced by the Company, including financial, operational, and legal risk, and

- the guidelines and policies which management has implemented to govern the process of identifying, assessing, treating, and periodically reviewing such exposures;
- 2.1.2.2. Develop recommendations regarding the development, improvement, refinement, and expansion of a control environment within the Company;
 - 2.1.2.3. Conduct assessments of the general efficiency of internal control and risk management systems, including budgeting and staffing matters, as well as exercise control over management's compliance with the recommendations of the Internal and External Auditors; and
 - 2.1.2.4. Coordinate management's efforts to ensure the security of computer systems and applications, and develop and coordinate contingency plans for processing financial information in the event of a complete systems breakdown or failure with the help of the Company's IT staff.
- 2.1.3. As to working and interacting with the External Auditor, to:
- 2.1.3.1. Develop recommendations on the selection of an External Auditor, including a review of that Auditor's professional qualifications and independence, the potential risk of conflicts of interests, as well as the Auditor's fees;
 - 2.1.3.2. Conduct an annual review of the performance of the External Auditors, and make recommendations to the Supervisory Board on the appointment, reappointment, or termination of the External Auditor's contract;
 - 2.1.3.3. Work with the External Auditor to coordinate the scope, plan, and procedures to be followed for the current year's audit taking into consideration both the Company's present circumstances and any applicable changes in legislation and other regulatory requirements;
 - 2.1.3.4. Work to resolve any problems encountered in the normal course of the External Auditor's work, including any restrictions on the scope of the audit or access to information;
 - 2.1.3.5. Discuss any significant findings or recommendations made by the External Auditor and management's proposed

Annex 7. A Model By-Law for the Supervisory Board's Audit Committee

- response thereto, as well as any other appropriate actions to be taken based on such recommendations;
- 2.1.3.6. Conduct separate meetings with the External Auditor to discuss any matters that the Committee or the Auditor believes should be discussed privately, and ensure that the Auditors have access to the Chairman of the Committee when required;
 - 2.1.3.7. Develop recommendations on the Company's policy for the assignment of non-audit tasks and services to be provided by the External Auditor and, as need be, develop a framework for the pre-approval of both audit and non-audit services;
 - 2.1.3.8. Review and discuss with the External Auditor any transaction involving the Company and a related party;
 - 2.1.3.9. Develop recommendations regarding a policy for hiring personnel from audit firms for senior positions in the Company after they have left the audit firm; and
 - 2.1.3.10. Consider whether it is appropriate to adopt a policy of insisting upon the rotation of the External Auditor's lead audit partner or rotating the External Auditor on a periodic basis.
- 2.1.4. As to the internal audits, to:
- 2.1.4.1. Conduct separate meetings with Revision Commission members, and develop joint recommendations regarding the significant issues and matters concerning the Company's financial and economic activities, and ensure that the chairman of the Revision Commission has access to the Chairman of the Committee when required;
 - 2.1.4.2. Develop recommendations for the establishment and staffing, as well as the budget and independence of an Internal Auditor;
 - 2.1.4.3. Conduct assessments of the Internal Auditor's performance, including the objectivity and authority of its reporting obligations, the proposed audit plans for the coming year, and the results of internal audits, and

- develop recommendations for improving its efficiency;
and
- 2.1.4.4. Review the internal audit reports and develop recommendations for the Company's internal audit plans, and further, initiate and carry out both extraordinary and specifically targeted audits.
- 2.1.5. As to the legal framework and compliance, to:
 - 2.1.5.1. Establish procedures for reviewing and handling complaints or concerns received by the Company regarding the internal control process, financial accounting and reporting, or the external audit; and
 - 2.1.5.2. Enable employees to submit concerns confidentially and anonymously, and review the disclosure of any frauds that involve management or other employees with significant roles in internal control.

Article 3. Rights and Responsibilities

- 3.1. The Committee shall have the following rights:
 - 3.1.1. Request documents, reports, explanations, and other relevant information from the officers, executives, and employees of the Company [including the Company's strategy advisors];
 - 3.1.2. Invite the Company's officers, executives, and employees, as well as the Company's strategy advisors, to its meetings as observers to question them, and seek explanations and clarifications;
 - 3.1.3. Utilize the services of outside consultants, experts, and advisers;
 - 3.1.4. Perform special investigations as required, and utilize the services of independent experts in doing so; and
 - 3.1.5. Perform any other duties required by the Supervisory Board within the scope of the authority of the Committee as set forth herein.
- 3.2. The Committee shall conduct an annual review and assessment of the By-law in conformity with established requirements, and make recommendations to the Supervisory Board regarding any amendments hereto it deems appropriate.

Annex 7. A Model By-Law for the Supervisory Board's Audit Committee

- 3.3. The Committee shall report to the Supervisory Board on a regular basis, but not less than once every quarter. The Committee shall make such report to the Supervisory Board as soon as feasible after every meeting.
- 3.4. Further, Committee members shall:
 - 3.4.1. Participate in the activities and work of the Committee, and attend all its meetings;
 - 3.4.2. Treat all information that became known to them in the course of performing their official duties as confidential information;
 - 3.4.3. Inform the Supervisory Board of any changes in their independent status or any conflict of interest regarding decisions to be made by the Committee; and
 - 3.4.4. Conduct annual reviews and assessments of the Committee activities and its members, including a review of the Committee's compliance with the By-law.

Article 4. Election, Composition, and Dismissal

- 4.1. The Committee shall consist of ___ members and shall be elected by a majority vote of all Supervisory Board members.
- 4.2. The term of office of the Committee shall coincide with the term of office for the Supervisory Board.
- 4.3. Only Supervisory Board members may be elected members of the Committee.
- 4.4. Members of the Committee must possess the necessary knowledge and experience in the areas of financial accounting and reporting, and skills in interacting with the Company's senior executives, External Auditor, and other relevant parties.
- 4.5. The Supervisory Board shall, whenever possible, elect only independent directors to the Committee. If this is not feasible for whatever reason, the Committee shall be chaired by an independent director and have at least one other member who is an outside director.
- 4.6. The General Director, Executive Board members, and other executives may not be members of the Committee.
- 4.7. The Supervisory Board may, at any time, dismiss any member of the Committee, or re-elect the entire Committee.

Article 5. Meeting Procedures

- 5.1. The Committee shall be headed by a Chairman, who shall be elected by a simple majority vote of the Committee's members.
- 5.2. The Corporate Secretary of the Company shall act as the Secretary of the Committee unless and until one of the Committee members is so elected.
- 5.3. Meetings shall be the principal form utilized for carrying out the work and activities of the Committee.
- 5.4. Meetings may be conducted whenever and as often as necessary to properly carry out the Committee's functions and duties in a timely manner. However, at a minimum, the Committee should conduct not less than one meeting every three month(s). If a meeting of the Supervisory Board is to be conducted in which an issue within the Committee's authority is at issue, then a meeting of the Committee should be conducted no later than ____ days before such meeting of the Supervisory Board.
- 5.5. Meetings may be called by the Chairman of the Committee, any member of the Committee, or by decision of the Supervisory Board.
- 5.6. Additional meetings may be called at any time when necessary. The Secretary shall be responsible for calling such meetings when requested by either an Internal or External Auditor.
- 5.7. Meetings may be conducted when the members are physically present or by written consent of those members not physically able to attend and, further, may be conducted in the form of either video- or audio-conferences.
- 5.8. A quorum shall be deemed present at any meeting of the Committee if at least one-half of the Committee members are present.
- 5.9. The Secretary of the Committee shall be responsible for giving advance notice to all of the Committee members of the meeting and its agenda, and ensuring the availability of all necessary information regarding all of the items included on such agenda not less than ____ days prior to such meeting.¹⁰⁷ Additionally, the notice shall be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.
- 5.10. The minutes of Committee meetings shall be signed by all members present.

¹⁰⁷ Good practice suggests two weeks.

Annex 7. A Model By-Law for the Supervisory Board's Audit Committee

- 5.11. Upon the conclusion of discussions regarding any particular issue, the Committee shall draft a written opinion to be signed by all members of the Committee, and such written opinion shall then be submitted to the Chairman of the Supervisory Board or the Corporate Secretary as required by the Company's internal documents. Any member of the Committee having a dissenting opinion should submit such opinion together with the majority opinion of the Committee.
- 5.12. The Committee shall make decisions by a majority vote of members participating in the meeting.

Article 6. Remuneration

- 6.1 The procedures for paying, and the amount of any such remuneration, shall be determined in accordance with the corresponding provisions of the By-laws for the Supervisory Board.



Annex 8

**A MODEL BY-LAW FOR THE SUPERVISORY BOARD'S
CORPORATE GOVERNANCE COMMITTEE**

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __day of _____, 200_
[The Company's Seal]



**BY-LAW FOR THE SUPERVISORY BOARD'S CORPORATE
GOVERNANCE COMMITTEE**

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law for the Corporate Governance Committee (hereinafter the By-law) of the Supervisory Board of the Open Joint Stock Company “_____” (hereinafter the Company) has been drafted in accordance with the laws of the Russian Federation (hereinafter the Law), the charter of the Company and other internal corporate documents, and relevant recommendations of the Federal Commission for the Securities Market’s Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-Law shall define the authority of the Supervisory Board’s Corporate Governance Committee (hereinafter the Committee) and its members, and further, shall define the rights and responsibilities of the Committee’s members, election, composition, and dismissal of Committee members, meeting procedures, as well as the remuneration of Committee members.
- 1.3. The Committee has been established to assist the Supervisory Board in performing its guidance and oversight functions effectively and efficiently, and is specifically charged with the development of, compliance with, and periodic review of the Company’s corporate governance policies and practices. The Committee further monitors and reviews policies concerning shareholder rights, conflict resolution, ethics, disclosure and transparency, evaluation, and the Company’s internal documents (organization and process).
- 1.4. All proposals developed by the Committee are recommendations and thus non-binding to the Supervisory Board.

Annex 8. A Model By-Law for the Corporate Governance Committee

Article 2. Authority

- 2.1. The following issues shall fall within the authority of the Committee:
 - 2.1.1. As to the Company's corporate governance framework, to:
 - 2.1.1.1. Develop and conduct periodic reviews of the Company's corporate governance documents, specifically, the Company's charter and by-laws, with the purpose of ensuring their compliance and conformity with the Law, as well as national and international best practices;
 - 2.1.1.2. Develop a specific and clearly stated plan for the improvement of corporate governance practices based on the leading and most progressive Russian and international practices, and further, conduct periodic reviews of the plan and its implementation;
 - 2.1.1.3. Develop the Company's corporate governance compliance program, including the corporate governance officer or department responsible for developing and conducting director induction and continuing education programs; and
 - 2.1.1.4. Ensure that the Company has an officer, e.g. the Corporate Secretary, who shall be responsible for implementing the Company's corporate governance policies and practices.
 - 2.1.2. As to the working procedures (organization and process) within the Company, to:
 - 2.1.2.1. Develop recommendations for the appropriate preparation and organization of the General Meeting of Shareholders (hereinafter GMS) working in close cooperation with the Company's Corporate Secretary;
 - 2.1.2.2. Ensure that the Supervisory Board is structured in such a way so as to allow it to effectively handle any number of complex issues. With this goal in mind, the Committee shall make recommendations for the establishment of other Supervisory Board committees as required, including the type, authority, and composition of such committees; and

- 2.1.2.3. Develop procedures for the Supervisory Board, including procedures for the preparation of meetings (including the notification period, types, and forms of notice, and information and documentation to be provided), their organization (e.g. the frequency of conducting meetings and the role of the Corporate Secretary), and their conclusion (e.g. minutes and verbatim reports).
- 2.1.3. As to shareholder rights and conflict resolution, to:
 - 2.1.3.1. Ensure that shareholder rights are appropriately and specifically defined in the Company's charter, by-laws, and company-level corporate governance code, and develop policies and procedures for the protection of these rights; and
 - 2.1.3.2. Develop and periodically conduct reviews of the Company's conflict resolution policy and procedures.
- 2.1.4. As to ethics and corporate conduct, to:
 - 2.1.4.1. Assist the Supervisory Board and management in drafting a code of ethics or company-level corporate governance code;
 - 2.1.4.2. Establish oversight and control procedures for detecting and preventing violations of the Law, the Company's code of ethics, and any other internal ethical standards; and
 - 2.1.4.3. Conduct an annual review and update of the code of ethics and policies concerning internal ethical standards.
- 2.1.5. As to the disclosure of financial information and issues of transparency, to:
 - 2.1.5.1. Work with the Supervisory Board's Audit Committee to develop policies and procedures for the disclosure of the Company's corporate governance practices, financial statements, ownership structure, and remuneration policy for directors, and other material information in the Company's annual and quarterly reports, corporate website, and other relevant sources of information.

Annex 8. A Model By-Law for the Corporate Governance Committee

- 2.1.6. As to the assessment of the Supervisory Board's activities, to:
 - 2.1.6.1. Develop procedures for conducting an annual evaluation of the Supervisory Board's activities;
 - 2.1.6.2. Conduct an annual evaluation of the Supervisory Board's performance utilizing an assessment of the Supervisory Board itself (self-evaluation) or, alternatively, utilizing third-party specialists to conduct such evaluation;
 - 2.1.6.3. Report on the results of the self-evaluation to the Supervisory Board, and facilitate a discussion of the findings by the Supervisory Board during an out-of-office retreat, a separate Board meeting or, at a minimum, as a separate agenda item;
 - 2.1.6.4. Develop recommendations for improving the Supervisory Board's performance based on the results of the self-evaluation and any ensuing Supervisory Board discussions thereon;
 - 2.1.6.5. If warranted, periodically organize professional training events for Supervisory Board members specifically addressing areas that need improvement; and
 - 2.1.6.6. Publish a summary of the findings and recommendations in the Company's annual report.
- 2.1.7. As to the individual evaluation of Supervisory Board members, to:
 - 2.1.7.1. Develop procedures and a set of criteria for conducting an annual evaluation of individual Supervisory Board members (directors) prior to any re-election of directors;
 - 2.1.7.2. Assess the findings, and develop recommendations for advising directors in areas that need improvement; and
 - 2.1.7.3. Present the findings and recommendations to the shareholders prior to the GMS.
- 2.1.8. As to director remuneration, to:
 - 2.1.8.1. Advise the Supervisory Board's Nominations and Remuneration Committee in the development of policies for the remuneration of directors, including the Chairman of the Supervisory Board, that are consistent with leading Russian and international practices.

Article 3. Rights and Responsibilities

- 3.1. The Committee shall have the following rights:
 - 3.1.1. Request documents, reports, explanations, and other relevant information from the officers, executives, and employees of the Company [including the Company's strategy advisors];
 - 3.1.2. Invite the Company's officers, executives, and employees, as well as the Company's strategy advisors, to its meetings as observers to question them, and seek explanations and clarifications;
 - 3.1.3. Utilize the services of outside consultants, experts, and advisers;
 - 3.1.4. Perform special investigations as required, and utilize the services of independent experts in doing so; and
 - 3.1.5. Perform any other duties as may be required by the Supervisory Board within the scope of authority of the Committee as set forth herein.
- 3.2. The Committee shall conduct an annual review and assessment of the adequacy of the By-law, and thereafter make such recommendations to the Supervisory Board regarding any changes to the By-law deemed advisable by the Committee.
- 3.3. The Committee shall report to the Supervisory Board on a regular basis, but not less than once every six months. The Committee shall make such report to the Supervisory Board as soon as feasible after every meeting.
- 3.4. Further, Committee members shall:
 - 3.4.1. Participate in the activities and work of the Committee, and attend all its meetings;
 - 3.4.2. Keep abreast of industry and market trends, advances in information technology, and other areas of strategic importance to the Company;
 - 3.4.3. Treat as confidential all information that becomes known to them in the course of performing their official duties;
 - 3.4.4. Inform the Supervisory Board of any changes in their independent status or any conflict of interest regarding decisions to be made by the Committee; and
 - 3.4.5. Annually review and evaluate the performance of the Committee and its members, including a review of the Committee's compliance with the By-law.

Annex 8. A Model By-Law for the Corporate Governance Committee

Article 4. Election, Composition, and Dismissal

- 4.1. The Committee shall consist of ___ members and shall be elected by a majority vote of all directors.
- 4.2. The term of office of the Committee shall coincide with the term of office for the Supervisory Board.
- 4.3. Only Supervisory Board members may be elected members of the Committee.
- 4.4. Members of the Committee must have the necessary knowledge and experience in matters concerning corporate governance.
- 4.5. The Supervisory Board shall, wherever possible, elect only independent directors to the Committee. If this is not feasible for whatever reason, the Committee shall be chaired by an independent director and have at least one other member who is an outside director.
- 4.6. The Supervisory Board may, at any time, dismiss any member of the Committee, or re-elect the entire Committee.

Article 5. Meeting Procedures

- 5.1. The Committee shall be headed by a Chairman, who shall be elected by a simple majority vote of the Committee's members.
- 5.2. The Corporate Secretary of the Company shall act as the Secretary of the Committee unless and until one of the Committee members is so elected.
- 5.3. Meetings shall be the principal form utilized for carrying out the work and activities of the Committee.
- 5.4. Meetings may be conducted whenever and as often as necessary to properly carry out the Committee's functions and duties in a timely manner. However, at a minimum, the committee should conduct not less than one meeting every six months. If a meeting of the Supervisory Board is to be conducted in which an issue within the Committee's authority is to be discussed, then a meeting of the Committee should be conducted no later than ___ days before such meeting of the Supervisory Board.
- 5.5. Meetings may be called by the Chairman of the Committee, any member of the Committee, or by decision of the Supervisory Board.
- 5.6. Meetings may be conducted when members are physically in attendance, or by written consent of those members not physically able to attend, and

- further, may be conducted in the form of either video- or audio-conferences.
- 5.7. A quorum shall be deemed present at any meeting of the Committee if at least one-half of its members are present at such meeting.
 - 5.8. The Secretary of the Committee shall be responsible for giving advance notice to all of the Committee members of the meeting and its agenda at least ___ [number] days prior to the meeting, and ensuring the availability of all necessary information regarding all of the items included on the agenda. Additionally, the notice shall be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.
 - 5.9. The minutes of Committee meetings shall be signed by all members present.
 - 5.10. Upon the conclusion of discussions regarding any particular issue, the Committee shall draft a written opinion to be signed by all members of the Committee, and such written opinion shall be submitted to the Chairman of the Supervisory Board or the Corporate Secretary in time for inclusion on the agenda of the next Supervisory Board meeting. Any member of the Committee having a dissenting opinion should submit such opinion with the majority opinion of the Committee.
 - 5.11. The Committee shall make decisions by a majority vote of members participating in the meeting.

Article 6. Remuneration

- 6.1. The remuneration of Committee members is determined in accordance with the requirements of the by-law on the Supervisory Board.

Annex 9

**A MODEL BY-LAW FOR THE SUPERVISORY BOARD'S
NOMINATIONS AND REMUNERATION COMMITTEE**

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __ day of _____, 200_
[The Company's Seal]

**BY-LAW FOR THE SUPERVISORY BOARD'S NOMINATIONS
AND REMUNERATION COMMITTEE**

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_

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Article 1. General Provisions

- 1.1. This By-law for the Supervisory Board's Nominations and Remuneration Committee (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been drafted in accordance with the laws of the Russian Federation (hereinafter the Law), the charter of the Company and other internal corporate documents, and relevant recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law shall define the authority of the Supervisory Board's Nominations and Remuneration Committee (hereinafter the Committee) and its members, and, further, shall define the rights and responsibilities of the Committee's members, election, composition, and dismissal of Committee members, meeting procedures, as well as the remuneration of Committee members.
- 1.3. The Committee has been established to assist the Supervisory Board in performing its guidance and oversight functions effectively and efficiently, and is specifically charged with identifying qualified senior executives and directors, and ensuring that the Company's remuneration policies and practices support the successful recruitment, development, and retention of managers and directors, and thus help the Company realize its business objectives and sustainable economic development.
- 1.4. All proposals developed by the Committee are recommendations only and thus non-binding to the Supervisory Board.

Annex 9. A Model By-Law for the Nominations and Remuneration Committee

Article 2. Authority

- 2.1. The following issues shall fall within the authority of the Committee:
 - 2.1.1. As to the nomination of directors and senior executives, to:
 - 2.1.1.1. Develop recommendations for the Supervisory Board on determining criteria for the selection of candidates for the positions of General Director, Executive Board member, and principal departmental head;
 - 2.1.1.2. Conduct preliminary evaluations of the candidates for the positions of General Director, Executive Board member, and departmental head of other principal subdivisions and units within the Company;
 - 2.1.1.3. Develop position descriptions, terms of reference, terms and conditions of employment contracts with the General Director, Executive Board members, and departmental heads of other principal subdivisions and units within the Company;
 - 2.1.1.4. Develop criteria and procedures for assessing the performance of the General Director, Executive Board members, and the departmental heads of other principal subdivisions and units of the Company;
 - 2.1.1.5. Develop criteria for determining a director's independence and the duty to keep shareholders informed as per the directors' independent status (or loss thereof);
 - 2.1.1.6. Conduct periodic performance assessments of the activities of the General Director, Executive Board members, and the departmental heads of the Company's principal subdivisions and units;
 - 2.1.1.7. Organize training programs for senior managers regarding issues of corporate governance and business ethics, [in cooperation with the Corporate Governance Committee];
 - 2.1.1.8. Develop instructions and an induction program for newly-elected independent or outside directors, which contain a detailed description of their duties as members of the Supervisory Board, [in cooperation with the Supervisory Board's Corporate Governance Committee]; and

2.1.1.9. Develop policies for planning and implementing the smooth succession of employees in top managerial positions.

2.1.2. As to the remuneration of directors and senior executives, to:

2.1.2.1. Develop a remuneration and incentive policy for the Company's directors and senior executives aimed at increasing the value of the Company and based on the principle of personal contribution of each director and senior executive in implementing the strategic goals of the Company, as well as on the Committee's evaluation of the individual's performance versus goals and objectives set by the Supervisory Board:

2.1.2.1.1. With respect to the remuneration of Supervisory Board members, including the Chairman, the Committee shall develop remuneration criteria that allow the Company to offer competitive terms without endangering the independent status of its members; and

2.1.2.1.2. With respect to the remuneration of the General Director, Executive Board members, and other senior executives, the Committee shall set and periodically review criteria for the (fixed) annual salary, the (variable) annual bonus system based on key financial and non-financial performance indicators, and a long-term incentive system to align the interests of the managers with those of the Company's shareholders, as well as benefits plans and other perquisites;

2.1.2.2. Continuously monitor the appropriateness of the Company's remuneration criteria, based on the Company's development strategy, financial position, and major trends in the labor market; and

2.1.2.3. Exercise control over the enforcement of the decisions of the General Meeting of Shareholders (GMS) as it concerns

Annex 9. A Model By-Law for the Nominations and Remuneration Committee

issues of remuneration of directors and senior executives. Further, exercise control over the disclosure of information on the remuneration of individual directors.

Article 3. Rights and Responsibilities

- 3.1. The Committee shall have the following rights:
 - 3.1.1. Request documents, reports, explanations, and other relevant information from the officers, executives, and employees of the Company [including the Company's strategy advisors];
 - 3.1.2. Invite the Company's officers, executives, and employees, as well as the Company's strategy advisors, to its meetings as observers to question them, and seek explanations and clarifications;
 - 3.1.3. Utilize the services of outside consultants, experts, and advisers; and
 - 3.1.4. Perform any other duties required by the Supervisory Board within the scope of the authority of the Committee as set forth herein.
- 3.2. The Committee shall conduct an annual review and assessment of the By-law in conformity with established requirements, and make recommendations to the Supervisory Board regarding any amendments hereto it deems appropriate.
- 3.3. The Committee shall report to the Supervisory Board on a regular basis, but not less than once every six months. The Committee shall make such report to the Supervisory Board as soon as feasible after every meeting.
- 3.4. Further, Committee members shall:
 - 3.4.1. Participate in the activities and work of the Committee, and attend all its meetings;
 - 3.4.2. Keep abreast of industry and market trends, advances in information technology, and other areas of strategic importance to the Company;
 - 3.4.3. Treat all information that became known to them in the course of performing their official duties as confidential information;
 - 3.4.4. Inform the Supervisory Board of any changes in their independent status or any conflict of interest regarding decisions to be made by the Committee;

- 3.4.5. Conduct annual reviews and assessments of the Committee activities and its members, including a review of the Committee's compliance with the By-law.

Article 4. Election, Composition, and Dismissal

- 4.1. The Committee shall consist of __ members and shall be elected by a majority vote of all directors.
- 4.2. The term of office of the Committee shall coincide with the term of office for the Supervisory Board.
- 4.3. Only members of the Supervisory Board may be elected members of the Committee.
- 4.4. The Supervisory Board shall, whenever possible, elect only independent directors to the Committee. If this is not feasible for whatever reason, the Committee shall be chaired by an independent director and have at least one other member who is an outside director.
- 4.5. The General Director and Executive Board members may not be members of the Committee.
- 4.6. Members of the Committee must possess the necessary knowledge, experience, and skills in interacting with the company's key executives and other relevant parties.
- 4.7. The Supervisory Board may, at any time, dismiss any member of the Committee, or re-elect the entire Committee.

Article 5. Meeting Procedures

- 5.1. The Committee shall be headed by a Chairman who shall be elected by a simple majority vote of the Committee's members.
- 5.2. The Corporate Secretary of the Company shall act as the Secretary of the Committee unless and until one of the members of the Committee is so elected.
- 5.3. Meetings shall be the principal form utilized for carrying out the work and activities of the Committee.
- 5.4. Meetings may be conducted whenever and as often as necessary to properly carry out the Committee's functions and duties in a timely manner. However, at a minimum, the committee should conduct one meeting every six months. If a meeting of the Supervisory Board is to be conducted in

Annex 9. A Model By-Law for the Nominations and Remuneration Committee

which the Committee's authority is at issue, then a meeting of the Committee should be conducted no later than ____ days before such meeting of the Board.

- 5.5. Meetings may be called by the Chairman of the Committee, any member of the Committee, or by decision of the Supervisory Board.
- 5.6. Meetings may be conducted when the members are physically present or by written consent of those members not physically able to attend and, further, may be conducted in the form of either video- or audio-conferences.
- 5.7. A quorum shall be deemed present at any meeting of the Committee if at least one-half of the Committee members are present.
- 5.8. The Secretary of the Committee shall be responsible for giving advance notice to all of the Committee members of the meeting and its agenda, and ensure the availability of all necessary information regarding all of the items included on such agenda not less than ____ days prior to such meeting. Such notice shall be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.
- 5.9. The minutes of every Committee meeting shall be signed by all members present.
- 5.10. Upon the conclusion of discussions regarding any particular issue, the Committee shall draft a written opinion to be signed by all members of the Committee, and such written opinion shall then be submitted to the Chairman of the Supervisory Board or the Corporate Secretary as required by the Company's internal documents. Any member of the Committee having a dissenting opinion should submit such opinion together with the majority opinion of the Committee.
- 5.11. The Committee shall make decisions by a majority vote of those members participating in the meeting.

Article 6. Remuneration

- 6.1. The procedures for paying the Committee members and the amount of any such remuneration shall be determined in accordance with the corresponding provisions of the By-laws on the Supervisory Board.



Annex 10

**A MODEL BY-LAW FOR THE SUPERVISORY BOARD'S
STRATEGIC PLANNING AND FINANCE COMMITTEE**

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __day of _____, 200_
[The Company's Seal]

**BY-LAW FOR THE SUPERVISORY BOARD'S STRATEGIC PLANNING
AND FINANCE COMMITTEE**

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law for the Strategic Planning and Finance Committee (hereinafter the By-law) of the Supervisory Board of the Open Joint Stock Company «_____» (hereinafter the Company) has been drafted in accordance with the laws of the Russian Federation (hereinafter the Law), the charter of the Company and other internal corporate documents, and relevant recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law shall define the authority of the Supervisory Board's Strategic Planning and Finance Committee (hereinafter the Committee) and its members, and, further, shall define the rights and responsibilities of the Committee's members, election, composition, and dismissal of Committee members, meeting procedures, as well as the remuneration of Committee members.
- 1.3. The Committee has been established to assist the Supervisory Board in performing its oversight functions effectively and efficiently, and is specifically charged with defining the Company's strategic objectives, determining its financial and operational priorities, making recommendations regarding the Company's dividend policy, and evaluating the long-term productivity of the Company's operations.

Annex 10. A Model By-Law for the Strategic Planning Committee

- 1.4. All proposals developed by the Committee are recommendations only and thus non-binding to the Supervisory Board.

Article 2. Authority

- 2.1. The following issues shall fall within the authority of the Committee:
 - 2.1.1. As to the Company's strategy and objectives, to:
 - 2.1.1.1. Guide the Company's General Director [and the Executive Board] in setting the Company's mission, goals, and objectives;
 - 2.1.1.2. Guide the Company's General Director [and the Executive Board] in setting the Company's strategic plan and business objectives, conduct reviews of said strategic plan and business objectives, and make recommendations to the Supervisory Board as appropriate;
 - 2.1.1.3. Develop and conduct reviews of the Company's strategic planning processes and procedures in close cooperation with the Company's General Director [and the Executive Board], and develop a policy statement describing the Board's involvement in the strategic planning process;
 - 2.1.1.4. Ensure that the Company's strategic plans are transformed into concrete actions aimed at achieving the Company's objectives;
 - 2.1.1.5. Review the General Director's and the Executive Board's recommendations for the allocation of resources to verify their consistency with the Company's strategic plans and long-term business objectives; and
 - 2.1.1.6. Periodically review the Company's [and its subsidiaries'] strategic plan and business objectives to ensure alignment with the Company's mission, goals, and objectives.
 - 2.1.2. As to the Company's operational priorities, to:
 - 2.1.2.1. Review and make recommendations to the Supervisory Board as to certain strategic decisions regarding opera-

tional priorities, including expanding into new, or exiting from existing business markets or countries.

- 2.1.3. As to the Company's financial planning and dividend policy, to:
 - 2.1.3.1. Review and make recommendations to the Supervisory Board with respect to the Company's annual and long-term financial strategies and objectives, as well as any related performance goals and key performance indicators;
 - 2.1.3.2. Review significant financial matters of the Company and its subsidiaries, including matters relating to the Company's capitalization, its credit ratings, cash flows, borrowing activities, and investment of surplus funds, while working in close cooperation with the Company's management and, particularly, with the Supervisory Board's Audit Committee;
 - 2.1.3.3. Review and make recommendations to the Supervisory Board with respect to the Company's debt or securities offerings, the purchase or disposal of treasury shares, stock splits or share reclassifications, and any capital transactions or other project expenditures equal to or greater than RUR _____ million, and any other financial transactions, such as an investment in a subsidiary or other venture, or an asset disposal equal to or greater than RUR _____ million;
 - 2.1.3.4. Review and make recommendations to the Supervisory Board with respect to the Company's dividend policy and practices; and
 - 2.1.3.5. Periodically review actual capital expenditures and performance against previously approved budgeted amounts.
- 2.1.4. As to the evaluation of long-term productivity and operational efficiency, to:
 - 2.1.4.1. Review and make recommendations to the Supervisory Board as to certain strategic decisions regarding the expan-

Annex 10. A Model By-Law for the Strategic Planning Committee

sion into or exit from new technologies, and any other opportunities to improve the scope and scale, cost effectiveness, and quality of products and services provided by the Company when the amount involved is equal to or greater than RUR _____ million.

- 2.1.5. As to the oversight of the Company's reorganization plans, to:
 - 2.1.5.1. Review and make recommendations to the Supervisory Board as to certain strategic decisions regarding the consolidation, merger, split-up, transformation, or spin-off/divestiture of the Company.

Article 3. Rights and Responsibilities

- 3.1. The Committee shall have the following rights:
 - 3.1.1. Request documents, reports, explanations, and other relevant information from the officers, executives, and employees of the Company [including the Company's strategy advisors];
 - 3.1.2. Invite the Company's officers, executives, and employees, as well as the Company's strategy advisors, to its meetings as observers to question them, and seek explanations and clarifications;
 - 3.1.3. Utilize the services of outside consultants, experts, and advisers; and
 - 3.1.4. Perform any other duties as may be required by the Supervisory Board within the scope of authority of the Committee as set forth herein.
- 3.2. The Committee shall conduct an annual review and assessment of the adequacy of the By-law and thereafter make such recommendations to the Supervisory Board and its Corporate Governance Committee regarding any changes to the By-law deemed advisable by the Committee.
- 3.3. The Committee shall report to the Supervisory Board on a regular basis, but not less than once every six months. The Committee shall make such report to the Supervisory Board as soon as feasible after every meeting.

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- 3.4. Further, Committee members shall:
 - 3.4.1. Participate in the activities and work of the Committee, and attend all its meetings;
 - 3.4.2. Keep abreast of industry and market trends, advances in information technology, and other areas of strategic importance to the Company;
 - 3.4.3. Treat as confidential all information that becomes known to them in the course of performing their official duties;
 - 3.4.4. Inform the Supervisory Board of any changes in their independent status or any conflict of interest regarding decisions to be made by the Committee; and
 - 3.4.5. Annually review and evaluate the performance of the Committee and its members, including a review of the Committee's compliance with the By-law.

Article 4. Election, Composition and Dismissal

- 4.1. The Committee shall consist of ___ members and shall be elected by a majority vote of all directors.
- 4.2. The term of office of the Committee shall coincide with the term of office for the Supervisory Board.
- 4.3. Only Supervisory Board members may be elected members of the Committee.
- 4.4. Members of the Committee must have the necessary knowledge and experience in matters concerning the Company's industry, trends, and finance.
- 4.5. The Supervisory Board shall, wherever possible, elect an independent director to chair the Committee. If this is not feasible for whatever reason, the Committee shall be chaired by a non-executive director and have at least one independent member.
- 4.6. The Supervisory Board may, at any time, dismiss any member of the Committee, or re-elect the entire Committee.

Article 5. Meeting Procedures

- 5.1. The Committee shall be headed by a Chairman, who shall be elected by a simple majority vote of the Committee's members.

Annex 10. A Model By-Law for the Strategic Planning Committee

- 5.2. The Corporate Secretary of the Company shall act as the Secretary of the Committee unless and until one of the Committee members is so elected.
- 5.3. Meetings shall be the principal form utilized for carrying out the work and activities of the Committee.
- 5.4. Meetings may be conducted whenever and as often as necessary to properly carry out the Committee's functions and duties in a timely manner. However, at a minimum, the committee should conduct not less than one meeting every six months. If a meeting of the Supervisory Board is to be conducted in which the Committee's authority is at issue, then a meeting of the Committee should be conducted no later than __ days before such meeting of the Board.
- 5.5. Meetings may be called by the Chairman of the Committee, any member of the Committee, or by decision of the Supervisory Board.
- 5.6. Meetings may be conducted when members are physically in attendance, or by written consent of those members not physically able to attend and, further, may be conducted in the form of either video- or audio-conferences.
- 5.7. A quorum shall be deemed present at any meeting of the Committee if at least one-half of its members are present at such meeting.
- 5.8. The Secretary of the Committee shall be responsible for giving advance notice to all of the Committee members of the meeting and its agenda at least ____ (number) days prior to the meeting, and ensure the availability of all necessary information regarding all of the items included on the agenda. Additionally, the notice shall be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.
- 5.9. The minutes of every Committee meeting shall be signed by all members present.
- 5.10. Upon the conclusion of discussions regarding any particular issue, the Committee shall draft a written opinion to be signed by all members of the Committee, and such written opinion shall be submitted to the Chairman of the Supervisory Board or the Corporate Secretary in time for inclusion on the agenda of the next Supervisory Board meeting. Any member of the Committee having a dissenting opinion should submit such opinion with the majority opinion of the Committee.

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5.11. The Committee shall make decisions by a majority vote of the members participating in the meeting.

Article 6. Remuneration

6.1. The procedures for paying and the amount of any such remuneration shall be determined in accordance with the corresponding provisions of the By-laws on the Supervisory Board.



Annex 11

A MODEL BY-LAW FOR THE EXECUTIVE BODIES

Approved
by the General Meeting of Shareholders
of the Open Joint Stock Company «_____»

Minutes of the [Annual or Extraordinary]
General Meeting of Shareholders

No. _____
of _____ 200_

dated this __day of _____, 200_
[The Company's Seal]

BY-LAW FOR THE EXECUTIVE BODIES

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law for the Executive Bodies (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been developed in accordance with the laws of the Russian Federation (hereinafter the Law), the Company charter, and the recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The Company shall establish the following executive bodies:
 - 1.2.1. The General Director; and
 - 1.2.2. The Executive Board.
- 1.3. The By-law shall determine the status and authority of the General Director and the Executive Board, as well as procedures for their election and dismissal, meeting procedures, duties and responsibilities, and remuneration.
- 1.4. The General Director and Executive Board members shall act in accordance with the Law, the Company charter, the By-law, and other internal documents of the Company.

Annex 11. A Model By-Law for the Executive Bodies

- 1.5. The executive bodies are accountable to the Supervisory Board and the General Meeting of Shareholders (hereinafter the GMS). The executive bodies shall be responsible for executing the decisions of the GMS and the Supervisory Board.
- 1.6. All decisions taken by the GMS and Supervisory Board shall be binding upon the General Director and the Executive Board.

Article 2. Status of the General Director

- 2.1. The General Director shall be a single-member executive body of the Company.
- 2.2. The General Director shall at the same time be the Chairman of the Executive Board.
- 2.3. The General Director may not at the same time be the Chairman of the Supervisory Board, a Revision Commission member, or the Corporate Secretary of the Company,¹⁰⁸ or a participant (shareholder), officer, or other employee of a legal entity competing with the Company.
- 2.4. The General Director may not be involved in any other commercial activity apart from managing the day-to-day operations of the Company, with the exception of membership in the Supervisory Board and, subject to the approval of the Supervisory Board, directorship in other legal entities provided this is required in the interests of the Company.
- 2.5. Upon the recommendation of the Supervisory Board, the GMS may delegate the powers of the General Director to an External Manager.
- 2.6. The relations between the General Director and the Company shall be regulated by an employment contract to be signed on behalf of the Company by the Chairman of the Supervisory Board.
- 2.7. The General Director shall refrain from actions that may result in a conflict of interest between himself and the Company, and, if a conflict of interest arises, the General Director shall immediately inform the Supervisory Board and the Corporate Secretary thereof.

Article 3. The Authority of the General Director

- 3.1. The General Director shall manage the day-to-day operations of the Company with the exception of issues that fall within the sole competence of the GMS or the Supervisory Board, and shall ensure the execution of decisions of the GMS and the Supervisory Board.

¹⁰⁸ If the Company has established a position of the Corporate Secretary.

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- 3.2. Beginning with his term of office, the General Director shall have the right to sign official documents, issue orders and instructions, effectuate transactions and sign contracts on behalf of the Company, subject to the Law and the Company Charter.
- 3.3. The General Director shall:
 - 3.3.1. Act on behalf of the Company without a power of attorney, including representing the interests of the Company;
 - 3.3.2. Open settlement accounts with banking and credit institutions;
 - 3.3.3. Dispose of the Company's assets to ensure its current operations, subject to the provisions of the charter;
 - 3.3.4. Guide, oversee, and manage the performance of the Company's employees, within the scope of his authority;
 - 3.3.5. Grant powers of attorney to perform actions on behalf of the Company;
 - 3.3.6. Make decisions on filing complaints and claims against legal entities and individuals on behalf of the Company;
 - 3.3.7. Approve staffing structures, enter into, and terminate employment contracts with the employees of the Company, and offer incentives to and sanction the employees of the Company;
 - 3.3.8. Sign employment contracts with the heads of representative offices and branches on the terms and conditions set forth by the Executive Board, not later than __ business days after their appointment;¹⁰⁹
 - 3.3.9. Supervise the work of the Executive Board, call its meetings, set its agenda, and preside over its meetings;
 - 3.3.10. Organize and implement the proper keeping of accounting records and financial reports of the Company;
 - 3.3.11. Implement risk management and internal control;
 - 3.3.12. Organize the timely filing of financial statements with the relevant authorities, as well as the disclosure of information about the Company to shareholders, creditors, and the markets;
 - 3.3.13. Sign the financial statements of the Company;
 - 3.3.14. Provide information on the Executive Board's agenda items, as well as on his own actions and decisions, to the Supervisory Board [and its committees], External Auditor, Revision Commission and, where necessary, the Corporate Secretary of the Company in a timely manner;

¹⁰⁹ Good practice suggests that this be five business days.

Annex 11. A Model By-Law for the Executive Bodies

- 3.3.15. Represent and explain the position of the executive bodies at the GMS and Supervisory Board meetings;
- 3.3.16. Provide reports on the work of the executive body to the Supervisory Board once every __ weeks, including on the Company's key performance indicators;¹¹⁰
- 3.3.17. Provide a report on the General Director's work to the GMS at least once a year;
- 3.3.18. Sign the securities prospectuses;
- 3.3.19. _____;
- 3.3.20. _____;
- 3.3.21. Perform other functions that may be necessary to ensure normal operations of the Company under the Law and subject to the provisions of the employment contract with the Company.

Article 4. Appointment and Termination Procedures for the General Director

- 4.1. Any person may be appointed as the General Director in accordance with procedures set forth by the Law and the By-law.¹¹¹
- 4.2. A candidate for the position of the General Director must possess the following qualifications:¹¹²
 - 4.2.1. _____;
 - 4.2.2. _____; and
 - 4.2.3. _____.

¹¹⁰ Good practice suggests that this be done for every Supervisory Board meeting.

¹¹¹ The FCSM Code, Chapter 4, Section 2.1.1 recommends that the specific requirements with respect to the General Director and Executive Board member be set forth in the charter or by-laws of the company.

¹¹² For example, __ years of professional experience in the sector or industry; higher education; special knowledge and skills, for example in finance and accounting, engineering, or law; personal qualities, such as integrity and team orientation; and useful contacts. More generally, Executive Board members and the General Director specifically should: (i) enjoy the trust of shareholders, directors, other managers and employees of the company; (ii) own the ability to relate to the interests of all stakeholders and to make well-reasoned decisions; (iii) possess the professional expertise and education to be an effective General Director and/or Executive Board member; (iv) possess (international) business experience, knowledge of national economic, political, legal, and social issues, as well as trends and knowledge of the market, products, and competitors (national as well as international); and (v) have the ability to translate knowledge and experience into practical solutions that can be applied to the company.

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- 4.3. The General Director shall be appointed by a $\frac{3}{4}$ -majority vote of the Supervisory Board for a term of ___ year(s).¹¹³
- 4.4. The terms of the employment contract with the General Director shall be determined by the Supervisory Board subject to the Law.
- 4.5. The employment contract with the appointed General Director shall be signed by the Chairman of the Supervisory Board within ___ days after the execution of the minutes of the Supervisory Board meeting.
- 4.6. The Supervisory Board may at any time terminate the powers of the General Director and appoint a new General Director by a $\frac{3}{4}$ -majority vote of all directors.

Article 5. Status of the Executive Board

- 5.1. The Executive Board shall be the collective executive body of the Company and shall, under the leadership of the General Director, manage the day-to-day operations of the Company and ensure practical implementation of the decisions of the GMS and the Supervisory Board.
- 5.2. The General Director shall be the Chairman of the Executive Board.
- 5.3. The Executive Board shall have the following members:¹¹⁴
 - 5.3.1. The Chairman of the Executive Board — the General Director;
 - 5.3.2. The Deputy General Director;
 - 5.3.3. _____;
 - 5.3.4. _____; and
 - 5.3.5. _____.

¹¹³ The term of office of the single member executive body is determined by the Company's charter in accordance with the law. Good practice suggests an initial term of one year, followed by three year terms.

¹¹⁴ A Russian company's Executive Board will typically consist of the General Director, and between five and seven other members, possibly the Chief Operating Officer; Chief Accountant, Chief Financial Officer; Chief Legal Counsel; Marketing Director; Head of Sales; Head of Purchasing; Head of Research and Development; Head of Information Technology; Head of Public/Investor Relations; Heads of Business/Product Lines; Human Resources Director; and the General Director of a dependent company or subsidiary. Executive Boards will however need to be adapted to the circumstances of the company and, consequently, should be composed differently.

Annex 11. A Model By-Law for the Executive Bodies

- 5.4. Relations between Executive Board members and the Company are regulated by employment contracts to be signed by the Chairman of the Supervisory Board on behalf of the Company.
- 5.5. Members of the Executive Board shall refrain from actions that may potentially give rise to conflicts of interests between themselves and the Company and, in case such conflicts of interests arise, immediately inform the Supervisory Board and the Corporate Secretary thereof.

Article 6. The Authority of the Executive Board

- 6.1. The Executive Board shall have the right to make decisions on the:
 - 6.1.1. Development of the preliminary strategic direction of the company, which it shall submit for Supervisory Board approval;
 - 6.1.2. Development of financial and business plans, based on the strategic direction of the company and the Supervisory Board's approval;
 - 6.1.3. Approval of the Executive Board's organizational structure (including committees), composition and status of departments, and functional divisions of the Company, upon the recommendation of the General Director;
 - 6.1.4. Approval of internal corporate documents on issues that fall within the competence of the Executive Board, including by-laws regulating incentive schemes and sanctions, as well as working schedules, and job descriptions or terms of references for all categories of the Company's employees;
 - 6.1.5. Approval of transactions, the total value of which is ___ or more percent of the total book value of the Company's assets, subject to immediate Supervisory Board notification;¹¹⁵
 - 6.1.6. Approval of any transactions with fixed assets and loans, unless such transactions fall under the ordinary course of business or fall under the competence of the Supervisory Board or GMS;

¹¹⁵ FCSM Code, Chapter 4, Section 1.1.3. recommends that transactions with the total value exceeding 5% of the book value of company assets be subject to Executive Board approval.

- 6.1.7. Approval of any transactions with fixed assets and receiving loans, unless such transactions fall under the ordinary course of business or fall under the competence of the Supervisory Board or GMS, and the total value of is ___ or more percent of the total book value of the Company's assets;¹¹⁶
- 6.1.8. Preliminary approval of mergers or consolidations in the course of reorganizing the Company;
- 6.1.9. Signing of collective bargaining agreements;
- 6.1.10. Remuneration, and principal terms and conditions of employment contracts concluded with middle management;¹¹⁷
- 6.1.11. Organizational, technical, and financial support for the GMS and the Company's other bodies, including the Supervisory Board and Revision Commission;
- 6.1.12. Appointment of the Company's heads of branches and representative offices;
- 6.1.13. Agenda items of the GMS of subsidiaries in which the Company is the sole shareholder;¹¹⁸
- 6.1.14. Appointment of persons to represent the Company at the GMS of subsidiaries in which the Company is the sole shareholder and provide them with voting instructions;
- 6.1.15. Nomination of candidates for the position of General Director, External Manager, Executive Board member, Supervisory Board member, as well as candidates to other governing bodies of organizations in which the Company has a stake;¹¹⁹
- 6.1.16. _____; and
- 6.1.17. _____.

¹¹⁶ Good practice suggests that the total value not exceed five or more percent of the total book value of the company's assets.

¹¹⁷ FCSM Code, Chapter 4, Section 1.1.5.

¹¹⁸ With the exception of cases in which such decisions fall within the competence of the Supervisory Board.

¹¹⁹ FCSM Code, Chapter 4, Section 1.1.4. recommends that decisions on these issues be made by the Executive Board.

Annex 11. A Model By-Law for the Executive Bodies

- 6.2. The Executive Board shall have the right to make decisions on other operational issues, with the exception of issues that under the Law and the charter fall within the exclusive authority of the Company's other governing bodies.

Article 7. Appointment and Termination Procedures for Executive Board Members

- 7.1. All members of the Executive Board shall be appointed by the Supervisory Board upon the recommendation of the General Director by a $\frac{3}{4}$ -majority vote of the Supervisory Board for a term of ___ year(s).¹²⁰
- 7.2. A candidate for the Executive Board must possess the following qualifications:¹²¹
- 7.2.1. _____;
 - 7.2.2. _____; and
 - 7.2.3. _____.
- 7.3. The contract with the newly appointed Executive Board members shall be signed by the Chairman of the Supervisory Board within ___ days following the signing of the relevant Supervisory Board meeting's minutes.
- 7.4. [Should the newly appointed Executive Board member be an employee of the Company with a regular open-ended employment contract, he shall sign an additional term contract with the Company in his capacity as an Executive Board member.]
- 7.5. The Supervisory Board may dismiss any Executive Board member at any time, and appoint a new Executive Board member prior to the expiry of the Executive Board's term of office by a $\frac{3}{4}$ -majority vote of all directors.

¹²⁰ Good practice suggests an initial term of one year, followed by three year terms.

¹²¹ For example, professional experience, education, special knowledge and skills, personal qualities, and useful contacts.

Article 8. Executive Board Meetings

- 8.1. The Executive Board shall meet as needed, but at least __ times a month.¹²²
- 8.2. Executive Board meetings shall be called by the General Director on his own initiative, as well as on the initiative of Executive Board members or the Supervisory Board.
- 8.3. The General Director shall set the agenda of Executive Board meetings,¹²³ send notice and relevant materials to its members, and preside over meetings.
- 8.4. Executive Board members shall have the right to propose items to the meeting agenda.
- 8.5. The quorum for Executive Board meetings shall be not less than __ of all Executive Board members.
- 8.6. Decisions made during Executive Board meetings shall be made by a majority of __ votes of the Executive Board members participating in the meeting.
- 8.7. The transfer of an Executive Board member's vote to another person, including another Executive Board member, shall not be allowed.
- 8.8. The Chairman of the Executive Board shall ensure that meeting minutes are prepared, and copies thereof sent to the Supervisory Board, the Revision Commission, and the External Auditor within __ days following the Executive Board meeting.
- 8.9. The minutes of the Executive Board meetings shall be signed by the General Director in his capacity as Chairman and Executive Board members attending the meeting. The minutes shall contain:
 - 8.9.1. The location and time of the meeting,
 - 8.9.2. The names of the persons present at the meeting;
 - 8.9.3. The agenda of the meeting;
 - 8.9.4. The results of voting on an individual basis;
 - 8.9.5. Decisions made by the Executive Board; and
 - 8.9.6. The rationale for the decisions.

¹²² FCSM Code, Chapter 4, Section 4.1.1 recommends to have scheduled Executive Board meetings not less than once a week.

¹²³ FCSM Code, Chapter 4, Section 4.1.3 recommends to send the agenda of the upcoming Executive Board meetings to every Executive Board member.

Annex 11. A Model By-Law for the Executive Bodies

Article 9. Duties and Liability

- 9.1. The General Director and Executive Board members shall act in good faith, with diligence and due care, and in the best interests of the Company and its shareholders.
- 9.2. The General Director and Executive Board members are prohibited from:
 - 9.2.1. Participating in a competing company;
 - 9.2.2. Entering into any transaction with the company without first disclosing the transaction and obtaining Supervisory Board or GMS approval;
 - 9.2.3. Entering into actions that may potentially result in a conflict between their own interests and the interests of the company;
 - 9.2.4. Using corporate property and facilities for personal needs;
 - 9.2.5. Disclosing non-public, confidential information for personal interests or the interests of third parties;
 - 9.2.6. Using company information or business opportunities for private advantage, i.e. personal profit or gain; and
 - 9.2.7. Accepting gifts from persons interested in decisions of the General Director and/or the Executive Board, or accept any other direct or indirect benefits, that exceed RUR _____, unless these gifts are symbolic, given as a common courtesy, or souvenirs that are given during official events.
- 9.3. The General Director and Executive Board members shall be liable to the Company for losses incurred through their fault (or omission), unless otherwise provided for by the Law.
- 9.4. Executive Board members who voted against, or abstained from voting on, the decision that resulted in losses to the Company shall not be liable for such losses.
- 9.5. In determining the grounds for and the amount of liability of the General Director and Executive Board members, normal business practices and other relevant circumstances shall be taken into account.
- 9.6. The terms of contracts with the General Director and Executive Board members may also include liability insurance.

Article 10. Remuneration

- 10.1. The remuneration of the General Director and Executive Board members shall be determined by the Supervisory Board [and its Nominations and Remuneration Committee].
- 10.2. The remuneration of the General Director shall be linked to the overall long-term performance of the Company and consist of a fixed and variable part.
- 10.3. The remuneration of the General Director and Executive Board members shall be fixed in separate employment contracts.¹²⁴

¹²⁴ The IFC's RCGP has developed a model employment contract for the General Director, which can also be adapted to other Executive Board members, see also: Annex 14.



Annex 12

A MODEL BY-LAW FOR THE CORPORATE SECRETARY

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __day of _____, 200_
[The Company's Seal]

BY-LAW FOR THE CORPORATE SECRETARY

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law for the Corporate Secretary (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) have been developed in accordance with the legislation of the Russian Federation (hereinafter the Law), the Company charter, other internal corporate documents, and recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law shall regulate the Corporate Secretary's authority to help with the development of, compliance with, and periodic review of the Company's corporate governance policies and practices, ensuring that the Company and its governing bodies follow and comply with the Law, as well as internal corporate rules and policies as determined by the Company charter, the By-law, and other by-laws and internal documents; the preparation and conducting of the General Meeting of Shareholders (hereinafter the GMS), Supervisory Board meetings [and Executive Board meetings]; the establishment and maintenance of clear and effective channels of communications between the various governing bodies of the Company; the disclosure of appropriate information about the Company; the keeping of corporate records; the review of shareholder requests; and the resolution of disputes involving the rights of shareholders.
- 1.3. The Corporate Secretary shall carry out his duties and responsibilities based on the Law, the Company charter, the By-law, and other relevant internal company documents, and the employment contract signed with the Company.
- 1.4. In case of negligence or failure to fulfill his responsibilities, the Corporate Secretary shall be held responsible under the Law.

Annex 12. A Model By-Law for the Corporate Secretary

Article 2. Election, Term, and Dismissal

- 2.1. The Corporate Secretary shall be appointed by the Supervisory Board by a majority vote of Supervisory Board members (directors) participating in the meeting.
- 2.2. Any director may nominate a candidate for the position of Corporate Secretary.
- 2.3. The Corporate Secretary must have the necessary qualifications to properly carry out his duties, including:¹²⁵
 - 2.3.1. _____;
 - 2.3.2. _____; and
 - 2.3.3. _____.
- 2.4. A candidate nominated for the position of Corporate Secretary must disclose to the Supervisory Board information on:
 - 2.4.1. Education and professional experience;
 - 2.4.2. Personal references;
 - 2.4.3. Share ownership in the Company;
 - 2.4.4. Positions held in other companies;
 - 2.4.5. Relationships with affiliated parties and business partners of the Company;
 - 2.4.6. _____;
 - 2.4.7. _____; and
 - 2.4.8. Other information that may affect his performance in carrying out the functions of the Corporate Secretary.
- 2.5. The Corporate Secretary shall be elected for the term of __ year(s).
- 2.6. The terms of the contract with the Corporate Secretary shall be approved by the Supervisory Board. The contract shall be signed by the Chairman of the Supervisory Board on behalf of the Company.
- 2.7. The Supervisory Board may dismiss the Corporate Secretary and appoint a new Corporate Secretary at any time.

¹²⁵ For example a legal and/or financial background (higher degree in law, finance, economics, or related field), relevant professional experience (practical work experience as an in-house lawyer), special skills (communication and interpersonal skills, as well as attention to detail), and specific knowledge (for example on corporate and securities law, and/or finance and accounting).

Article 3. Functions, Duties, and Responsibilities

- 3.1. The Corporate Secretary shall assist the Supervisory Board [and its Corporate Governance Committee] in the development of, compliance with, and periodic review of the Company's corporate governance policies and practices.
- 3.2. The Corporate Secretary shall help ensure that the Company and its governing bodies follow and comply with the Law. In doing so, the Corporate Secretary will keep abreast of the latest legal and regulatory developments, as well as internationally recognized best practices, as they relate to corporate governance, and provide periodic updates and briefs to the Company's directors and managers. The Corporate Secretary shall work and coordinate closely with the Company's legal department in this context.
- 3.3. The Corporate Secretary ensures that the governing bodies follow existing internal corporate rules and policies as determined by the Company charter, by-laws, and other internal documents, as well as to change such rules and policies, or institute new ones where appropriate. The Corporate Secretary is to inform the Chairman of the Supervisory Board of all violations of corporate procedures in a timely manner.
- 3.4. The Corporate Secretary shall properly prepare and conduct the GMS in accordance with the Law, the Company charter, and other relevant by-laws and internal documents of the Company following the decision on calling a GMS. In the course of preparing and conducting a GMS, the Corporate Secretary shall:
 - 3.4.1. Ensure that the list of the shareholders entitled to participate in the GMS is properly prepared;¹²⁶
 - 3.4.2. Ensure that the persons entitled to participate in the GMS are properly notified by preparing and sending (delivering) voting ballots to shareholders, as well as properly notifying all directors, the General Director [and Executive Board members, the External Manager], Revision Commission members, and the External Auditor of the Company;

¹²⁶ In the legally specified cases when the shareholder list is to be compiled by an independent External Registrar, the Corporate Secretary must have the authority to instruct the Registrar to create the list on the basis of instructions of the General Directors or by-laws (e.g. the By-law for the GMS).

Annex 12. A Model By-Law for the Corporate Secretary

- 3.4.3. Prepare and ensure unrestricted access to all materials that shall be made available for the GMS, and authenticate and provide copies of the materials upon the request of the persons entitled to participate in the GMS;
 - 3.4.4. Collect the completed voting ballots received by the Company and ensure their timely transfer to the Counting Commission;
 - 3.4.5. Organize the minutes of the GMS;
 - 3.4.6. Ensure that the persons entitled to participate in the GMS are informed of the voting results of the GMS in a timely manner; and
 - 3.4.7. Answer procedural questions during the GMS, and take measures to resolve conflicts arising when preparing and conducting the GMS.
- 3.5. The Corporate Secretary shall help the Chairman prepare and conduct the Company's Supervisory Board meetings in accordance with the Law, the Company charter, and other by-laws and internal documents of the Company.
- 3.5.1. The Corporate Secretary shall help prepare the annual schedule of Supervisory Board meetings and notify all directors of the upcoming meeting __ weeks in advance.¹²⁷
 - 3.5.2. If necessary, the Corporate Secretary shall send (or deliver) voting ballots to all directors, collect the completed ballots and written opinions of the directors who were not physically present at the meeting, and transfer these to the Supervisory Board Chairman.
 - 3.5.3. The Corporate Secretary shall ensure that Supervisory Board meetings are held in accordance with the procedures established in the By-law for the Supervisory Board;
 - 3.5.4. The Corporate Secretary shall assist the Chairman in keeping minutes of the Supervisory Board meetings that reflect the location and time of the meeting, the names of the persons who participated in the meeting, the agenda of the meeting, quorum and voting results, and a description of decisions made by the Supervisory Board;

¹²⁷ Good practice suggests two weeks.

- 3.5.5. The Corporate Secretary shall assist directors in obtaining the information necessary to take informed decisions. [In accordance with the information policy of the Company] the Corporate Secretary shall provide directors access to transcripts and minutes of Executive Board meetings, orders of the General Director, and other documents of the executive bodies of the Company, minutes of meetings and reports of the Revision Commission, and the opinion and management letter of the External Auditor, as well as the Company's primary accounting documents and financial information pursuant to a decision of the Supervisory Board's Chairman.
- 3.5.6. The Corporate Secretary shall help organize induction trainings for newly elected directors to brief these directors on their duties and responsibilities, the procedures that regulate the operations of the Supervisory Board and other working bodies of the Company, the Company's organizational structure and officers of the Company, internal documents of the Company, applicable decisions of the GMS and the Supervisory Board to their work as directors, and other information that may be required by directors for the appropriate discharge of their duties.
- 3.5.7. The Corporate Secretary shall inform and advise directors on legal requirements, charter provisions, and other internal corporate regulations that regulate their rights and responsibilities with respect to preparing and conducting the GMS and Supervisory Board meetings, and ensuring for information disclosure.
- 3.6. The Corporate Secretary shall assist in establishing and maintaining clear communication between the various governing bodies, in particular between the Supervisory and Executive Boards. To this extent, the General Director, Chief Accountant, and other relevant parties/bodies must provide timely and accurate information upon the Corporate Secretary's request.
- 3.7. The Corporate Secretary shall ensure for the proper disclosure of information about the Company. In particular, the Corporate Secretary shall:
 - 3.7.1. Ensure compliance with the requirements of the Law, the Company charter and by-laws, and other internal corporate documents on keeping and disclosing information about the Company;

Annex 12. A Model By-Law for the Corporate Secretary

- 3.7.2. Help ensure for the timely disclosure by the Company of information contained in the securities prospectuses, quarterly reports, annual report as well as information on all material facts that may affect the financial and business performance of the Company.
- 3.8. The Corporate Secretary acts as a liaison during a control transaction between the controlling shareholder (or group of shareholders) in a mandatory bid to buyout common shares (and securities convertible into common shares) and the other shareholders of the Company. In particular, the Corporate Secretary shall ensure that the offer is distributed to all shareholders in accordance with the requirements of the Law, the charter, and other internal documents of the Company.
- 3.9. The Corporate Secretary should notify the Chairman of the Supervisory Board of any potential or real conflicts of interests among the Company's shareholders, directors, or executives so that they can be dealt with appropriately, and act as a liaison in case of conflicts of interests among directors.
- 3.10. The Corporate Secretary shall keep the Company records and documents as specified under the Law, make these available to authorized parties, prevent un-authorized access, and make copies of such documents. The copies of the documents must be authenticated by the Corporate Secretary.
- 3.11. The Corporate Secretary shall ensure that all shareholder requests are properly processed by keeping records of all incoming shareholder requests, transferring the requests to the relevant governing bodies and departments, and monitoring the timely and full response to such requests by the governing bodies and departments.
- 3.12. The Corporate Secretary shall ensure that all conflicts arising from shareholder rights violations are properly examined and resolved by the Company [in accordance with the relevant by-laws]. The Corporate Secretary shall have the right to request explanations from the External Registrar in connection with shareholder complaints arising from the keeping of the shareholder register of the Company.¹²⁸

¹²⁸ It is recommended to include the provision on the responsibility of the Registrar to provide the relevant explanations to the Corporate Secretary in the company's contract with the Registrar.

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- 3.13. The Corporate Secretary shall have the right to obtain any information necessary for the proper discharge of his duties.
- 3.14. The Corporate Secretary shall act solely in the function of the Corporate Secretary and shall not perform any other duties in the Company.

Article 4. Office of the Corporate Secretary¹²⁹

- 4.1. To ensure the Corporate Secretary's performance of his duties, the Company shall establish the Office of the Corporate Secretary.
- 4.2. The staff of the Office of the Corporate Secretary (hereinafter staff) shall consist of ___ employees that report directly to the Corporate Secretary.
- 4.3. The staff shall be appointed by the General Director upon the recommendation of the Corporate Secretary.
- 4.4. The staff must have the necessary qualifications to properly carry out their duties and responsibilities.
- 4.5. The staff may not at the same time be directors, managers, or employees of another company, or Revision Commission members.

¹²⁹ Establishing an Office of the Corporate Secretary is only recommended for larger companies.



Annex 13

A MODEL CONTRACT WITH THE NON-EXECUTIVE DIRECTOR

CONTRACT

WITH A NON-EXECUTIVE DIRECTOR

of the Open Joint-Stock Company

«_____»

City of _____ this “___” day of _____, 200_.

The Open Joint Stock Company «_____» (hereinafter the Company), represented by _____ [*title, surname, name, patronymic of the authorized person*], acting on the basis of _____ [*decision of the General Meeting of Shareholders*], as one party, and Mr. _____ [*surname, name, patronymic*](hereinafter the Director) as the other party, elected as a member of the Supervisory Board of the Company by decision of the General Meeting of Shareholders of the Company (hereinafter the GMS) dated _____, Minutes No. ___ (hereinafter the Parties) have entered into the following Agreement:

Article 1. The Subject Matter of This Contract

- 1.1. This Contract is a civil law contract under which the non-executive Director agrees to render certain services to the Company as set forth in this Contract, and the Company agrees to remunerate the Director and reimburse the expenses incurred by the Director in connection with his performance hereof.
- 1.2. The contractual relationship set forth herein between the Company and the Director shall not be governed by any provisions or regulations of labor law, and the Director hereby represents and agrees that he is not among



those persons whose relations with the Company are governed by any provisions of labor or employment law.

- 1.3. The performance by the Parties of their obligations hereunder shall be governed by the provisions of this Contract and applicable laws of the Russian Federation (hereinafter the Law).

Article 2. The Rights of the Director

- 2.1. The Director shall have the following rights:
 - 2.1.1. Receive on time any relevant information required to enable him to properly perform his duties and responsibilities, from any source or person within the Company;
 - 2.1.2. Occupy and use office space, telecommunications facilities, and other property provided by the Company to attain the goals set forth herein;
 - 2.1.3. Participate in all Supervisory Board meetings and express his opinions on all matters under consideration in accordance with the procedures set forth in the Company's Charter and the By-law for the Supervisory Board;
 - 2.1.4. If necessary, but subject to the written consent of the Chairman of the Supervisory Board, he may hire specialists, experts, and advisors;
 - 2.1.5. Receive remuneration from the Company and reimbursement of expenses related to the performance of his functions as a member of the Supervisory Board in accordance with the procedures set forth in the charter, the By-law for the Supervisory Board, this Contract and any other applicable documents of the Company;
 - 2.1.6. Participate in training on the Company's account;
 - 2.1.7. _____;
 - 2.1.8. _____; and
 - 2.1.9. Enjoy such other rights as a member of the Supervisory Board of the Company pursuant to the Law, the charter, By-law for the Supervisory Board, and any other relevant internal documents of the Company.

Article 3. The Duties and Responsibilities of the Director

- 3.1. When performing his duties and responsibilities, the Director should act reasonably and in good faith, and in the best interests of the Company and its shareholders.
- 3.2. The Director shall have the following duties and responsibilities:
 - 3.2.1. Diligently and reasonably perform his duties subject to the requirements of the Law, the charter, and any other internal documents of the Company;
 - 3.2.2. Personally attend all meetings of the Supervisory Board, and in those cases specifically set forth in the By-law for the Supervisory Board, provide his written opinion to the Board as to the issues and matters considered at the meetings, or where applicable, provide such opinion on an absentee voting ballot;
 - 3.2.3. Personally and actively participate in the activities and work of any Board committees to which he is elected;
 - 3.2.4. Diligently perform any assignments of the Supervisory Board and its Chairman if delegated within the scope of their authority and competence;
 - 3.2.5. Analyze information and the current state of affairs in the Company in connection with those issues falling under the Director's scope of authority and competence, and prepare and present any necessary documentation concerning such issues in the form determined by the Chairman of the Supervisory Board;
 - 3.2.6. Properly prepare for Supervisory Board meetings, in particular, review the agenda and any materials for the meetings in advance, collect and analyze any necessary information, and prepare his opinions, conclusions, and recommendations;
 - 3.2.7. Upon expiration of the Director's term of office, including early termination thereof, he shall, within three days of such termination or expiration of term, vacate his office space and transfer the office keys, all Company documents, and any other Company property in his possession to the Corporate Secretary or any other person designated by the Company;
 - 3.2.8. Upon the request of the Chairman, provide any information except for the confidential and private;
 - 3.2.9. Comply with the following rules and requirements governing conflicts of interests:

- 3.2.9.1. Immediately inform the Chairman of the Supervisory Board of any personal profit or commercial interest, or any other personal interest, whether direct or indirect, in transactions, agreements, and projects of the Company, in accordance with the procedures set forth in any relevant internal documents of the Company;
 - 3.2.9.2. Should not receive any gifts, services, or any privileges from either individuals or legal entities, which are or may be viewed as a recognition for decisions or actions made or taken by the Director in his capacity as a member of the Supervisory Board;
 - 3.2.9.3. Should not disclose confidential, insider, or any other information which became known to the Director during the performance of his duties as a member of the Supervisory Board to any persons which have no access to such information, nor should he use such information for his own profit or in his own interests, or the interests of third parties, both during his term of office as a member of the Supervisory Board and for ____ years after the expiration of this Contract; and
 - 3.2.9.4. When working on the Company's premises, he should comply with the rules and procedures set forth by the internal documents of the Company governing the security and treatment of the Company's confidential information.
- 3.2.10. _____; and
- 3.2.11. _____.

Article 4. The Rights of the Company

- 4.1. The Company shall have the following rights:
 - 4.1.1. Require that the Director duly perform the duties of a member of the Supervisory Board as set forth in the Laws, the charter, By-law for the Supervisory Board, this Contract, and any other relevant internal documents of the Company;
 - 4.1.2. Terminate this Contract if and when the GMS takes a decision to dismiss the entire Supervisory Board;
 - 4.1.3. _____;
 - 4.1.4. _____; and

Annex 13. A Model Contract with the Non-Executive Director

- 4.1.5. Enjoy such other rights as set forth in the Law, the charter, and any other relevant internal documents of the Company, and the provisions of this Contract.

Article 5. The Duties and Obligations of the Company

- 5.1. The Company shall:
- 5.1.1. Remunerate the Director fully and on a timely basis as set forth herein, and reimburse any expenses appropriately incurred in connection with the performance of the Director's duties and responsibilities as a member of the Supervisory Board;
 - 5.1.2. Furnish information, materials, and any documents required by the Director to properly perform his duties in a timely manner;
 - 5.1.3. Provide technical support for the Director to perform his duties and obligations;
 - 5.1.4. _____; and
 - 5.1.5. _____.

Article 6. The Non-Executive Director's Remuneration¹³⁰

- 6.1. For the performance of his duties and responsibilities as a member of the Supervisory Board, the Director shall receive fixed remuneration in the amount RUR _____.
- 6.2. The Director may receive additional compensation in the following situations:
- 6.2.1. For the performance of his duties and responsibilities as Chairman of the Supervisory Board in the amount of RUR _____; and
 - 6.2.2. For the performance of his duties and responsibilities as the chairman of a Supervisory Board committee in the amount of RUR _____.
 - 6.2.3. For his work on a committee of the Supervisory Board in the amount of RUR _____ per attended meeting;
- 6.3. Fixed remuneration specified in Clause 6.1 hereof shall be paid once a quarter, and not later than the 15th day of the month following the period for which the remuneration is being paid.

¹³⁰ These rules relate only to non-executive directors. Executive directors typically do not receive any remuneration for sitting on the Supervisory Board.

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- 6.4. The Company shall reimburse the Director for all expenses incurred relative to the performance of the Director's duties, provided, however, that such expenses are stipulated and provided for in the work plans of the Supervisory Board, and the expenditure verified by receipts or other appropriate documentation, e.g. travel documents, invoices, etc.
- 6.5. The remuneration of the Director shall be paid in cash through the cash office of the Company, or alternatively, may be paid by way of a wire transfer to an account designated by the Director. Part of Director remuneration may be paid in shares.

Article 7. The Liability of the Parties

- 7.1. The Director shall be liable to the Company for any losses caused to the Company by the Director's conduct or failure to act, unless other grounds or the amount of such liability have been established by the Laws.
- 7.2. The Director shall not be liable if he voted against the decision that resulted in losses to the Company, or did not participate in such voting.
- 7.3. For purposes of determining the grounds or the scope and amount of the Director's liability, normal business practices and other relevant circumstances shall be taken into account.
- 7.4. If the Director's powers are terminated due to his initiative (fault), the Company may request the payment of compensation by the Directors of RUR _____.
- 7.5. If the Director's powers are terminated without cause as specified in Clause 8.4. hereof, the Director may request the payment of compensation by the Company of RUR _____.

Article 8. Duration and Termination

- 8.1. This Contract shall come into force immediately upon execution hereof by the Parties, and shall remain in effect until the new members of the Supervisory Board are elected by the GMS.
- 8.2. The date on which the Counting Commission signs the minutes of voting results shall be the date of election of the new directors.
- 8.3. The Company shall have the right to terminate this Contract with cause as specified in Clause 8.4. hereof or without any cause if and when the GMS

Annex 13. A Model Contract with the Non-Executive Director

approves a decision regarding the early termination of the entire Supervisory Board.

8.4. The Director may be dismissed on the following grounds:

8.4.1. The failure to fulfill his duties and obligations as specified in Article 3 hereof;

8.4.2. Causing losses to the Company;

8.4.3. _____; and

8.4.4. _____.

8.5. The termination date of this Contract shall be the date on which the Counting Commission signs the minutes of the voting results on the dismissal of the entire Supervisory Board.

Article 9. Final Provisions

9.1. This Contract is being executed in duplicate, one for each of the Parties, and each such duplicate shall serve as an original.

9.2. If the Director is re-elected as a member of the Supervisory Board, the Parties shall thereupon execute a new contract.

9.3. All matters not specifically addressed and provided for herein, shall be governed by the Law, the charter, and any other internal documents of the Company.

Article 10. Parties' Information and Signatures

Employer:

Name: _____

Address: _____

Banking information _____

(Title, name of the authorized person)

Director:

Surname, name, patronymic: _____

Passport: series _____ No. _____

Issued _____

Home address _____

(Signature)



Annex 14

**A MODEL EMPLOYMENT CONTRACT
WITH THE GENERAL DIRECTOR**

EMPLOYMENT CONTRACT

WITH THE GENERAL DIRECTOR

of the Open Joint Stock Company

« _____ »

City _____ this “ ____ ” day of _____, 200_.

The Open Joint Stock Company « _____ » (hereinafter the Company), represented by the Chairman of the Supervisory Board, _____, acting in accordance with the Company’s charter,

and

_____ [*full name*], (hereinafter the General Director),

collectively referred to hereinafter as “the Parties,” do hereby agree on the following:

Pursuant to the decision of the Supervisory Board as of _____ 200_ regarding the election of _____ [*full name*] for the position of General Director of the Company, and as confirmed by the minutes of meeting № _____ of _____ [*date*], _____ [*full name*] is appointed to the position of General Director [and Chairman of the Executive Board] according to the following terms and conditions:



Article 1. The Subject-Matter of This Contract

- 1.1. This Contract shall be an employment contract for a limited and fixed period of time, the term of which shall commence from the date of execution hereof for a term of _____ [number of months, years or other],¹³¹ and shall regulate and define all matters related to the General Director's employment, and any other matters between the Company and the General Director regarding the performance by the latter of his duties and responsibilities as General Director.
- 1.2. The General Director shall act as a single-member executive body on the basis of the legislation of the Russian Federation (hereinafter the Law), the charter, by-laws, and other internal documents of the Company, any applicable decisions of the General Meeting of Shareholders (hereinafter GMS) and the Supervisory Board, the provisions of this Contract, and the Company's terms of reference for the General Director.
- 1.3. The General Director shall be responsible for executing the decisions of the GMS and the Supervisory Board. Further, the General Director shall manage the day-to-day financial and business operations of the Company, and perform organizational and administrative functions. [Additionally, the General Director shall act as the Chairman of the Executive Board of the Company, ensuring that the Executive Board acts in accordance with its authorities as set forth by the Law, the charter, by-laws, and other internal documents of the Company].
- 1.4. The Company's premises shall be the principal workplace of the General Director.
- 1.5. The General Director's office shall be located within the Company's premises in _____ [city], the Russian Federation, and/or in any other location within the Russian Federation or abroad as so designated from time to time by the Company.

Article 2. The Rights of the General Director

- 2.1. The General Director shall have the following rights:
 - 2.1.1. Act on behalf of the Company without a power of attorney, including representing the interests of the Company both within the

¹³¹ The term of office of the General Director is determined by the company's charter in accordance with the Law. Good practice suggests an initial one year term, followed by three year term.

Annex 14. A Model Employment Contract with the General Director

- Russian Federation and abroad, and grant a power of attorney for performing legal actions on the Company's behalf;
- 2.1.2. Within the scope of his authority, manage and guide the performance of the Company's employees;
 - 2.1.3. [Direct the work and activities of the Executive Board, and convene, set the agenda for, and chair Executive Board meetings;]
 - 2.1.4. Represent the viewpoints and positions of the executive bodies of the Company at the GMS and meetings of the Supervisory Board;
 - 2.1.5. Make decisions regarding the filing of claims and suits against legal entities and individuals on behalf of the Company;
 - 2.1.6. Approve staffing structures, sign and terminate employment contracts with the employees of the Company, offer incentives to and take disciplinary actions against employees of the Company, and enforce the Company's right to compensation from employees if they are liable for losses pursuant to the Law;
 - 2.1.7. Use and dispose of the Company's assets, and enter into transactions and sign contracts if and as prescribed by the Law, the Company's charter and by-laws, and open bank accounts on behalf of the Company;
 - 2.1.8. Make requests and proposals to the governing bodies of the Company;
 - 2.1.9. Subject to the Law, define the nature and scope of information which constitutes a business or trade secret of the Company, and establish procedures for protecting such confidential information;
 - 2.1.10. Appoint a [member of the Executive Board as his] Deputy Director, to whom the General Director may delegate all or a portion of his authority while temporarily absent. Such appointment shall, however, be subject to the prior approval of the candidate by the Company's Supervisory Board;
 - 2.1.11. Receive a suitable office and place of work, which meets the conditions required of companies and organizations for safety in the workplace according to government standards, and receive full and accurate information regarding such working conditions and the requirements of the Company's security;
 - 2.1.12. Use of office space, telecommunications equipment, and facilities, the Company's vehicles, and any other property which may be

- provided to him by the Company, to perform his functions as General Director;
- 2.1.13. Receive time off for official holidays, and in addition, receive paid annual vacations;
 - 2.1.14. Receive full and timely remuneration as specified in this Contract;
 - 2.1.15. _____;
 - 2.1.16. _____;
 - 2.1.17. Possess such other rights as may be provided for by the Law, the Company's charter, by-laws, and internal documents of the Company, as well as this Contract.
- 2.2. The General Director has the right to disclose information about the Company only in a manner consistent with the internal documents of the Company, and only to those persons who have the right to such information.

Article 3. The Duties and Responsibilities of the General Director

- 3.1. When performing his duties and responsibilities, the General Director should act reasonably and in good faith, and in the best interests of the Company and its shareholders.
- 3.2. The duties of the General Director shall be determined by the charter, the By-law for the Executive Bodies, as well as the Law.
- 3.3. The General Director shall:
 - 3.3.1. Manage the day-to-day business and financial operations of the Company with the purpose of increasing shareholder value;
 - 3.3.2. Ensure that the decisions of the GMS and the Supervisory Board of the Company are properly executed, and bear full responsibility for the consequences of his decisions;
 - 3.3.3. Protect and efficiently utilize the assets of the Company, including immovable property, for the purpose of achieving the business and commercial goals of the Company in accordance with the Law, the Company's charter, and internal documents;
 - 3.3.4. Manage the efficient operations of the Company, and coordinate effective interaction between the Company's various structural divisions and departments, ensuring for the proper development and improvement of their performance;

Annex 14. A Model Employment Contract with the General Director

- 3.3.5. Work to improve the Company's performance, growth of sales and profit, quality and competitiveness of the Company's products, product compliance with world standards, growth of domestic [and world] market share, and satisfying customer demands;
- 3.3.6. Be responsible for implementing the Company's information disclosure policy, specifically, for the organization, conditions, accuracy, and timeliness of the disclosure of information, and the Company's reporting to the appropriate state authorities, and additionally, be responsible for presenting accurate information about the Company to its shareholders, creditors, regulators, markets, the mass media, and any other interested parties;
- 3.3.7. Be responsible for the organization, procedures, and accuracy of keeping the accounting records of the Company, and certify that the financial statements and other financial documents of the Company are accurate and complete by signing these documents;
- 3.3.8. Provide all necessary documents and information about the Company's activities and operations to its executive bodies, the GMS, the Supervisory Board, the Revision Commission, the Internal Auditor, and the External Auditor of the Company within ___ working days after the receipt of a written request for such information or documents;
- 3.3.9. Ensure that the Company meets all its obligations to federal and regional governmental bodies, tax authorities, state non-budgetary social funds, suppliers, customers, and creditors, including banks, as well as meeting any obligations pursuant to commercial and labor contracts, and business plans;
- 3.3.10. Manage production and business operations utilizing state-of-the-art technology and progressive forms of management performance systems. Further, the General Director should manage financial, labor, and material costs, keep abreast of market research and the practices of leading domestic and foreign companies in order to achieve the highest possible improvement in the standards and quality of products and services, and achieve economic efficiency of operations, the rational use of production facilities, and the most efficient use of all types of resources;
- 3.3.11. Take measures to recruit and retain qualified staff, ensure the rational use and development of their professional skills and experience,

- ensure favorable and safe labor conditions, and ensure compliance with applicable labor, social and environmental regulations;
- 3.3.12. Ensure a balanced combination of an individualized and collective approach to decision-making, the use of pecuniary and moral incentives for improved performance, ensure proper motivation and responsibility at all levels of the Company, and ensure the timely payment of salaries;
- 3.3.13. Together with the employees and trade union organizations, ensure the development and enforcement of collective bargaining agreements based on principles of social partnership,¹³² maintain labor and operations discipline, facilitate the motivation, initiative, and active participation of the employees in the development of the Company;
- 3.3.14. Make financial, economic, and business decisions on behalf of the Company within the scope of his authority, as set forth in the Law, the Company charter, relevant by-laws, and this Contract;
- 3.3.15. Act in compliance with the requirements of the Law, the Charter, and relevant by-laws and other internal documents of the Company;
- 3.3.16. Ensure that the Company acts in compliance with the Law, and ensure that the Company utilizes legal methods of financial management and operation in the market economy, strengthens contractual and financial discipline, follows regulations regarding social and labor relations, and ensure the investment attractiveness of the Company in order to maintain and expand its business;
- 3.3.17. Protect the interests of the Company in courts of law, arbitration proceedings, and in dealings with governmental authorities;
- 3.3.18. Inform the Executive Board, the Supervisory Board, the Revision Commission, and the External Auditor of the Company in writing of any personal interest in any transaction, deal, contract, and project of the Company in those cases specifically provided for in the Law, and additionally, divulge any positions held in legal entities competing with the Company, or as to any participation in such legal entities, all on a timely basis;
- 3.3.19. Not receive any gifts, services or other benefits from individuals given as compensation, or that may be regarded as compensation, for decisions or actions taken in his capacity as General Director;

¹³² In those cases where a collective labor agreement is required by the Law or by-laws of the company.

Annex 14. A Model Employment Contract with the General Director

- 3.3.20. Not disclose any confidential or insider information, or any information which constitutes a trade or commercial secret of the Company that became known to him in the course of performing his official duties during the term of this Contract and for the period of ____ years after its termination;
- 3.3.21. Sign a written confidentiality agreement;
- 3.3.22. Ensure that the next day following the termination of this Contract, all official affairs of the General Director can be transferred to the newly appointed General Director or such other person as may be appointed by the Company, including the transfer of all relevant documents, the Company's seal and stamps, staff ID card, keys to safes and offices, as well as any assets and equipment provided by the Company for official use. The transfer of documents, assets, and equipment shall be confirmed by executing an appropriate certificate referencing the Company's acceptance of such transfer;
- 3.3.23. _____; and
- 3.3.24. _____.

Article 4. The Rights of the Company

- 4.1. The Company shall have the following rights:
 - 4.1.1. Demand that the General Director act in compliance with the terms and conditions of this Contract, the charter, relevant by-laws, and other internal documents of the Company;
 - 4.1.2. Disclose information about the General Director as provided by the Law, the charter, relevant by-laws, and other internal documents of the Company both within the Company and to third parties, subject, however, to the requirements of Article 86 of the Labor Code of the Russian Federation, whose provisions guarantee protection of employees' personal information;
 - 4.1.3. _____;
 - 4.1.4. _____; and
 - 4.1.5. Possess such other rights as may be provided for by the Law, the Company's charter, by-laws, and other internal documents of the Company.

Article 5. The Obligations of the Company

- 5.1. The Company shall:
- 5.1.1. Pay the General Director's remuneration on a timely and full basis as set forth by the terms of this Contract, the Company's charter, by-laws, and other internal documents;
 - 5.1.2. Provide mandatory social security for the General Director in the manner set forth in the Law;
 - 5.1.3. Provide the General Director with liability, health, and life insurance;
 - 5.1.4. Provide working conditions for the General Director which are conducive and essential for the efficient performance of his duties and responsibilities, including:
 - 5.1.4.1. Separate, personal office space equipped with all the necessary means of communication such as a telephone, fax, and _____, office equipment such as a personal computer and printer, and _____, and the following items of furniture: _____;
 - 5.1.4.2. [Premises for holding Executive Board meetings;]
 - 5.1.4.3. A car (type _____, plate number _____); and
 - 5.1.4.4. Other assets/equipment _____.
 - 5.1.5. Inform the General Director on a timely basis of decisions made by the governing bodies of the Company;
 - 5.1.6. _____;
 - 5.1.7. _____; and
 - 5.1.8. Perform any other duties and responsibilities set forth in the Law, the Company's charter, by-laws, and other internal documents of the Company.

Article 6. Job Description and Remuneration

- 6.1. The General Director has, at the beginning of his term of office pursuant to this Contract, been duly informed of the scope of his official duties and relevant regulations established in the Company.
- 6.2. The General Director's normal work schedule shall be 40-hours per week. However, the specific number of work hours per day shall not be provided

Annex 14. A Model Employment Contract with the General Director

herein. All of the General Director's time and efforts during working hours shall be devoted to the Company's business and activities.

- 6.3. The General Director shall organize his schedule and workday at his own discretion.
- 6.4. Compensation for work performed in addition to a normal workday is included in the General Director's monthly amount of remuneration as provided herein.
- 6.5. The remuneration of the General Director shall be linked to the overall long-term performance of the Company and his personal input and shall consist of a:
 - 6.5.1. A fixed annual salary of RUR _____, which shall be paid out twice per month;¹³³
 - 6.5.2. A variable annual bonus, which shall cover a 12-month period coinciding with the financial year, and be based on:¹³⁴
 - 6.5.2.1. _____;
 - 6.5.2.2. _____; and
 - 6.5.2.3. _____.
 - 6.5.3. A long-term incentive system of _____ years, which shall consist of:¹³⁵
 - 6.5.3.1. _____;
 - 6.5.3.2. _____; and
 - 6.5.3.3. _____.

¹³³ The period for payment shall not be later than the [20–25th] of the current month (advances), and final payment, taking into account calculations for actual time worked, shall be paid no later than the [6th–10th] of the month following that month for which such payment is due.

¹³⁴ The variable part of the General Directors and Executive Board members' compensation shall be linked to key performance indicators that will vary by industry but should be linked to the company's long-term success. Commonly used key financial performance indicators include operating profit, return on capital employed, return on equity, and economic value added (EVA). Non-financial performance indicators can be organized around customers (for example customer satisfaction levels, retention rates and customer loyalty and acquisition), operational processes (quality measures, cycle time measures, cost measures, after sales service, etc.), and internal growth/knowledge management (training, employee satisfaction rates, employee absenteeism, employee turnover, etc.).

¹³⁵ Long-term incentive systems range from three to ten years and may include stock options, stock appreciation rights, restricted stock, and phantom stock.

- 6.5.4. Benefits plan, which shall consist of:¹³⁶
- 6.5.4.1. _____;
 - 6.5.4.2. _____; and
 - 6.5.4.3. _____.
- 6.5.5. Other perquisites, which shall consist of:¹³⁷
- 6.5.5.1. _____;
 - 6.5.5.2. _____; and
 - 6.5.5.3. _____.
- 6.6. The Company shall make any necessary deductions from the General Director's remuneration for social insurance, pension funds, and other funds of the Russian Federation as applicable, as well as those social deductions that the Company is required to deduct and pay pursuant to the Law. In addition, the Company shall also be responsible for deducting and transferring taxes to the appropriate tax authorities in accordance with the Law.
- 6.7. The Company shall grant the General Director a paid vacation for the period of _____ days annually.
- 6.8. If, during the term of this Contract, the General Director is temporarily unable to perform his duties and responsibilities due to illness, injury, or accident, the General Director shall provide a medical certificate confirming such temporary disability. Upon presentation of such certificate, the General Director shall be paid disability benefits in accordance with the Law and this Contract.
- 6.9. The General Director shall be reimbursed for any necessary and customary expenses incurred while traveling for and on behalf of the Company according to the rates set forth in the Law, internal documents of the Company, or decisions of the Supervisory Board.
- 6.10. Pursuant to a decision of the Supervisory Board, the General Director may be reimbursed for expenses incurred for medical treatment in a health resort or health center.

¹³⁶ The Company's benefits plan may include a pension plan, medical and dental plans, savings plans, life insurance plans, and a disability plan.

¹³⁷ Other perquisites may include club membership, use of a company car, chauffeurs, etc.

Annex 14. A Model Employment Contract with the General Director

- 6.11. In case of the General Director's death during the term of this Contract, his family shall be paid a one-time survivor's benefit in the amount of RUR _____.

¹³⁸

Article 7. The Term of the Contract and the Liability of the Parties

- 7.1. This Contract shall become effective from the date it is signed by the Parties and shall stay effective until the date of signing of the minutes of the Supervisory Board meeting dismissing the General Director or appointing a new General Director.
- 7.2. The Company may terminate this Contract at any time on the grounds specified by Clause 7.3. hereof, or without cause.
- 7.3. The Company may terminate this Contract on the following grounds:¹³⁹
- 7.3.1. The failure to perform or improper performance of the General Director's duties and obligations as specified in Article 3 hereof;
 - 7.3.2. Causing any real and direct damages to the Company;
 - 7.3.3. _____; and
 - 7.3.4. _____.
- 7.4. If the Director's powers are terminated without any cause as specified in Clause 7.3. hereof, the Director may request the payment of compensation by the Company of RUR _____.
- 7.5. This Contract may be unilaterally terminated by the General Director subject to a written notice to the Company not less than _____ month(s) prior to termination of the Contract.
- 7.6. The General Director shall bear civil liability to the Company for losses incurred through his willful neglect or failure to act.
- 7.7. In case of disclosure of confidential information that resulted in losses to the Company, the General Director shall reimburse the Company for such losses in accordance with the requirements of the Law.

¹³⁸ Or a percentage of the General Director's base salary.

¹³⁹ In addition to the general grounds for firing an employee by the employer according to the Labor Code, Articles 81, Clauses 4, 9, 10, 13, 14; Article 77; Article 278, Clause 2; Article 75.

Article 8. Final Provisions

- 8.1. This Contract is made in two originals, one for each of the Parties.
- 8.2. All disputes arising from this Contract shall be resolved in accordance with the Law.
- 8.3. All issues that are not covered by this Contract shall be regulated by the Law, the charter, by-laws, and other internal documents of the Company.
- 8.4. During the term of this Contract the Parties shall have the right to make changes and amendments thereto for the following reasons:
 - 8.4.1. Valid request of one of the Parties;
 - 8.4.2. Significant changes in the type of business of the Company;
 - 8.4.3. Changes in the charter and/or by-laws of the Company affecting the rights and interests of the General Director;
 - 8.4.4. Changes in the Law materially affecting and interests of the Parties; and
 - 8.4.5. Other reasons deemed by the Parties to be sufficient ground for making changes and amendments to this Contract.
- 8.5. All the aforementioned changes and amendments shall be made in writing and signed by the Parties and shall be an integral part of this Contract.

Article 9. Requisites and Signatures of the Parties

Company:

Name: _____

Location: _____

Bank details _____

General Director:

Full name: _____

Passport: number _____

Issued _____

Home address _____

(Position, full name of the authorized person)

(Signature)



Annex 15

**A MODEL EMPLOYMENT CONTRACT
WITH THE CORPORATE SECRETARY**

EMPLOYMENT CONTRACT

WITH THE CORPORATE SECRETARY

of the Open Joint Stock Company
«_____»

City of _____ this “___” day of _____, 200_.

The Open Joint Stock Company «_____» (hereinafter the Employer or Company), represented by the Chairman of the Supervisory Board of the Company _____, and acting pursuant to and in accordance with the Company’s charter,

And _____, (hereinafter the Corporate Secretary),

Collectively referred to as “the Parties,” do hereby agree on the following:

Considering that the Supervisory Board has approved the appointment of _____ for the position of Corporate Secretary, and such appointment having been confirmed by the Minutes of the Supervisory Board’s meeting, №___ of _____ [date], _____ hereby commences his duties and responsibilities as Corporate Secretary subject to the following terms and conditions:



Article 1. The Subject Matter of this Contract

- 1.1. This Contract shall be an employment contract and shall constitute the terms and conditions of employment, and regulate the employment and labor relations between the Parties.
- 1.2. Pursuant to the terms of this Contract, the Corporate Secretary shall ensure the development of, compliance with, and periodic review of the Company's corporate governance policies and practices, ensuring that the Company and its governing bodies follow and comply with the legislation of the Russian Federation (hereinafter the Law), as well as internal corporate rules and policies as determined by the Company charter, the By-law for the Corporate Secretary, and other by-laws and internal documents; the preparation and conducting of the General Meeting of Shareholders (hereinafter the GMS), Supervisory Board meetings, and Executive Board meetings; the establishment and maintenance of clear and effective channels of communications between the various governing bodies of the Company; the disclosure of appropriate information about the Company; the keeping of corporate records; the review of shareholder requests; and the resolution of disputes involving the rights of shareholders.
- 1.3. The Employer shall pay remuneration for the services of the Corporate Secretary, and shall provide the necessary work premises and facilities in accordance with the law and provisions of this Contract.
- 1.4. The Company's premises shall be the principal workplace of the Corporate Secretary.
- 1.5. The Corporate Secretary's office shall be located within the Company's premises in _____ [city], the Russian Federation, and/or in any other location within the Russian Federation or abroad as so designated from time to time by the Employer.

Article 2. The Duties and Responsibilities of the Corporate Secretary

- 2.1. The Corporate Secretary shall:
 - 2.1.1. Perform the functions set forth in the charter and the By-law for the Corporate Secretary;
 - 2.1.2. Render services and perform duties assigned to the Corporate Secretary by the Supervisory Board within the scope of authority of the Corporate Secretary;

Annex 15. A Model Employment Contract with the Corporate Secretary

- 2.1.3. Inform the Chairman of the Supervisory Board of all facts hindering the preparation and conduct of the GMS, Supervisory Board meetings, disclosure of information about the Company, and other facts regarding non-compliance with procedures relating to the functions and duties of the Corporate Secretary;
- 2.1.4. Annually confirm to the Supervisory Board the accuracy of personal information previously disclosed to the Board, and if there are any changes in such information, immediately inform the Board of such changes;
- 2.1.5. Use the work premises, means of communication, transport, and any other assets and equipment provided by the Employer solely for performing the duties of the Corporate Secretary;
- 2.1.6. Not receive, from either individuals or organizations, any gifts, services, or other benefits that have been given as compensation for, or may be perceived as having been given as compensation for decisions or actions taken in the Corporate Secretary's official capacity;
- 2.1.7. Not disclose any information that is confidential, or disclose any trade or commercial secrets that became known to the Corporate Secretary during the course of performing his official duties for the duration of this Contract and for the period of ____ years after its termination;
- 2.1.8. Take all the necessary steps and measures to prevent the disclosure of confidential information and information which may constitute a trade or commercial secret of the Company;
- 2.1.9. _____;
- 2.1.10. _____; and
- 2.1.11. Ensure that all of the activities and affairs are transferred to the newly-appointed Corporate Secretary, or such other person as may be appointed by the Employer, the next day immediately following the day on which this Contract is terminated.

Article 3. The Rights of the Corporate Secretary

- 3.1. The Corporate Secretary shall have the right to:
 - 3.1.1. Receive full and relevant information necessary for the performance of his duties from the Supervisory Board, the General

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- Director, other executives, and employees of the Company upon request;
- 3.1.2. Receive an annual paid vacation;
 - 3.1.3. Receive remuneration on time, and in-full;
 - 3.1.4. _____;
 - 3.1.5. _____; and
 - 3.1.6. _____.

Article 4. The Rights of the Employer

- 4.1. The Employer shall have the right to:
 - 4.1.1. Demand that the Corporate Secretary act in compliance with the terms and conditions of this Contract, the charter, and by-laws of the Company;
 - 4.1.2. Hold the Corporate Secretary accountable in accordance with established procedures;
 - 4.1.3. _____;
 - 4.1.4. _____; and
 - 4.1.5. Have such other rights as set forth in the Law, this Contract, the charter, the By-law for the Corporate Secretary, and other relevant by-laws of the Company.

Article 5. The Duties of the Employer

- 5.1. The Employer shall:
 - 5.1.1. Pay the Corporate Secretary's remuneration on time and in-full as set forth by the terms and conditions of this Contract;
 - 5.1.2. Provide the Corporate Secretary with the necessary conditions and equipment for efficiently performing his duties. The Corporate Secretary shall be provided with his own separate office facilities and the following equipment, for which he shall bear personal responsibility:
 - 5.1.2.1. Communications equipment (telephone, fax, _____);
 - 5.1.2.2. Office equipment (personal computer, printer _____);

Annex 15. A Model Employment Contract with the Corporate Secretary

- 5.1.2.3. The following furniture (_____);
- 5.1.2.4. A car (type _____, plate number _____);
and
- 5.1.2.5. Other assets and equipment as follows: _____.
- 5.1.3. _____;
- 5.1.4. _____; and
- 5.1.5. _____.

Article 6. Remuneration, Work Hours and Vacations

- 6.1. The Corporate Secretary shall receive remuneration in the amount of RUR _____ per month, which shall be paid by the Company in accordance with the Law.
- 6.2. The time period for payment shall not be later than the [20–25th] of the current month (advances), and final payment, taking into account calculations for actual time worked, shall be paid no later than the [6th–10th] of the month following that month for which such payment is due.
- 6.3. The Company shall make any necessary deductions from the Corporate Secretary's remuneration for social security, pension fund, and other funds of the Russian Federation as applicable, as well as those social deductions that the Company is required to deduct and pay pursuant to the Law. In addition, the Company shall also be responsible for deducting and transferring taxes to the appropriate tax authorities in accordance with the Law.
- 6.4. The Corporate Secretary may be paid additional performance-based compensation or bonuses, the size of which shall be determined by the Supervisory Board. The amount of such bonus payments shall be determined based on the results of the quarter and/or year.
- 6.5. The Corporate Secretary's work hours shall be 40 hours, five working days per week, but the number of work hours per day shall not be regulated or fixed.
- 6.6. Compensation for work performed in addition to a normal workday is included in the Corporate Secretary's monthly amount of remuneration as provided hereinabove.
- 6.7. The Corporate Secretary shall be given an annual paid vacation of ____ days, which may be granted either in full or in parts, and an additional

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annual paid vacation of ____ days. The dates of vacations shall be agreed upon between the Corporate Secretary and the Chairman of the Supervisory Board.

- 6.8. After the termination of this Contract, the final payment for any outstanding amount of salary or any type of compensation owed to the Corporate Secretary shall be made only after the Corporate Secretary transfers all the affairs to the newly-appointed Corporate Secretary or such other person as may be appointed by the Employer.

Article 7. The Liability of the Parties

- 7.1. If either of the Parties fails to perform, or performs improperly or insufficiently any of their duties or responsibilities as set forth in this Contract, the breaching Party shall be held liable pursuant to the Law and this Contract.

Article 8. The Term of the Contract

- 8.1. The Contract shall become effective from the date it is signed by the Parties, and shall terminate on the date of signing of the minutes of the Supervisory Board meeting regarding the appointment of the new Corporate Secretary.
- 8.2. The Corporate Secretary may terminate the Contract. In such case, the Corporate Secretary shall give the Employer written notice of his intention to terminate at least two weeks prior to the effective date of such termination.
- 8.3. The Contract may be terminated on failure to perform or improper performance of the Corporate Secretary's duties and obligations as specified in Article 2 hereof, or other grounds as set forth by the Law.

Article 9. Final Provisions

- 9.1. The Contract is being executed in duplicate, with an original for each Party, and each such original having equal force and effect in law.
- 9.2. All disputes between the Parties shall be resolved in accordance with the Law.
- 9.3. All issues that are not specifically covered or provided for in this Contract shall be regulated by the Law, the charter, and by-laws of the Company.

Annex 15. A Model Employment Contract with the Corporate Secretary

Article 10. Requisites and Signatures of the Parties

Employer:

Name: _____

Location: _____

Bank details _____

Corporate Secretary:

Full name: _____

Passport: number _____

Issued _____

Home address _____

(Position of the authorized person)

(Signature)



Annex 16

MODEL MINUTES FOR A SUPERVISORY BOARD MEETING

MINUTES

FOR THE MEETING OF THE SUPERVISORY BOARD

OF THE OPEN JOINT STOCK COMPANY

« _____ »

Date of the meeting: « ____ » _____ 200__

Time of the meeting: From __: __ to __: ____

Place of the meeting: _____

Chairman of the meeting: _____

Supervisory Board members participating in the meeting as observers:

- 1. _____;
- 2. _____;
- 3. _____;
- 4. _____; and
- 5. _____.

The meeting has a quorum.¹⁴⁰

¹⁴⁰ The Federal Commission for the Security Market’s Code of Corporate Conduct (FCSM Code) Chapter 3, Section 4.3.1 recommends that the company charter have a provision which addresses the issue of taking into account the written opinions of directors who did not attend the Supervisory Board meeting. However, the votes of those directors who submitted their written opinion shall not be counted for the purposes of determining whether or not a quorum exists at the meeting.



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Persons and advisors invited to the meeting:

_____; and
_____.

Meeting Agenda

Item No. 1: _____

Item No. 2: _____

Item No. 3: _____

Item No. 1: _____

1. Discussed

Item No. 1 of the agenda of the Supervisory Board meeting on the _____
_____.

2. Presenters:

_____; and
_____.

3. Decision to approve the following _____ :

Voting results on this item:

№ p/p	Full name of the director	Voting options		
		«FOR»	«AGAINST»	«Abstained»
1.				
2.				
3.				
4.				
5.				

Annex 16. Model Minutes for a Supervisory Board Meeting

Item No. 2: _____

Item No. 3: _____

Date of the minutes «__» _____ 200__.

The Supervisory Board Chairman _____

Director 1 _____

Director 2 _____

Director 3 _____

Director 4 _____

Director 5 _____

The Corporate Secretary _____



Annex 17

A MODEL CHECKLIST FOR THE SUPERVISORY BOARD'S SELF-EVALUATION

Part I: Assessment Questionnaire for the Supervisory Board

To be completed by each director on a confidential basis. Note that:

- 1 = Needs significant improvement
- 2 = Needs improvement
- 3 = Adequate
- 4 = Consistently good
- 5 = Outstanding

<i>Section I: Authorities and General Information</i>					
1. Is the Supervisory Board's role in protecting the company's and shareholder's interests?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
2. How would you rate the Supervisory Board's consideration of shareholder value in its decision-making process?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
3. Do you feel that the Supervisory Board understands its role, authority, and priorities?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
4. To what degree is the Supervisory Boards' authority distinct from that of the General Director and the General Meeting of Shareholders (GMS) in practice?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
5. Does the Supervisory Board know and understand the company's values, mission, and strategic and business plans, and reflect this understanding on key issues throughout the year?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
6. How effective is the Supervisory Board in guiding and setting strategy?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
7. Does the Supervisory Board have the tools to properly oversee the operational and financial performance of the company?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
8. Is the Supervisory Board doing a good job in managing the performance and evaluating the General Director?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Comments:



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<i>Section II: Composition</i>					
9. Does the Supervisory Board have the right size, i.e. is the number of directors consistent with the needs of the company?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
10. How effective is the Chairman's leadership, both at the Supervisory Board and committee levels?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
11. Has the Supervisory Board designed, articulated, and implemented policies related to its composition (size, composition and mix-of-skills, breadth of experience, and other pertinent qualities)?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
12. Is the Supervisory Board's composition (in terms of competencies and mix of skills) suited to its oversight duties and the development of the company's strategy?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
13. How effectively does the Supervisory Board work together, for example is the Board effective as a team, or are directors encouraged to voice dissenting opinions while seeking constructive solutions?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
14. Do you feel that the Company's independent directors are truly independent?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Comments:

<i>Section III: Structure and Committees</i>					
15. Does the Supervisory Board have an appropriate number of committees?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
16. How effective do you believe the Supervisory Board's committees to be, that is do they provide useful recommendations allowing for better decision-making, and do they consequently make Supervisory Board meetings more efficient and effective?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
17. Do you feel that members of the _____ committee have sufficient expertise on _____ issues?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
18. How well informed are non-committee members about the committee's deliberations?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Comments:

Annex 17. A Model Checklist for the Supervisory Board's Self-Evaluation

<i>Section IV: Working Procedures</i>					
19. How well has the Supervisory Board identified, prioritized, and scheduled key issues that should be reviewed on a regular basis?	1	2	3	4	5
	<input type="checkbox"/>				
20. Is information on the various agenda items provided to you well in advance of Supervisory Board meetings, allowing you to properly prepare?	1	2	3	4	5
	<input type="checkbox"/>				
21. Are you as a director receiving proper information for good decision-making, i.e. is the information presented in a succinct manner, are key issues and risks properly highlighted, and do the materials also contain annexes with relevant detail for further study allowing you to understand and evaluate agenda items of the Supervisory Board's meeting and take effective decisions?	1	2	3	4	5
	<input type="checkbox"/>				
22. Are Board meetings conducted in a manner that ensures open communication, meaningful participation, and timely and constructive resolution of issues?	1	2	3	4	5
	<input type="checkbox"/>				
23. Are the presentations given to you during the Supervisory Board meetings sufficiently clear to make good decisions?	1	2	3	4	5
	<input type="checkbox"/>				
24. Is the Supervisory Board meeting time appropriately allocated between Board discussion and management presentations?	1	2	3	4	5
	<input type="checkbox"/>				
25. Do you have sufficient access to senior executives outside of Supervisory Board meetings?	1	2	3	4	5
	<input type="checkbox"/>				
26. Has the Supervisory Board identified the company's key performance indicators to monitor managerial performance?	1	2	3	4	5
	<input type="checkbox"/>				
27. Does the financial information provided to you prior to Supervisory Board meetings give you the necessary information to understand the important issues and trends in the business?	1	2	3	4	5
	<input type="checkbox"/>				
28. Is the financial information presented in such a way as to highlight these important issues and trends?	1	2	3	4	5
	<input type="checkbox"/>				
29. Does the Supervisory Board, together with management, focus on risks that could have a significant impact on the Company?	1	2	3	4	5
	<input type="checkbox"/>				
30. Does the Supervisory Board have a system for auditing the other, less significant risks that still have the potential under certain circumstances to influence significantly or negatively the Company's performance?	1	2	3	4	5
	<input type="checkbox"/>				
31. Is the Company's orientation program for new directors providing helpful information about Supervisory Board processes and the Company?	1	2	3	4	5
	<input type="checkbox"/>				

Comments:

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<i>Section V: Duties and Liabilities</i>					
32. Have your duties of loyalty, care, and business judgment been sufficiently communicated to you?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
33. Do Supervisory Board members spend sufficient time learning about the Company's business and understand it well enough to provide critical oversight?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
34. Do you generally believe that Supervisory Board members ask appropriate, yet challenging and critical questions of management?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
35. Do directors disclose personal interests in transactions and abstain from voting where appropriate?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
36. Are you indemnified in any way?	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Comments:

Part II: Assessment Questionnaire Directors

To be completed by each director on a confidential basis. Note that:

- 1 = Needs significant improvement
- 2 = Needs improvement
- 3 = Adequate
- 4 = Consistently good
- 5 = Outstanding

	Professional Experience	Industry Knowledge	Specific Competency	Business Judgment	Strategic Vision	Integrity	Attendance	Meeting Preparation	Team Player	Active Participation	Overall Contribution
Director 1											
Director 2											
Director 3											
Director 4											
Director 5											
Director 6											
Director 7											
Director 8											
Director 9											

Annex 18

A MODEL DEFINITION OF AN INDEPENDENT DIRECTOR

A Model Definition of an Independent Director

The purpose of identifying and electing independent directors is to ensure that the Supervisory Board includes directors who can effectively exercise their best judgment for the exclusive benefit of the company, judgment that is not clouded by either real or perceived conflicts of interests. The International Finance Corporation (IFC) expects that in each case where a director is identified as “independent,” the Supervisory Board will affirmatively determine that such director meets the requirements established by law and the company, and is otherwise free of any material relations with the company’s management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his best judgment for the exclusive interest of the company and its shareholders. One suggested definition for “independent” follows hereinbelow. In each case, the company should consider making changes tailored to those particular types of relationships that would impair the director’s independence, while taking into account the specific circumstances and needs of their company.

An “independent director” is a director who has no material relationship with the company beyond his directorship (either directly or as a partner, shareholder, or officer of an organization that has a “material” relationship with the company). An independent director should be independent in character and judgment, and there should be no relationships or circumstances which could affect, or might appear to affect, the director’s independent judgment.

In particular, an independent director is a director who:

1. Is not, and has not been employed by the company or any of its related parties at any time during the past five years;
2. Is not, and has not been affiliated with a company that acts as an advisor or consultant to the company or its related parties, nor is not and has not himself acted in such capacity at any time during the past five years;
3. Is not, and has not been affiliated with any significant customer or supplier of the company or its related parties (i.e. a company that makes payments to, or receives

- payments from the company for property or services in an amount which, in any single fiscal year, exceeds the greater of US \$ _____, or 2% of such other company's consolidated gross revenues) at any time during the past five years;¹⁴¹
4. Does not currently have, nor has he had any personal service contracts with the company, its related parties, or its senior management at any time during the past five years;
 5. Is not affiliated with any non-profit organization that receives significant funding from the company or its related parties;
 6. Does not receive, and has not received any additional remuneration from the company apart from a director's remuneration, nor participates in the company's share option or performance-related payment plans, nor is a participant of the company's pension plan;
 7. His director's remuneration does not constitute a significant portion of his annual income;
 8. Is not employed as an executive officer of another company where any of the company's executives serve on that company's Supervisory Board;
 9. Is not a member of the immediate family of any individual who is, or has been at any time during the past five years, employed by the company or its related parties as an executive officer;
 10. Is not, nor has been at any time during the past five years, affiliated with or employed by a present or former External Auditor of the company or Auditor of any related party;
 11. Is not a controlling person of the company¹⁴² (or member of a group of individuals and/or entities that collectively exercise effective control over the company) or such person's brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew, or niece, or a spouse, widow, in-law, heir, legatee, and successor of any of the foregoing (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries), or the executor, administrator, or personal representative of any person described in this paragraph who is deceased or legally incompetent; and
 12. Has not served on the Supervisory Board for more than ten years.¹⁴³

¹⁴¹ Under the NYSE Listing Requirements, U.S. \$1 million is stipulated. Depending on the country specifics, the amount can be adjusted.

¹⁴² The definition of a controlling shareholder will vary from country to country, and even from company to company. However, in general, even a 5% ownership of the voting shares could be considered sufficient enough to vest significant powers of control in the shareholder.

¹⁴³ Depending on the availability of qualified independent directors in a given country, the term could be shortened to seven years.

Part 3

Shareholder Rights



Annex 19

A MODEL BY-LAW

FOR THE GENERAL MEETING OF SHAREHOLDERS

Approved

by the General Meeting of Shareholders
of the Open Joint Stock Company «_____»

Minutes of the [Annual or Extraordinary]
General Meeting of Shareholders

No. _____

of _____ 200_

dated this __day of _____, 200_

[The Company's Seal]

BY-LAW FOR THE GENERAL MEETING OF SHAREHOLDERS

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law for the General Meeting of Shareholders (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been developed in accordance with the legislation of the Russian Federation (hereinafter the Law), the Company charter, and the recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law will become effective from the moment it is approved and shall apply to every General Meeting of Shareholders (hereinafter the GMS) following the GMS that approved the By-law.
- 1.3. The By-law shall regulate the authorities, procedures for calling, preparing, and conducting the GMS, procedures for electing its working bodies, as well as other related issues.
- 1.4. The GMS is the highest governing body of the Company.
- 1.5. Decisions of the GMS may be taken:

Annex 19. A Model By-Law for the General Meeting of Shareholders

- 1.5.1. In the form of joint attendance of shareholders for discussing the agenda items and making decisions on issues put to vote with the circulation (delivery) of voting ballots prior to conducting the GMS; or
 - 1.5.2. By written consent (without the joint attendance of shareholders for discussing the agenda items and making decisions on issues put to vote).
- 1.6. The Company shall conduct an Annual General Meeting of Shareholders (hereinafter AGM). The AGM shall be held between _____ and _____ [the dates selected should be sometime between March 1-st and June 30-th].¹⁴⁴
- 1.7. The AGM may only be held in the form of joint attendance of shareholders.

Article 2. The Authority of the General Meeting of Shareholders

- 2.1. The following issues shall fall within the competence of the GMS:¹⁴⁵
- 2.1.1. Amending the charter of the Company and approving the new version of the charter;
 - 2.1.2. Reorganizing the Company;
 - 2.1.3. Liquidating the Company and appointing the Liquidation Commission;
 - 2.1.4. Approving the interim and final liquidation balance sheets;
 - 2.1.5. Determining the number of Supervisory Board members, and/or electing and terminating the powers of directors prior to the expiration of its term;
 - 2.1.6. Approving the remuneration and compensation payable to directors;
 - 2.1.7. Delegating the powers of the General Director to an External Manager and terminating their powers prior to the expiration of their term of office;
 - 2.1.8. Electing Revision Commission members and terminating their powers prior to the expiration of their term of office;

¹⁴⁴ The general timeframe for conducting the GMS is set by the Law on Joint Stock Companies (LJSC), Article 47, Clause 1. The Company may set other dates for conducting the AGM, but only within the timeframe provided by the Law.

¹⁴⁵ This article includes an exhaustive list of powers of the GMS.

- 2.1.9. Approving the remuneration of Revision Commission members;
- 2.1.10. Approving the annual report, the annual financial statements, including, but not limited to, the profit and loss statement (profit and loss accounts) of the Company,¹⁴⁶ as well as distributing the profits (including the declaration and payment of dividends, except as to the quarterly results) and losses of the Company in accordance with the results of the financial year;
- 2.1.11. Declaring and paying dividends according to the results of the first, second, and third quarter results of the financial year;
- 2.1.12. Approving the Company's External Auditor;
- 2.1.13. Electing Counting Commission members and terminating their powers prior to the expiration of their term of office;
- 2.1.14. Defining the number of Counting Commission members;
- 2.1.15. Delegating the functions of the Counting Commission to a specialized organization;
- 2.1.16. Approving by-laws for the GMS, the Supervisory Board, and the executive bodies;
- 2.1.17. Approving the internal regulation for the Revision Commission;
- 2.1.18. Increasing the charter capital by means of increasing the nominal value of shares, or by means of issuing additional shares;¹⁴⁷
- 2.1.19. Fixing the number, nominal value, category (class) of authorized shares, and the rights associated with such shares;
- 2.1.20. Decreasing the charter capital;
- 2.1.21. Splitting and consolidating shares;
- 2.1.22. Approving related party transactions, as set forth by the Law;
- 2.1.23. Approving extraordinary as set forth by the Law;
- 2.1.24. Approving the reimbursement of expenses to persons who conducted the GMS at their initiative when the Supervisory Board either failed or refused to call the Extraordinary General Meeting of Shareholders (EGM) at their request;
- 2.1.25. Buyback by the Company of its issued shares;

¹⁴⁶ Other financial statements include the balance sheet, the cash flow statement, the statement of changes in owners' equity, notes and explanations to the financial statements, and management's discussion and analysis.

¹⁴⁷ This power may be delegated to the Supervisory Board.

Annex 19. A Model By-Law for the General Meeting of Shareholders

- 2.1.26. Waiving the obligation to make a mandatory bid during control transactions;
 - 2.1.27. Issuing and placing convertible bonds;¹⁴⁸
 - 2.1.28. Issuing and placing shares and other convertible securities by closed subscription;
 - 2.1.29. Approving the list of additional documents to be kept by the Company;
 - 2.1.30. Approving the participation in holding companies, financial and industrial groups, and other groupings of commercial organizations;
 - 2.1.31. Requesting an extraordinary audit of the financial and business operations of the Company by the Revision Commission.
- 2.2. Issues falling within the authority of the GMS may not be delegated to the executive bodies.

Article 3. Proposals to the Agenda of the Annual General Meeting of Shareholders

- 3.1. Shareholder proposals may be made by a shareholder (or group of shareholders) owning at least 2% of voting shares. The number of voting shares owned by the shareholder(s) making a proposal to the agenda of the GMS shall be determined at the date of such proposal. The date of the proposal shall be established in accordance with the requirements for preparing, calling, and conducting the GMS as established by the FCSM.
- 3.2. Shareholder proposals, including proposals on candidates for election to the Supervisory Board¹⁴⁹ and the Revision Commission, must be received by the Company within 30 days after the end of the financial year.¹⁵⁰
- 3.3. The number of candidates a shareholder (or groups of shareholders) can nominate to the respective governing bodies of the Company may not exceed the number of members to be elected.
- 3.4. Shareholder proposals must contain the exact wording of the issue as it will appear on the agenda. The proposal may also contain the text of the decision on the issue.

¹⁴⁸ This power may be delegated to the Supervisory Board.

¹⁴⁹ If, pursuant to the charter, the executive bodies are elected by the Supervisory Board.

¹⁵⁰ The Company Law allows setting a later date (see, LJSC, Article 53, Clause 1).

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- 3.5. Proposals on agenda items of the AGM may be made by:
- 3.5.1. Registered mail to the following address: _____
_____, to the attention of _____ [*specify name and title of the person responsible for receipt of proposals*];
 - 3.5.2. Personal delivery with confirmation of receipt to _____
____ [*the Secretary of the Supervisory Board or the Corporate Secretary, or such other person who has been authorized to receive written correspondence addressed to the Company.*]
- 3.6. Proposals on agenda items and the nomination of candidates shall be signed by the shareholder(s). If a proposal on any agenda item is signed by a proxy, a power of attorney (or a duly authenticated copy of the power of attorney) containing all the data required by law must be attached to the proposal.
- 3.7. Proposals on agenda items and the nomination of candidates shall be made in writing and shall state:
- 3.7.1. The name of the shareholder(s) submitting the proposal;
 - 3.7.2. The number and category (class) of shares owned;
 - 3.7.3. _____; and
 - 3.7.4. _____.
- 3.8. Proposals on the nomination of candidates to the governing bodies of the Company shall contain the following information:
- 3.8.1. The full name and date of birth of each candidate;
 - 3.8.2. Professional experience, current employment, positions held over the past ____ years, and positions held in the governing bodies of other legal entities over the past ____ years;¹⁵¹
 - 3.8.3. Educational background, including any continuous professional education (name of educational institution, date of graduation, qualification);
 - 3.8.4. List of legal entities of which the candidate is a shareholder, stating the number of shares (interest) in the charter capital of such legal entities;

¹⁵¹ The FCSM Code, Chapter 3, Section 2.3.1 recommends five years.

Annex 19. A Model By-Law for the General Meeting of Shareholders

- 3.8.5. List of persons with whom the candidate is affiliated, specifying the nature of affiliation;¹⁵²
 - 3.8.6. Name of the body for which the candidate is being nominated;
 - 3.8.7. _____;
 - 3.8.8. _____; and
 - 3.8.9. Other information material to the election of the candidate as a member of such body.
- 3.9. Shareholder proposals shall also contain the written consent of the candidate to stand for election to the governing body, and information on whether the candidate is considered independent as defined by the Company charter.
 - 3.10. The Supervisory Board shall review the proposals and make a decision either accepting or rejecting them within five days after the end of the period set forth in Clause 2.2 hereof. The Supervisory Board may not change the proposed wording of the agenda items or the decision thereon.
 - 3.11. Any decision of the Supervisory Board to deny inclusion of the proposed items to the agenda, or to include the proposed candidate into the list of candidates for election to a governing body, shall be sent to the shareholder(s) who submitted the proposal within three days after the decision was made.
 - 3.12. The Supervisory Board is required to include the items proposed by the shareholder(s) to the agenda of the GMS, and include the proposed candidate in the list of candidates for election to a governing body, unless:
 - 3.12.1. The shareholder(s) failed to submit the proposal within the time-frame, as set forth in Clause 3.2 hereof;
 - 3.12.2. The shareholder(s) does not own a sufficient number of voting shares, as set forth in Clause 3.1 hereof;
 - 3.12.3. The proposal does not meet the requirements set forth in Clauses 3.6, 3.7, and 3.8 hereof;
 - 3.12.4. The issue proposed for the agenda does not fall within the scope of authority of the GMS and/or does not meet the requirements of the Law.
 - 3.13. In addition to agenda items proposed by the shareholders, or in the absence of such proposals, or if an insufficient number of candidates have been

¹⁵² See the definition of an affiliated party in the Law on Competition and Restriction of Monopolistic Operations in the Commodity Markets, Article 4.

nominated for election to the governing bodies of the Company, the Supervisory Board shall have the right to include items on the agenda or include candidates into the list of candidates at its own discretion.

- 3.14. The agenda shall include the following items:
 - 3.14.1. Election of the Supervisory Board;
 - 3.14.2. Election of the Revision Commission;
 - 3.14.3. Approval of the External Auditor; and
 - 3.14.4. Approval of the annual report, annual financial statements, including, but not limited to, the profit and loss statement (profit and loss account), as well as distribution of profit, including dividend payments, and losses of the Company based upon the results of the financial year.

Article 4. The Annual General Meeting of Shareholders

- 4.1. While preparing for the AGM, the Supervisory Board shall define:
 - 4.1.1. The form of the GMS (the AGM shall only be held in the form of joint attendance);
 - 4.1.2. The date, place, and time of the AGM, the time for the beginning and end of the registration of shareholders, and the mailing address to which completed voting ballots must be sent;
 - 4.1.3. The record date for the AGM;
 - 4.1.4. The agenda of the AGM;
 - 4.1.5. The procedures for notifying shareholders about the AGM;
 - 4.1.6. The list of information and materials to be made available to shareholders during the preparation for the AGM, and the procedures for providing access to such information;
 - 4.1.7. The form and the text of the voting ballot; and
 - 4.1.8. The class(es) of preferred shares, the owners of which have the right to vote on each agenda item.
- 4.2. The shareholder list shall be drafted based on the data contained in the shareholder register.¹⁵³

¹⁵³ The shareholder register of the company shall be kept by the External Registrar — a stock market professional. Information on the Registrar shall be published in accordance with the Law and by-laws of the company.

Annex 19. A Model By-Law for the General Meeting of Shareholders

- 4.3. Each nominal holder of the Company's shares shall provide the External Registrar of the Company with information regarding persons in whose interests the shares are being held as of the record date.
- 4.4. The power of attorney authorizing such nominal holder or a third party to participate in the GMS may be submitted in advance.
- 4.5. The shareholder list shall include:
 - 4.5.1. Shareholders who are the owners of common shares;
 - 4.5.2. Shareholders who are the owners of preferred shares of a certain class, for which the amount of dividends is fixed by the charter, in cases where the previous AGM made a decision not to pay dividends on preferred shares of that class, regardless of the reason for such decision, or made a decision to pay only a portion of the dividends on preferred shares of that class;
 - 4.5.3. Shareholders who are the owners of preferred shares if the agenda of the AGM includes the reorganization or liquidation of the Company;
 - 4.5.4. Shareholders who are the owners of preferred shares of a certain class, if the agenda of the AGM includes the approval of changes or amendments to the charter (approval of a new version of the charter), restricting the rights of shareholders who are the owners of this particular class of preferred shares, as well as making decisions that, pursuant to the Law, would require changes or amendments to the charter that may restrict the rights of such shareholders; and
 - 4.5.5. Other persons as may be provided for by the Law.
- 4.6. If shares are owned by unit investment trusts, the shareholder list shall include the managing companies of such unit investment trusts.
- 4.7. If shares are managed on behalf of the Company by another entity, the shareholder list shall include the trustees of such entity, unless no trustee voting rights are associated with such shares.
- 4.8. The shareholder list shall include the following information:
 - 4.8.1. The full legal name of the person;
 - 4.8.2. The type, number, date, and place of issue of the personal identification document, the issuing body (number of state registration, name of the registration body, and date of registration);
 - 4.8.3. The place of residence or registration (location);

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- 4.8.4. The address to which correspondences may be sent (mailing address); and
- 4.8.5. The number, types, and classes of shares.
- 4.9. The record date shall be set by the Supervisory Board, and shall not be earlier than the date of making the decision to convene the AGM, and not later than 65 days prior to the date set for conducting the AGM.¹⁵⁴
- 4.10. Only persons included in the shareholder list shall have the right to participate in the AGM. Any other person may attend the GMS, subject to the permission of the Chairman of the GMS, but do not have the right to vote.
- 4.11. The shareholder list shall be made available at the Company's location by _____ [*person/body responsible for providing access to the list*] to persons requesting to review the list to determine if they are included in the list and own at least 1% of the votes. The details of the identification documents and the mailing addresses of individuals included in the list shall not be disclosed without their consent.
- 4.12. If shares are transferred after the record date and prior to the date of the GMS, the person transferring the shares and included in the list shall:
- 4.12.1. Issue a proxy to the new owner of the shares; or
- 4.12.2. Vote at the GMS in accordance with the instructions of the new owner.
- 4.13. The aforementioned rule shall apply to all subsequent transfers of the shares.
- 4.14. If the shares so transferred after the record date are transferred to two or more new owners, the person included in the list of shareholders of record shall:
- 4.14.1. Vote at the GMS in accordance with the instructions of each of the new owners; and/or
- 4.14.2. Issue a proxy to each of the new owners, stating in the proxy the number of votes associated with such shares.
- 4.15. In case the instructions of the new owners coincide, their votes may be added up. In case the instructions of the new owners in respect of voting on the same agenda item do not coincide, the person entitled to participate in the meeting shall vote on such an issue in accordance with the instruc-

¹⁵⁴ This period of time is required because the Supervisory Board is elected by cumulative voting (LJSC, Article 51, Clause 1, Paragraph 2).

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tions in proportion to the number of votes associated with the shares belonging to each new owner.

- 4.16. If a person entitled to participate in the GMS has issued proxies for shares transferred after the record date, the new owners of such shares shall be registered for and are entitled to receive voting ballots and participate in the GMS.
- 4.17. The Company shall, at the request of any interested person and within three days after the receipt of such request, provide an extract from the shareholder list, containing information about such person, or information that such person was not included in the shareholder list.
- 4.18. Any changes to the shareholder list may only be made in case of a restitution of rights of persons who were not included in the list at the date it was made, or to correct mistakes that have been made therein.
- 4.19. The notice for the AGM shall be made _____ days (and, if the agenda contains items on the reorganization of the Company, _____ days) before conducting the GMS.¹⁵⁵
- 4.20. The notice on the GMS shall be published in the following print media:
 - 4.20.1. “ _____ ”; and
 - 4.20.2. “ _____ ”.
- 4.21. In addition to such publication and pursuant to a decision of the Supervisory Board, the notice on the GMS, together with the voting ballots, may be sent to each of the shareholders included in the shareholder list, or delivered to such persons with confirmation of receipt. Additionally, the Company shall have the right to inform the shareholders of the GMS via other mass media (TV, radio), as well as the internet.
- 4.22. The GMS notice shall contain the following information:
 - 4.22.1. Full name and location of the Company;
 - 4.22.2. Form of the AGM (only joint attendance);
 - 4.22.3. Date, place, and time of the AGM, the time and place set for the registration of shareholders or, in case of an EGM by absentee vote, the final date for acceptance of the completed voting ballots;
 - 4.22.4. Mailing address to which the completed voting ballots must be sent;

¹⁵⁵ According to the LJSC, Article 52, Clause 1, the AGM notice must be made not later than 20 days, and if the agenda of the GMS contains items on the reorganization of the company, not later than 30 days prior to conducting the GMS.

- 4.22.5. Record date;
 - 4.22.6. Agenda; and
 - 4.22.7. Procedures for reviewing the information and materials to be made available in preparation for the AGM, and the address(es) where such information may be obtained.
- 4.23. Shareholders who are included in the list of persons having preemptive rights to purchase additional shares compiled from the data from the shareholder register on the date of the decision on the placement of additional shares, shall be notified of the possibility to exercise such preemptive rights by registered mail, as well as via publication of such information in “_____”.
- 4.24. The information and materials to be made available during the preparation for the GMS to persons entitled to participate in the GMS shall include the following:
- 4.24.1. The annual report and full set of financial statements, including the report of the Revision Commission and External Auditor;
 - 4.24.2. Information about the candidate(s) for election to the Supervisory Board, the Revision Commission, as well as information on the availability of any written consent of the candidates to stand for election to such bodies;
 - 4.24.3. The recommendations of the Supervisory Board on the distribution of profits, including the amount and procedures for payment of dividends on Company shares, and on the distribution of losses of the Company, based on the results of the financial year;
 - 4.24.4. Draft changes and amendments to the charter, or the draft of any new version of the charter, and draft by-laws of the Company; and
 - 4.24.5. Draft decisions of the GMS and other material information.
- 4.25. Additional information or materials to be made available during the preparation for the GMS to persons entitled to participate in the GMS, and the agenda of such GMS, if containing items which may trigger the right to demand redemption of the Company’s shares, shall include the following:
- 4.25.1. The report of an Independent Appraiser on the market price of those shares in which shareholders have a right of redemption;
 - 4.25.2. Calculation of the net asset value of the Company according to the Company’s books for the last complete reporting period;

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- 4.25.3. Minutes (or an extract from the minutes) of the Supervisory Board meeting where a decision was made on the redemption price for shares, stating the price at which the shares were to be redeemed;
 - 4.25.4. _____; and
 - 4.25.5. _____.
- 4.26. If the agenda contains items on the reorganization of the Company, the persons entitled to participate in the GMS shall receive the following information and materials:
- 4.26.1. Explanation of the terms and conditions for reorganization in accordance with the decision of an authorized body;
 - 4.26.2. Annual reports and annual accounting statements of all of the companies participating in the reorganization for three completed financial years preceding the date of the GMS, or for each completed financial year as of the moment of the company's formation, if the company has been operating for less than three years;
 - 4.26.3. Quarterly financial statements for all of the companies participating in the reorganization, for the last completed quarter preceding the date of the GMS;
 - 4.26.4. Drafts of the founding documents for all of the companies which will be established as a result of the reorganization; and
 - 4.26.5. A copy of the consolidation (merger) agreement and a copy of the decision on the split-up (spin-off) or transformation.
- 4.27. During the preparation for the GMS, access to the information and materials to be made available to those persons entitled to participate in the GMS shall be given to them at least 20 days prior to the GMS, and if the agenda of the GMS contains items on the reorganization, at least 30 days prior to the GMS.
- 4.28. During the preparation for the GMS, access to the information and materials to be made available to persons entitled to participate in the GMS shall be given to such persons at the office of the General Director, or at another address(es) specified in the notice of the GMS. The said information (materials) shall be made available to persons participating in the GMS during the GMS.
- 4.29. The Company shall, at the request of a person entitled to participate in the GMS, provide copies of the said documents within five days after the

- Company's receipt of the request. The fees charged for providing copies of the documents may not exceed the actual copy costs.
- 4.30. Voting on the items of the agenda shall be done using voting ballots.
 - 4.31. The voting ballot shall be sent or delivered with confirmation of receipt to each person entitled to participate in the GMS, at least 20 days before the GMS.
 - 4.32. The voting ballot shall contain the following information:
 - 4.32.1. Full name and location of the Company;
 - 4.32.2. Form of the GMS (only joint attendance in case of the AGM);
 - 4.32.3. Date, place, and time of the AGM, and mailing address to which the completed voting ballots must be sent;
 - 4.32.4. Wording of decisions on each issue (or the name of each candidate), the voting on which shall be made using such voting ballot;
 - 4.32.5. Voting options ("for," "against," or "abstain") on each item of the agenda;
 - 4.32.6. In the case of cumulative voting, a relevant note and an explanation of the nature of cumulative voting;
 - 4.32.7. If the ballot is to be used for cumulative voting to elect members of the Company's Supervisory Board, the voting options on this issue ("against," or "abstain") shall be provided once for each of the candidates. Such voting ballots shall have a space opposite the name of each candidate for entering the number of votes cast for such candidate;
 - 4.32.8. In case of cumulative voting, an instruction that a fractional vote may only be cast for one candidate;
 - 4.32.9. If voting in accordance with the instructions of persons who acquired the shares after the record date, or in accordance with the instructions of the depository security holders, the voting ballot shall have a space to complete the number of votes cast for each voting option, and contain an explanatory note that the votes were cast under the instructions of the new owners of the shares or depository receipt holders, and any other information required under applicable law; and
 - 4.32.10. A note that the voting ballot must be signed by the shareholder.
 - 4.33. If voting is by proxy, with the completed voting ballot to be sent to the Company's address, the ballot shall be accompanied by the power of attorney pursuant to which the holder thereof is acting on behalf of the shareholder.
 - 4.34. A shareholder who intends to personally attend the GMS or have his representative attend the GMS shall have with him (or ensure that his/her repre-

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- sentative has) the voting ballot received from the Company. If the voting at the GMS may be held by submission of completed voting ballots, the completed voting ballots sent to the mailing address of the Company, as set forth in the uniform state register of legal entities, or to the address set forth in the Company's charter, shall be deemed sent to a proper mailing address, regardless of whether or not such address was specified in the GMS notice.
- 4.35. If the voting at the AGM will be held in the form of joint attendance and may be effected by completed voting ballots sent to the Company, the voting ballots issued at the request of persons being registered for participation in the AGM and whose voting ballots were not received by the Company at least two days before the date of the Meeting, must be marked as ballot duplicates.
- 4.36. The issue of invalidating the voting ballots shall be regulated by the Law.

Article 5. The Calling of and Preparing for the Extraordinary General Meeting of Shareholders

- 5.1. Any GMS, other than the AGM, shall be an EGM.
- 5.2. An EGM may be held in the form of joint attendance of shareholders for discussing the agenda items and making decisions on issues put to vote with the circulation (delivery) of the voting ballots in advance of such GMS, or by absentee vote (without joint attendance of shareholders for the discussion of agenda items and making decisions on issues put to vote).
- 5.3. An EGM shall be called by the Supervisory Board on its own initiative or if required by law. It may also be called pursuant to the request of those persons specified in Clause 5.4. hereof. If the Supervisory Board fails to call the EGM at the request of such persons, or refuses to call such EGM, the EGM may be called by the persons requesting such EMS, in which case such persons shall have all the necessary authority to call and conduct the EGM.
- 5.4. The following persons shall have the right to request an EGM:
- 5.4.1. Shareholder(s) owning at least 10% of voting shares;
 - 5.4.2. The Revision Commission; or
 - 5.4.3. The External Auditor of the Company.
- 5.5. The number of voting shares owned by the shareholder(s) proposing an issue for inclusion on the agenda of the EGM shall be determined as of or on the date of such a request.

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- 5.6. The request for conducting an EGM shall contain the wording of the agenda items. The text of the request may also contain the wording of decisions on each of the proposed agenda items, as well as the proposed form of the GMS. If the request contains a nomination proposal, the provisions of Article 3 hereof shall apply.
- 5.7. If a shareholder requests the calling of an EGM, such request shall state the name(s) of the shareholder(s) requesting the EGM, and the number, type, and class of shares owned.
- 5.8. The request for calling an EGM shall be signed by the person(s) requesting the EGM. If the request for conducting an EGM is signed by a representative of the shareholder, such request shall be accompanied by a duly certified copy of a proxy containing the information required by applicable laws.
- 5.9. The Supervisory Board shall not have the right to make changes to the wording of the agenda items and decisions thereon, or change the proposed form of the EGM if called at the request of the Revision Commission, the External Auditor or shareholder(s) owning at least 10% of voting shares. The Supervisory Board shall not have the right to refuse to convene an EGM for any reason other than those specified in the By-law and law.
- 5.10. An EGM called at the request of the Revision Commission, the External Auditor, or shareholder(s) owning at least 10% of the voting shares shall be held within 40 days after the request is submitted.
- 5.11. An EGM, the agenda of which contains items on the election of Supervisory Board members, shall be held within 70 days of submitting the request.
- 5.12. Unless otherwise provided for by law, or dictated by the specific circumstances of the EGM, the procedures for calling and preparing for an EGM shall be regulated by the provisions of Articles 3 and 4 hereof.

Article 6. The General Meeting of Shareholders Conducted in the Form of Joint Attendance

- 6.1. Only persons included in the shareholder list, the persons to whom the rights of said persons were transferred pursuant to inheritance rights as estate or because of reorganization, or their representatives acting under proxy or the Law can participate in the GMS.
- 6.2. The registration of persons entitled to participate in the GMS shall be made on the day of the GMS. The registration shall begin at least ____ hour(s) before the GMS.

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- 6.3. Registration of persons participating in the GMS shall be made at the same address as the location for conducting the GMS.
- 6.4. Only persons included in the shareholder list may be registered for participation in the GMS upon presentation of their personal identification documents. Persons entitled to participate in the GMS whose voting ballots were received by the Company at least two days prior to the GMS (if voting on the agenda items can be effected by sending the completed voting ballots to the Company) do not need to be registered.
- 6.5. Registration of persons entitled to participate in the GMS shall be made subject to verification of their identity by means of comparing the data in the shareholder list with the data in the documents presented (submitted) by the said persons.
- 6.6. In the course of registration of persons entitled to participate in or attend the GMS, the Counting Commission shall keep the registration log.
- 6.7. The functions of the Counting Commission shall be performed by the External Registrar of the Company.
- 6.8. Shareholders (or their representatives) who have registered for participation in the GMS, and the shareholders (or their representatives) whose voting ballots were received by the Company at least two days prior to the GMS, shall be deemed to have participated in the GMS.
- 6.9. The following persons shall be entitled to attend the GMS:
 - 6.9.1. Persons included in the shareholder list and their authorized representatives;
 - 6.9.2. Executive Board members, the General Director, and the External Manager;
 - 6.9.3. Supervisory Board members;
 - 6.9.4. Members of the Revision Commission, the Counting Commission, and the External Auditor;
 - 6.9.5. Candidates for election to the governing bodies named in the voting ballots;
 - 6.9.6. _____; and
 - 6.9.7. Persons invited by the Chairman of the Supervisory Board or the General Director.¹⁵⁶

¹⁵⁶ Notably the company's stakeholders, for example, bondholders, company employees, or government officials.

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- 6.10. Persons listed in sections 6.9.6 and 6.9.7 shall be admitted to the GMS only with the permission of the Chairman of the GMS.
- 6.11. A shareholder shall have a right to replace his representative or participate in the GMS in person, subject to a written notice to the Counting Commission or the Company by revocation (or otherwise replacing) of such representative's proxy before the beginning of the GMS.
- 6.12. The registration of persons entitled to participate in the GMS shall not end before the GMS completes the discussion of the last item on the agenda for which a quorum is required.
- 6.13. The GMS shall be deemed valid (to have a quorum) provided the shareholders who aggregately own more than 50% of voting shares participate in such GMS.
- 6.14. If there is an insufficient quorum at the beginning of the GMS with respect to all agenda items, the opening of the GMS shall be postponed for ____ hours. No further postponements are allowed.¹⁵⁷
- 6.15. If the agenda of the GMS includes items to be voted on by different groups of shareholders, the quorum in respect of such agenda items shall be established separately prior to the beginning of discussions of each such item.
- 6.16. If a quorum does not exist for any AGM, such AGM shall be rescheduled with the same agenda. In case there is no quorum for an EGM, the EGM may be rescheduled with the same agenda.
- 6.17. The decision regarding the date for conducting the rescheduled GMS shall be made by the body or person who made the original decision on conducting the GMS.
- 6.18. The GMS shall be held at the location of the company, or another location easily accessible to the majority of shareholders in the territory of the Russian Federation, as determined by the Supervisory Board of the Company.¹⁵⁸
- 6.19. The GMS may not be held at nighttime.
- 6.20. If it is not possible to conduct the GMS within one day, the Chairman of the GMS shall adjourn the Meeting until the morning of the next day.
- 6.21. The Chairman of the GMS shall conduct the GMS in accordance with the agenda, determine the order of reports and presentations, and sign the minutes of the GMS.

¹⁵⁷ The GMS may be postponed for a maximum of two hours.

¹⁵⁸ FCSM Resolution No. 17/ps, Section 2.9 allows companies to specify the location of the GMS in the charter or the by-law for the GMS.

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- 6.22. The Chairman of the Supervisory Board shall be the Chairman of the GMS, and in his absence, the GMS shall be chaired by one of the Supervisory Board members appointed by the Supervisory Board.¹⁵⁹
- 6.23. In case of the Supervisory Board's refusal to call and conduct an EGM, the persons who called the EGM shall have the right to appoint the Chairman of the EGM.
- 6.24. At the beginning of the GMS, the Head of the Counting Commission shall announce the results of the registration of persons participating in the GMS, the existence of a quorum for the GMS, and explain the voting procedures for the individual agenda items.
- 6.25. At the beginning of the GMS, its Chairman shall read the list of Supervisory Board members and members of the executive bodies present at the GMS, explain the procedures for participating in discussions and for making presentations, asking questions, and providing answers, and other material procedural details of conducting the GMS.
- 6.26. The Chairman of the GMS shall inform shareholders whether members of the current Supervisory Board and the candidates to the Supervisory Board meet independence criteria as set forth by the charter.
- 6.27. The GMS shall work continuously. Every ____ hours the Chairman of the GMS shall announce a break for not more than ____ minutes.
- 6.28. Every speaker on each separate issue put forth for voting shall be given ____ minutes [*sufficient time to present information necessary for making decisions on the issue*].
- 6.29. Every participant of the GMS shall be given _____ minutes to express his opinion on the agenda items to be voted upon.
- 6.30. The Chairman of the GMS shall ensure efficient discussion on agenda items, and prevent discussion of issues that are not to be voted on.
- 6.31. After completing the discussion of the last agenda item, the Chairman of the GMS shall explain the procedures for notifying shareholders about the decisions made and the voting results.
- 6.32. Voting at the GMS shall be made in accordance with the principle of one share — one vote, except for cumulative voting.
- 6.33. The persons who are officially registered for participation in the GMS shall have the right to vote on all agenda items from the moment the GMS is

¹⁵⁹ LJSC, Article 67, Clause 2 provides that other persons may act as the Chairman of the GMS if so provided under the charter.

opened until the moment it is officially adjourned, and if the voting results and decisions of the GMS are to be announced at the GMS, from the time the GMS is opened until the counting of votes cast on the agenda items begins. However, this rule does not apply to voting on procedural issues. After the completion of discussion of the last agenda item (the last item for which a quorum exists) and until the GMS is adjourned (beginning of counting of the votes), the persons who did not cast their votes until that moment shall be given time to cast their votes.

- 6.34. Only one voting option must be marked for each agenda item on the voting ballots. Those voting ballots completed in violation of this rule shall be considered null and void as to such agenda items.
- 6.35. Voting ballots considered void in respect of voting on one or several agenda items shall not be invalidated as a whole.
- 6.36. Unless otherwise provided for by the Law or mandated by the specific circumstances of conducting the EGM, the procedures for calling, preparing the EGM shall be regulated by provisions of Articles 5 and 6 hereof.

Article 7. The General Meeting of Shareholders Conducted in the Form of Absentee Voting

- 7.1. The GMS' decisions may be made without conducting a Meeting (joint attendance of shareholders for discussing items on the agenda and making decisions on such items) by means of absentee voting.
- 7.2. The Company shall have the right to conduct the GMS in the form of absentee voting on all items of the agenda with the exception of:
 - 7.2.1. Determining the number of Supervisory Board members, and/or electing and dismissing the Supervisory Board;
 - 7.2.2. Electing and dismissing Revision Commission members;
 - 7.2.3. Approving the External Auditor;
 - 7.2.4. Approving annual reports, annual financial statements, including, but not limited to, the profit and loss statement, as well as profit distribution (including declaration and payment of dividends, except for profits distributed as dividends upon the results of the first, second and third quarters of the fiscal year) and losses upon fiscal year results; and
 - 7.2.5. Paying (declaring) dividends upon the results of the first, second, and third quarters of the fiscal year.

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- 7.3. The AGM, including any rescheduled AGM, may not be held in the form of absentee voting.
- 7.4. Shareholders whose completed voting ballots were received by the Company prior to the final date of acceptance of the voting ballots shall be deemed participants in the GMS.

Article 8. Procedures for Making Decisions and Keeping Documents

- 8.1. Decisions on the following agenda items of the GMS shall be made by a $\frac{3}{4}$ -majority vote of shareholders participating in the GMS:
 - 8.1.1. Making changes and amendments to the charter and approving a new version of the charter;
 - 8.1.2. Reorganizing the Company;
 - 8.1.3. Liquidating the Company and appointing the Liquidation Commission;
 - 8.1.4. Approving the interim and final liquidation balance sheets;
 - 8.1.5. Determining the number, nominal value, type of authorized shares, and the rights attached to such shares;
 - 8.1.6. Approving extraordinary transactions, as set forth by the Law;
 - 8.1.7. Purchasing by the Company of its shares;
 - 8.1.8. Placing additional shares through closed subscription;¹⁶⁰
 - 8.1.9. Placing convertible securities through closed subscription;¹⁶¹
 - 8.1.10. Placing additional shares if the number of shares offered exceeds 25% of common shares of the Company;¹⁶² and
 - 8.1.11. Placing convertible securities, if the number of securities offered exceeds 25% of common shares of the Company.¹⁶³

¹⁶⁰ LJSC, Article 39, Clause 3 provides that a greater number of votes may be required for making such decisions under the charter.

¹⁶¹ LJSC, Article 39, Clause 3 provides that a greater number of votes may be required for making such decisions under the charter.

¹⁶² LJSC, Article 39, Clause 4, Paragraph 1 provides that a greater number of votes may be required for making such decisions under the charter.

¹⁶³ LJSC, Article 39, Clause 4, Paragraph 2 provides that a greater number of votes may be required for making such decisions under the charter.

- 8.2. A decision on making changes and amendments to the Company's charter that may restrict the rights of preferred shareholders shall be deemed made when such decision was voted on by:
 - 8.2.1. Not less than a $\frac{3}{4}$ -majority vote of shareholders with voting rights participating in the GMS, with the exception of the votes of those preferred shareholders whose rights were to be restricted; and
 - 8.2.2. Not less than a $\frac{3}{4}$ -majority vote of all preferred shareholders of each type, the rights of which were to be restricted.
- 8.3. All other decisions of the GMS shall be made by a simple majority vote of holders of the voting shares participating in the GMS.
- 8.4. The minutes of the GMS and Counting Commission, as well as the report on the voting results, shall be prepared after the GMS.
- 8.5. The Counting Commission shall summarize the results of the voting and draft the minutes on the results within 15 days after the closing of the GMS or the final date for acceptance of the voting ballots in respect of the GMS held in the form of absentee voting. The Counting Commission minutes on the voting results shall be signed by the persons duly authorized by the External Registrar.
- 8.6. The minutes of the Counting Commission on the results of voting at the GMS shall contain the following information:
 - 8.6.1. Full legal name and address of the Company;
 - 8.6.2. Type of the GMS (AGM or EGM) and the form in which it was held;
 - 8.6.3. Date, location, and time of the GMS, and the postal address to which the completed ballots were sent, or, in the case of a GMS held in the form of absentee voting, the final date for acceptance of the voting ballots and the postal address to which the completed ballots were sent;
 - 8.6.4. Total number of votes belonging to holders of voting shares of the Company; in cases when different groups of shareholders voted on different items on the agenda — the number of votes in respect of each item on the agenda with a breakdown by types of shares and other criteria material for making decisions;
 - 8.6.5. Agenda of the GMS;
 - 8.6.6. Time of the beginning and end of registration of those persons entitled to participate in the GMS held in the form of joint atten-

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- dance, the time of opening and time of adjourning the GMS held in the form of joint attendance, and if the decisions of the GMS and the voting results thereon were announced at the GMS, the time when the counting of the votes began;
- 8.6.7. Total number of votes held by persons included in the shareholder list with respect to every agenda item;
 - 8.6.8. Number of votes belonging to the persons who actually participated in the GMS in respect to every agenda item, and information regarding the existence of a quorum for each item;
 - 8.6.9. Number of votes cast in each category of voting options, i.e. “for,” “against,” or “abstain” as to every item on the agenda for which a quorum was present;
 - 8.6.10. Number of votes cast for each agenda item of the GMS that were not counted by reason of declaring the ballots invalid (including the voting on relevant items);
 - 8.6.11. Full company name and address of the External Registrar, and the names of persons authorized by the Registrar who performed the functions of the Counting Commission; and
 - 8.6.12. Date of the Counting Commission minutes on the results of voting at the GMS.
- 8.7. The minutes of the GMS shall be prepared in duplicate by the secretary of the GMS within 15 days after its adjournment. Both copies shall be signed by the Chairman and the secretary of the GMS. The minutes on the voting results and the report on the voting results prepared by the Counting Commission shall be attached to the GMS minutes.
- 8.8. The GMS minutes shall contain the following information:
- 8.8.1. Full legal name and address of the Company;
 - 8.8.2. Type of GMS (AGM or EGM);
 - 8.8.3. Form of the GMS (joint attendance or absentee voting);
 - 8.8.4. Date and time of the GMS;
 - 8.8.5. Location of the GMS held in the form of joint attendance (address at which the GMS was held);
 - 8.8.6. Agenda of the GMS;
 - 8.8.7. Time of beginning and ending the registration of persons entitled to participate in the GMS held in the form of joint attendance;

- 8.8.8. Time of opening and time of adjournment of the GMS held in the form of joint attendance, and if the decisions of the GMS and the voting results were announced at the GMS, the time when the counting of the votes began;
 - 8.8.9. Postal address(es) to which the completed voting ballots were sent for the GMS held in the form of absentee voting, as well as for the GMS held in the form of joint attendance if voting on agenda items could also be made by mailing the completed voting ballots to the Company;
 - 8.8.10. Total number of votes belonging to persons included in the shareholder list as to every agenda item;
 - 8.8.11. Number of votes belonging to persons who actually participated in the GMS as to every agenda item and information regarding whether a quorum was present or absent for such items;
 - 8.8.12. Number of votes cast in each voting option (“for,” “against,” or “abstain”) on every agenda item for which a quorum was present;
 - 8.8.13. Wording of decisions made by the GMS on every item on the agenda;
 - 8.8.14. Summary of the discussions and the names of the speakers for every item on the agenda of the GMS held in the form of joint attendance;
 - 8.8.15. Names of the Chairman and Secretary of the GMS; and
 - 8.8.16. Date of the GMS minutes.
- 8.9. The wording of each decision in the GMS minutes must not differ from the wording of such decisions in the voting ballot.
 - 8.10. After the GMS minutes are signed, the voting ballots shall be sealed by the Counting Commission and kept in the archives of the Company.
 - 8.11. The report on results of the voting at the GMS shall contain the following information:
 - 8.11.1. Full company name and address of the Company;
 - 8.11.2. Type of the GMS (AGM or EGM);
 - 8.11.3. Form of the GMS (joint attendance or absentee voting);
 - 8.11.4. Date of the GMS;
 - 8.11.5. Location of the GMS held in the form of joint attendance (address at which the GMS was held);
 - 8.11.6. Agenda of the GMS;

Annex 19. A Model By-Law for the General Meeting of Shareholders

- 8.11.7. Total number of votes belonging to persons included in the shareholder list for every agenda item;
 - 8.11.8. Number of votes belonging to the persons who actually participated in the GMS for every agenda item, and information regarding whether a quorum was present for such items;
 - 8.11.9. Number of votes cast for each voting option (“for,” “against” or “abstain”) on every agenda item for which a quorum was present;
 - 8.11.10. Wording of decisions made by the meeting on every agenda item;
 - 8.11.11. Full company name and address of the External Registrar and the names of persons authorized by the Registrar; and
 - 8.11.12. Names of the Chairman and the secretary of the GMS.
- 8.12. The report on results of the voting at the GMS shall be signed by the Chairman and Secretary of the GMS.
- 8.13. If the agenda of the GMS includes items regarding the approval of related party transactions by the Company, the GMS minutes, the Counting Commission minutes, and the report on the voting results shall contain the following information as to such items:
- 8.13.1. Number of votes belonging to persons included in the shareholder list who are not interested parties in such transactions;
 - 8.13.2. Number of votes belonging to persons who are not interested parties in such transactions, and who actually participated in the GMS; and
 - 8.13.3. Number of votes cast for every voting option (“for,” “against,” or “abstain”).
- 8.14. If the agenda of the GMS includes items regarding the approval of changes or amendments to the charter (approval of the new version of the charter) which restrict the rights of the holders of a certain class of preferred shares, or on making a decision which under the Law may require amendments to the charter that may restrict the rights of holders of such class of preferred shares, the GMS minutes, the Counting Commission minutes, and the report on the voting results shall contain the following information regarding such items:
- 8.14.1. Number of votes belonging to persons included in the shareholder list excluding votes associated with the preferred shares, the rights of which may be restricted;

The Russia Corporate Governance Manual

- 8.14.2. Number of votes associated with the preferred shares of each class in which the rights may be restricted;
 - 8.14.3. Number of votes of shareholders who participated in the GMS, excluding votes of those preferred shareholders whose rights are being restricted, and separately the number of votes of such preferred shareholders; and
 - 8.14.4. Number of votes cast for every voting option (“for,” “against,” or “abstain”), excluding the votes of those preferred shareholders whose rights are being restricted, and separately the number of votes of such preferred shareholders cast in respect of such item for every voting option (“for,” “against,” or “abstain”).
- 8.15. Decisions of the GMS and the results of voting shall be announced at the GMS at which the voting was made, or communicated to persons included in the shareholder list within ten days after the date of the minutes on the voting results, in the form of a report on voting results, and sent by registered mail to the address of each shareholder of record, as well as published in “_____”.



Annex 20

A MODEL BY-LAW ON DIVIDENDS

APPROVED

By decision of the Supervisory Board
of the Open Joint-Stock Company

«_____»

Minutes No. _____

of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __day of _____, 200_

[The Company's Seal]



BY-LAW ON DIVIDENDS

of the Open Joint Stock Company

«_____»

The city of _____,
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law on Dividend Policy (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been developed in accordance with applicable provisions of the laws of the Russian Federation (hereinafter the Law), the Company charter, and other internal documents, as well as the recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law shall define the Company's policy and procedures regarding matters of calculating, declaring, setting the amount of, determining the form and the time periods for the payment of dividends.
- 1.3. The Company sets forth to declare and pay dividends based on its _____ results.¹⁶⁴
- 1.4. The Company sets forth to utilize ___% of its net profits as dividends, which will permit the company to retain sufficient capital to provide for future growth.
- 1.5. The Company seeks to provide for a stable and dependable dividend policy on a year-by-year basis, and sets forth to communicate any deviation.
- 1.6. The Company sets forth to pay its dividends in cash.

¹⁶⁴ The company may choose to have a policy of annual and/or interim dividends, which can be paid on a quarterly or semi-annual basis, and annual dividends that are paid annually.

Article 2. Declaring Dividends

- 2.1. The decision to declare and pay dividends, including the decision as to the amount and the procedure for making such payment regarding shares of each type and class, shall be made by the General Meeting of Shareholders (hereinafter GMS) upon the recommendation of the Supervisory Board.
- 2.2. The decision on whether to declare and pay dividends shall be a separate agenda item at the GMS.
- 2.3. The decision as to the amount of dividends and the procedure for their payment, shall be made by the Supervisory Board at a meeting where the preliminary distribution of the Company's net profit for the fiscal year is approved by directors, and recommended to the GMS.
- 2.4. Any declaration to pay dividends must provide the following:
 - 2.4.1. The type and class of shares on which the dividends have been declared;
 - 2.4.2. The amount of dividends per share of each type and class;
 - 2.4.3. The period for payment; and
 - 2.4.4. The form of payment.
- 2.5. The decision to declare dividends on common shares may be made only after a decision has been made to declare dividends on all classes of preferred shares and in the full amount as determined in the charter.
- 2.6. If the Company has several classes of outstanding preferred shares, then, regardless of the source of payment as set forth in Clauses 3.1 and 3.2 hereof, the decision to declare dividends on preferred shares shall be made in the order of priority set forth in the charter.
- 2.7. The Company must declare dividends on preferred shares in their order of priority set by the charter.
- 2.8. The Company does not have the right to declare dividends:
 - 2.8.1. Until the entire charter capital of the Company has been fully paid;
 - 2.8.2. Until a redemption of all those shares which must be redeemed pursuant to Article 76 of the Law on Joint Stock Companies has occurred;
 - 2.8.3. If, as of the date of such decision, the Company is insolvent or bankrupt pursuant to the provisions of the insolvency (bankruptcy) laws, or if, as a result of paying dividends, the Company would be rendered insolvent or bankrupt;

- 2.8.4. If, as of the date of such decision, the net asset value of the Company is less than its charter capital, reserve fund, and the excess of the liquidation value over the nominal value of the outstanding preferred shares as set forth in the charter, or if the net asset value will be less than such amount as a result of such decision; and
- 2.8.5. In any other case set forth by the Law.

Article 3. Sources for and the Amount of Dividends

- 3.1. Dividends shall be paid out of the Company's net profit, and shall be allocated among shareholders on a pro rata basis according to the number of shares of each type and class each shareholder owns.
- 3.2. Dividends on preferred shares may be paid out of the Company's funds specifically designated for this purpose.
- 3.3. The amount of dividends on common shares is determined upon recommendation of the Supervisory Board as provided in the By-law and may not exceed the amount so recommended.
- 3.4. The amount of dividends on one common share shall be equal to the total amount of dividends to be paid divided by the total number of the Company's common shares on which dividends may be payable pursuant to the Law.
- 3.5. The amount of dividends on preferred shares is determined pursuant to the Law and the Company charter.
- 3.6. The amount of dividends for one preferred share of a particular class shall be equal to the total amount of dividends divided by the total number of the preferred shares of this class on which dividends are paid.
- 3.7. Dividends shall be declared gross of the taxes payable by shareholders.

Article 4. Persons Entitled to Receive Dividends

- 4.1. The list of persons entitled to receive dividends shall be prepared by the Company's External Registrar according to the instructions of the Company.
- 4.2. The list of persons entitled to receive dividends shall be prepared as of the record date on which the list of persons entitled to participate in the GMS at which the decision to declare dividends is to be considered.
- 4.3. Such list shall include registered shareholders (except nominal shareholders), and the persons on behalf of whom the nominal holder owns the shares as of the record date.

Annex 20. A Model By-Law on Dividends

- 4.4. For the preparation of the list of persons entitled to receive dividends, nominal shareholders shall provide information on the persons for whom they hold shares.
- 4.5. Shares of the Company which underlie derivative securities and depositary receipts grant their holders the right to receive dividends in full as provided by the decision to issue those shares and the Company's charter.

Article 5. Paying Declared Dividends

- 5.1. The date on which annual dividends are paid shall be determined by the Company charter.¹⁶⁵
- 5.2. The Company shall continue making payments of declared dividends as to those shares for which the owners have not received the accrued dividends, or for which they have not claimed the dividends within the period defined pursuant to Clause 5.1 hereof.
- 5.3. No interest shall accrue on unclaimed dividends.
- 5.4. The Company is responsible for paying all declared dividends. Accordingly, the Company shall be liable to its shareholders for the failure to discharge this duty, pursuant to the Law.
- 5.5. The preparation, coordination, and all arrangements required from the Company in connection with the payment of dividends set forth herein shall be the responsibility of a department of the Company, _____, the functions of which include relations with shareholders.
- 5.6. The Company shall notify its shareholders of the time, form, place, and procedure for the payment of dividends by publication of such information in the print media specified in the Company charter for notification of shareholders of the GMS and/or by distribution of notices by mail to the addresses set forth in the shareholder register.
- 5.7. Any shareholder may submit a request to the Company to be included in the list of persons entitled to receive dividends and information regarding the procedure for the calculation of dividends, the procedure for taxation, and payment terms.

¹⁶⁵ If the company charter does not establish the date for the payment of dividends, then payment shall be made no later than 60 days following the date of the decision to pay annual dividends.

- 5.8. The Company shall provide the shareholder with a response to such request within ____ days after reception.
- 5.9. For the purposes of organizing and completing the payment of dividends, the Company shall have the right to engage an outside entity, a “Payment Agent,” on a contractual basis. However, such arrangement shall not release the Company from liability to shareholders for the payment of dividends.
- 5.10. The Company is obligated to inform shareholders of its use of a Payment Agent, including their replacement, if any, and the expiration of the term of their authority by way of publication of such information in the print media established in the Company charter for notification of shareholders of the GMS and/or by distribution of notices by mail to the addresses set forth in the list of persons entitled to receive dividends.
- 5.11. The Company shall be a tax agent for the purposes of payment of income to the shareholders for the shares owned by them. The Company shall perform the necessary calculations and deduct taxes on dividends in accordance with the procedures and within the period required by the Law.
- 5.12. The Company does not have the right to pay declared dividends on shares in the following cases:
 - 5.12.1. If, on the date of the decision, the Company is insolvent or bankrupt pursuant to the provisions of the insolvency or bankruptcy laws, or if, as a result of paying dividends, the Company would be rendered insolvent or bankrupt;
 - 5.12.2. If, as of the date of payment, the net asset value of the Company is less than its charter capital, reserve fund, and the excess of the liquidation value over the nominal value of the outstanding preferred shares as set forth in the charter, or if the net asset value will be less than such amount as a result of such decision; and
 - 5.12.3. In any other cases set forth by the Law.
- 5.13. Upon termination of those circumstances set forth in Clause 5.12 hereof which precluded the payment of dividends, the Company shall, within a reasonable period of time and according to the Law, pay to shareholders the dividends so declared.
- 5.14. Any matters relating to the payment of dividends and not governed by the Law, the Company’s charter, and the By-law, shall be resolved in a manner which takes into consideration and complies with the rights and legitimate shareholder interests.

Annex 21

**A MODEL NOTICE
OF THE GENERAL MEETING OF SHAREHOLDERS**

**NOTICE OF THE GENERAL MEETING
OF SHAREHOLDERS**

of the

Open Joint Stock Company

« _____ »

_____ [Enter address]

Dear Shareholder!

The Open Joint Stock Company « _____ » hereby notifies you that the General Meeting of Shareholders (hereinafter GMS) will be held with joint participation of shareholders on _____, 200_, at __:__ local time at the following address: _____ [city, street (if applicable) location of holding the GMS].¹⁶⁶

The registration of shareholders shall start at __:__ local time on the day of the GMS at the address indicated above.¹⁶⁷

¹⁶⁶ An AGM should be held at a location and time that facilitates shareholder participation, and does not impose an undue hardship or expense upon them. Ideally, the AGM should be held where the company is located.

¹⁶⁷ The time of the beginning of the GMS minus the required minimum time for the registration as set forth by the charter or by-laws of the company. The Federal Commission for the Securities Market's Code of Corporate Conduct, Chapter 2, Section 2.2.3 recommends that the time set should allow sufficient time for registering all shareholders.

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The Agenda

1. _____
2. _____
3. _____

The list of persons entitled to participate in the GMS has been compiled on the basis of the data contained in the Company's shareholder register on _____, 200_.

Shareholders of record shall have access to the information and materials for the GMS from _____ to _____ [*date*] on weekdays, from 09.00 until 18.00 local time without interruption, at the following address: _____ [*address of the location of the executive body, including office number and the telephone number for inquiries*] or at the following address or addresses _____] [*if applicable*], as well as on the Company's website www._____.ru .

A shareholder (or shareholder's representative) has the right to vote on the agenda items indicated above by means of sending their completed voting ballots by registered mail to the attention of _____ [*name of office or person authorized to receive the voting ballots*] at the following address: _____ [*address*]. The deadline for the receipt of the voting ballots is _____, 200_ [*date*].

For additional information, please contact: _____ [*name of office or authorized person (Corporate Secretary)*] at _____ [*contact details*] .

Contact tel.: _____



Annex 22

A MODEL POWER OF ATTORNEY FOR AN INDIVIDUAL

MODEL POWER OF ATTORNEY

The city of _____ Date [*in words*]

With this Power of Attorney I, _____ [*full legal name*],
passport number _____, issued on _____
_____ «___» _____ 200__ by _____ [*issuing authority*], resid-
ing at [*full legal address*]: _____, owner of _____
[*number in words*] common shares of the Open Joint Stock Company «_____»
_____», state registration № _____, each having a nominal value of RUR _____,

hereby appoint _____ [*full legal name*], passport number _____
_____, issued on _____ «___» _____
_____ 200__ by _____ [*issuing authority*], residing at _____
_____ [*full legal address*],

as my Proxy for the next General Meeting of Shareholders (hereinafter the GMS)
to be held after the date of this Power of Attorney. My Proxy shall have the
power and authority to represent my interests and act on my behalf at said GMS,
including the power and authority to:¹⁶⁸

1. Participate in discussions of the agenda items;
2. Receive information and materials made available to shareholders of record;
3. Make statements and submit proposals to the governing bodies of the Company and the working bodies of the GMS;

¹⁶⁸ A power of attorney may also include detailed instructions regarding how to vote on each agenda item.



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4. Receive from _____ [*name of the authorized person of the company*] all documents relevant to conducting said GMS;
5. Vote all shares owned by me as to all issues on the agenda; and
6. Take any other actions that may be appropriate and consistent with representing my interests pursuant to the terms and conditions of this Power of Attorney.

This Power of Attorney is not transferable, and is being issued for a term of _____ months.

_____ (*Signature of the Principal*)

Verified by: _____ (*name of the notary*)

[Notary [city of] _____]¹⁶⁹

¹⁶⁹ LSJC, Article 57, Clause 1, Paragraph 3 provides that a power of attorney shall be verified, either in accordance with the requirements of the Civil Code, Article 185, Clauses 4 and 5, or notarized. Although the provisions of the Civil Code do not directly refer to using a power of attorney for voting purposes, its rules are also applicable to such documents. In particular, in addition to notarization, the power of attorney can be verified:

- In the organization where the principal works or studies;
- By the municipal authorities where the principal resides; and
- By the administration of the medical institution where the principal is located.



Annex 23

A MODEL POWER OF ATTORNEY FOR A LEGAL ENTITY

MODEL POWER OF ATTORNEY

The city of _____ Date [*in words*]

With this Power of Attorney I, _____ [full legal name], the General Director of of the Open Joint Stock Company «_____» (hereinafter the «Grantor»),¹⁷⁰ acting under the Charter and on behalf of the Grantor, owning _____ [*number in words*] common shares, state registration № _____, each having the nominal value of RUR _____,

hereby appoint _____ [full legal name], passport number _____, issued on _____ «____» _____200__ by _____ [*issuing authority*], residing at _____ [full legal address],

as Proxy with the power and authority to represent the interests of the Grantor at the next General Shareholders Meeting (hereinafter the GMS) of the Open Joint Stock Company “_____,” to be held after the date of execution of this Power of Attorney, including the power to:¹⁷¹

1. Participate in discussions regarding all of the agenda items;
2. Receive information and materials made available to shareholders of record;

¹⁷⁰ During the GMS, the representatives are frequently required to submit documents to verify their membership in the governing body of the company that has issued the power of attorney. However, in those cases when the person who signed the power of attorney is registered in the shareholders register, such requirement is illegal (see Resolution No. F09-126/02-GK, the Federal Court of Appeals of Urals District, 13 February 2002).

¹⁷¹ A power of attorney may also include detailed instructions regarding how to vote on each issue of the agenda.



3. Make statements and submit proposals to the governing bodies of the Company and the working bodies of the GMS;
4. Receive from _____ [*name of the authorized person of the company*] all documents relevant to conducting said GMS;
5. Vote all shares owned by the Grantor as to all issues on the agenda; and
6. Take any other actions as may be appropriate and consistent with representing the interests of the Grantor pursuant to the terms and conditions of this Power of Attorney.

This Power of Attorney is not transferable, and is being issued for the term of _____ months from its date of execution.

_____ (*Signature of the General Director*)

Appendix:¹⁷²

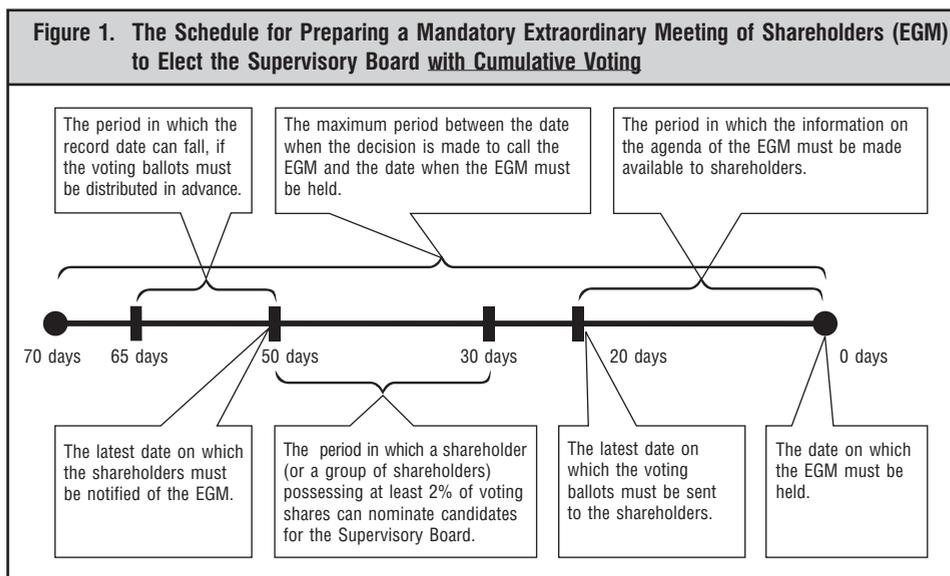
1. A copy of the charter of the Grantor.
2. A copy of the minutes of the _____ [*meeting of the relevant body*] on the election of _____ the General Director of the Grantor; and
3. An excerpt from the shareholder register on the ownership of company shares.

¹⁷² This is not required by the Company Law, however to avoid complications with gaining admittance to the GMS, it is recommended to have these documents available together with the power of attorney.



Annex 24

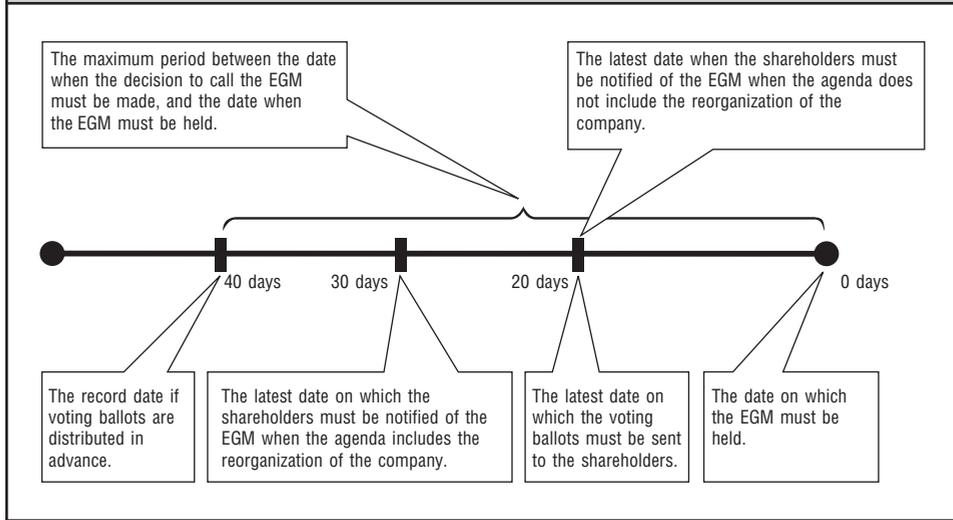
TIME CHARTS FOR THE PREPARATION OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS



Source: IFC, March 2004

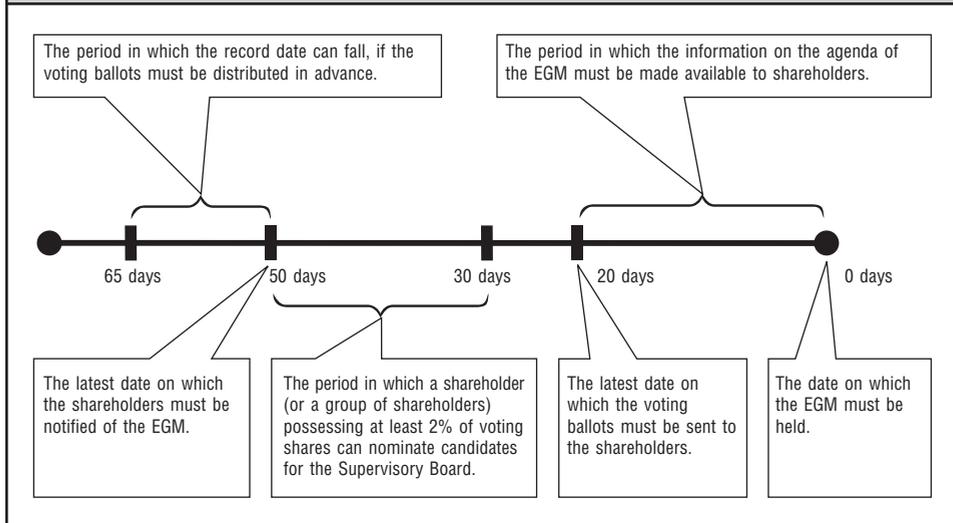


Figure 2: The Schedule for Preparing a Mandatory EGM to Decide on Agenda Items (Other Than the Election of the Supervisory Board with Cumulative Voting)



Source: IFC, March 2004

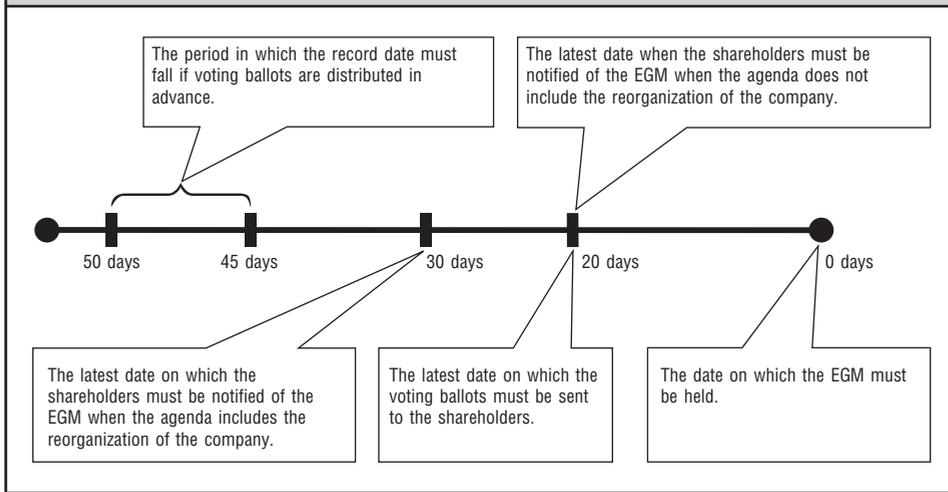
Figure 3: The Schedule for Preparing a Voluntary EGM to Elect the Supervisory Board with Cumulative Voting, Called by the Supervisory Board



Source: IFC, March 2004

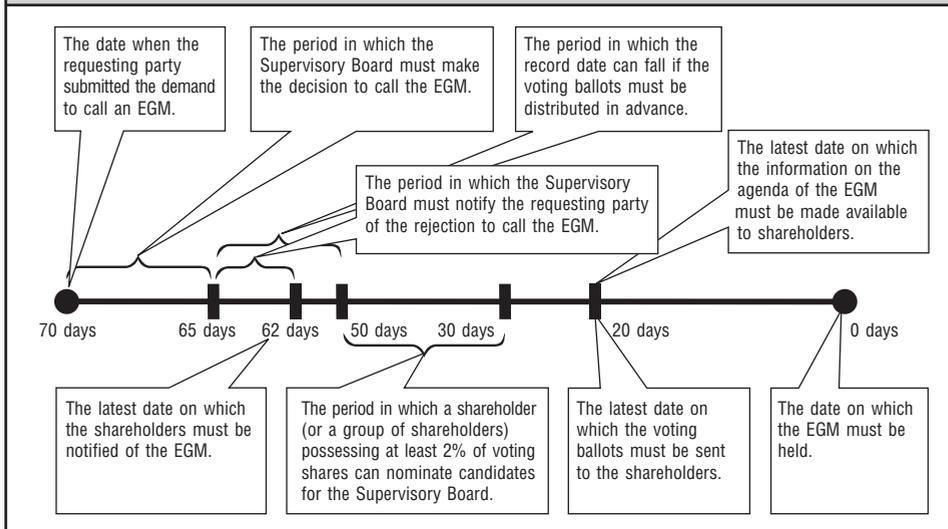
Annex 24. Time Charts for the Preparation of the EGM

Figure 4: The Schedule for Preparing the Voluntary EGM to Decide on Agenda Items (Other Than the Election of the Supervisory Board with Cumulative Voting), Called by the Supervisory Board



Source: IFC, March 2004

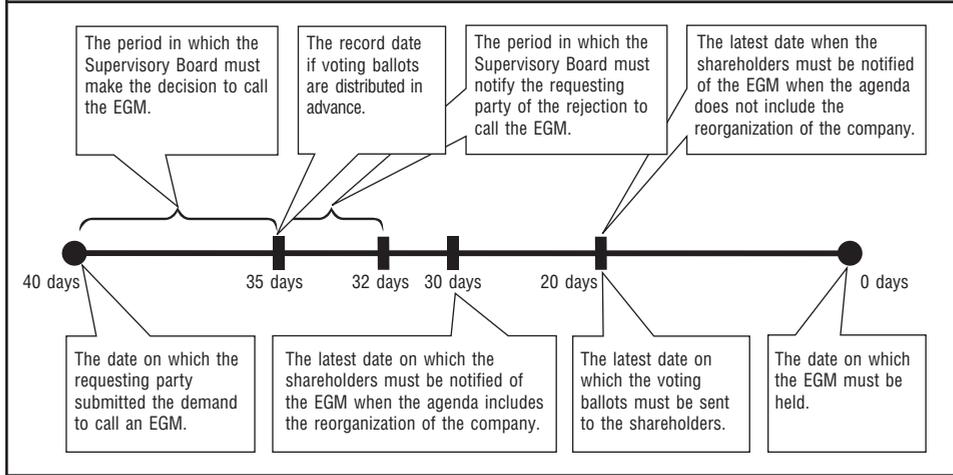
Figure 5: The Schedule For Preparing the Voluntary EGM to Elect the Supervisory Board with Cumulative Voting, Called Upon the Demand of a Requesting Party



Source: IFC, March 2004

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Figure 6: The Schedule for Preparing the Voluntary EGM to Decide on Agenda Items (Other Than the Election of the Supervisory Board with Cumulative Voting), Called Upon the Demand of a Requesting Party



Source: IFC, March 2004

Part 4

Information **Disclosure and Transparency**



Annex 25

A MODEL BY-LAW ON INFORMATION DISCLOSURE

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __day of _____, 200_
[The Company's Seal]

BY-LAW ON INFORMATION DISCLOSURE

of the Open Joint Stock Company
«_____»

The city of _____,
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law on Information Disclosure (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been developed in accordance with applicable provisions of the laws of the Russian Federation (hereinafter the Law), the Company charter, other internal documents, and the relevant recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law shall regulate information disclosure by the Company about the Company and its business activities.
- 1.3. For purposes of the By-law, the Company's disclosure policy shall be understood to mean the set of principles and procedures established by the Company for the proper information disclosure.
- 1.4. The General Director shall be responsible for ensuring the adherence to and compliance with the By-law.

Article 2. Objectives and Principles of Disclosure

- 2.1. The goal of disclosure is to provide information for shareholders and interested parties to assist such persons in making informed decisions or taking actions.

Annex 25. A Model By-Law on Information Disclosure

- 2.2. When disclosing information, the Company shall be guided by the principles of accuracy, accessibility, timeliness, completeness, and regularity, and additionally, will seek to maintain a reasonable balance between the transparency of the Company and the protection of its commercial interests while complying with relevant provisions of the Law, the charter, the By-law, and other internal documents of the Company.
- 2.3. The Company shall not avoid the disclosure of negative information about the Company if such information might be considered material or essential for shareholders or potential investors.
- 2.4. The preferential treatment of any one group of recipients of such information (selective disclosure) shall be prohibited unless otherwise provided for by the Law.

Article 3. Persons Authorized to Make Disclosures on Behalf of the Company

- 3.1. The following officers of the Company (hereinafter authorized persons) shall be authorized to disclose information to interested parties such as investors, the public, the mass media, and/or governmental authorities:
 - 3.1.1. The General Director;
 - 3.1.2. The Deputy General Director [or another person, e.g. the Head of the Investor Relations Department] responsible for information disclosure (hereinafter the Deputy General Director);
 - 3.1.3. The Chief Financial Officer;
 - 3.1.4. The Operations Manager;
 - 3.1.5. _____; and
 - 3.1.6. _____.
- 3.2. To ensure a uniform and consistent disclosure policy, authorized persons may also designate other persons to act on their behalf and respond to any inquiries, under extraordinary circumstances. However, no person other than the Company's authorized persons may comment upon or answer any questions, or respond to any inquiries regarding the Company's business activities, without special authorization or order of an authorized person.
- 3.3. Public statements that may have a significant impact on the Company's business activities and/or the value of its securities shall be coordinated with

_____ [e.g. the Deputy General Director or other person determined by the General Director].

- 3.4. If any employee of the Company participates in any public event, as part of his official or other duties, such employee shall ensure that any information disclosure regarding the Company is made in strict compliance with the Company's disclosure policy and with the prior approval of an authorized person.
- 3.5. Authorized persons shall be fully informed regarding the Company's business activities that might also be of interest to the business community. The communications of authorized persons shall be directed, coordinated, and controlled by the General Director.

Article 4. Parties and Rules for the Disclosure of Information

- 4.1. The Supervisory Board [or such other person or committee responsible for the Company's disclosure policy], in coordination with the General Director and any other authorized persons, shall develop, regularly review, and improve the Company's disclosure policy.
- 4.2. The General Director shall be responsible for the organization, accuracy, and timeliness of information disclosure, and for filing reports with the relevant governmental authorities. The General Director shall also be responsible for providing information about the Company to shareholders, creditors, and other interested parties.
- 4.3. The Corporate Secretary, in coordination with the General Director, shall ensure the:
 - 4.3.1. Timely disclosure of information contained in the securities prospectuses and quarterly reports of the Company, and information regarding material events affecting the Company's business and financial operations; and
 - 4.3.2. Safekeeping of the Company's documents that are subject to mandatory storage, control access thereto, and provide copies thereof. The Secretary shall certify copies.
- 4.4. The Company's disclosure policy shall be implemented in accordance with the Law, and in the best interests of the Company and its shareholders.

Annex 25. A Model By-Law on Information Disclosure

- 4.5. The General Director and other authorized persons shall always have complete information on all aspects of the Company's business activities for one or more of the following purposes:
- 4.5.1. Determining whether such information meets the disclosure requirements, whether it is material, and whether it may be disclosed at that particular time or should be treated as confidential;
 - 4.5.2. Ensuring the proper understanding of the current operations of the Company that may be of interest to investors; and
 - 4.5.3. Preventing situations where the Company might inadvertently deny the occurrence of any significant events, despite the fact that they actually occurred.
- 4.6. In addition to mandatory disclosure requirements, the Company shall prepare and disclose information regarding:
- 4.6.1. The Company's corporate governance policy;
 - 4.6.2. The Company's social and environmental policy;
 - 4.6.3. The activities of the Company's various governing bodies, and the corporate documents;
 - 4.6.4. Those shareholders who own 5% or more of the Company's shares, including information on indirect (beneficial) ownership;¹⁷³
 - 4.6.5. The following persons:¹⁷⁴
 - 4.6.5.1. Those persons specified in Clause 3.1 hereof;
 - 4.6.5.2. The Chief Accountant;
 - 4.6.5.3. Supervisory Board members;
 - 4.6.5.4. The Corporate Secretary;
 - 4.6.5.5. _____; and
 - 4.6.5.6. _____;
 - 4.6.6. _____; and
 - 4.6.7. _____.

¹⁷³ The Federal Commission for the Securities Market's Code of Corporate Conduct (FCSM Code), Chapter 7, Section 2.1.4.

¹⁷⁴ FCSM Code, Chapter 7, Section 2.1.2.

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- 4.7. Those persons and channels responsible for information dissemination shall ensure unrestricted access thereto by interested parties. In addition to the means of disclosure required by the Law, the Company shall:
 - 4.7.1. Publish information about the Company, on planned presentations by the Company's officers and interviews with them in the mass media;
 - 4.7.2. Conduct regular meetings (information briefings¹⁷⁵ and/or press conferences) with shareholders, potential investors, and other market participants;
 - 4.7.3. In addition to the disclosures required by the Law, disclose additional information on the Company's website;
 - 4.7.4. Issue press-releases; and
 - 4.7.5. Conduct any other means of disclosure as established by the General Director and the Supervisory Board.
- 4.8. The Company shall publish on its website all significant announcements and materials, and may also publish brochures and booklets. The Company's website shall, at a minimum, include the following information:¹⁷⁶
 - 4.8.1. The charter and all amendments thereto;
 - 4.8.2. Annual reports, annual and quarterly financial statements (Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS) when available);
 - 4.8.3. Securities prospectuses;
 - 4.8.4. Audit reports or opinions;
 - 4.8.5. Information on material facts; and
 - 4.8.6. Information on the General Meetings of Shareholders (hereinafter the GMS), material decisions of the Supervisory Board, and the development strategy of the Company.

Article 5. Public Information

- 5.1. Public information in the securities market shall mean information, access to which is not restricted in any way, and the disclosure of which is required by the Law on the Securities Market.

¹⁷⁵ FCSM Code, Chapter 7, Sections 1.1.1 and 1.1.2.

¹⁷⁶ Companies with 10,000 or more shareholders shall publish their financial statements in at least two printed media (with a circulation of not less than 50,000 copies) to which most shareholders have unrestricted access. FCSM Code, Charter 7, Section 1.1.2.

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- 5.2. Public information shall include:
- 5.2.1. The charter, as amended;
 - 5.2.2. By-laws of the Company including, but not limited to, the by-laws for the governing bodies, audit and control bodies, disclosure policy, Supervisory Board's committees, etc.;
 - 5.2.3. The External Auditor's reports and opinions;
 - 5.2.4. Annual financial statements prepared in accordance with RAS;
 - 5.2.5. Annual financial statements prepared in accordance with IFRS;¹⁷⁷
 - 5.2.6. The annual report of the Company;
 - 5.2.7. An approved development strategy of the Company;¹⁷⁸
 - 5.2.8. Information about the securities, and the financial and business operations of the Company;
 - 5.2.9. _____; and
 - 5.2.10. _____.
- 5.3. The Company shall disclose information about its securities, and its financial and business operations in the form of:
- 5.3.1. Quarterly reports;
 - 5.3.2. Reports on material events affecting the financial and business operations of the Company;
 - 5.3.3. Decisions regarding the issuance of the Company's securities;
 - 5.3.4. Securities prospectuses; and
 - 5.3.5. Reports on results of securities issue.
- 5.4. The Company shall disclose information regarding material facts affecting its financial and business operations in accordance with the requirements of law.
- 5.5. The Company shall also disclose information on the following events and activities:¹⁷⁹
- 5.5.1. Changes in the name of the Company;
 - 5.5.2. Decisions regarding the increase or decrease of the charter capital;

¹⁷⁷ If the Company files accounting statements in accordance with international standards, e.g. US GAAP, IFRS.

¹⁷⁸ FCSM Code, Chapter 7, Section 3.3.1. recommends disclosure of the development strategy in the annual report to shareholders including the company's prospects regarding sales, efficiency, market share, income growth, profitability, and debt-equity ratio.

¹⁷⁹ If the company discloses information regarding said events and activities consistent with the recommendations of the FCSM Code in addition to that list required by statutory provisions.

- 5.5.3. A buyback by the Company of its own shares provided that such buyback is not related to a decrease in the charter capital, and a statement disclosing the source of funding for the acquisition, the purchase price, as well as the goals and reasons for such purchase;
 - 5.5.4. Price fluctuations of 5% or more of the Company's shares over a relatively short period of time;
 - 5.5.5. Transactions that may affect shareholder interests or the use of the Company's assets, including information regarding the use of shares and the other parties involved in such deals;
 - 5.5.6. Cessation of the production of goods or the provision of services, the sales of which accounted for at least 10% of the Company's total output based on the results of the previous fiscal year;
 - 5.5.7. Changes in the business priorities of the Company;
 - 5.5.8. Amendments to the charter relating to the issuance of preferred shares of classes other than those previously issued; and
 - 5.5.9. Changes of the External Auditor, External Registrar, or Depository of the Company;
 - 5.5.10. _____; and
 - 5.5.11. _____.
- 5.6. The Company shall disclose all material events affecting the financial and business operations of the Company even if not listed herein, but are nevertheless deemed material, and may affect the price of the Company's shares.
- 5.7. If securities are issued which require the registration of the securities prospectus, the Company shall provide access to information contained in the prospectus and shall publish a notice of the procedure of disclosure in _____¹⁸⁰.
- 5.8. The prospectus shall disclose all material information about:¹⁸¹
- 5.8.1. The motives for the issuance of such shares;
 - 5.8.2. The Company's dividend policy;
 - 5.8.3. The intention of any Supervisory Board member, the General Director, any Executive Board member, the General Director's depu-

¹⁸⁰ Name of the print media with a circulation of not less than 50,000 copies.

¹⁸¹ FCSM Code, Chapter 7, Section 2.1.

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- ties, the Chief Accountant, and/or the Corporate Secretary to purchase and/or sell shares; and
- 5.8.4. Supervisory Board members, the General Director, Executive Board members, the General Director's deputies, the Corporate Secretary, and the Chief Accountant of the Company.
- 5.9. The Supervisory Board shall prepare the annual report of the Company for presentation at the Annual General Meeting of Shareholders (hereinafter AGM).
- 5.10. In addition to statutory information, the annual report of the Company shall contain the following:
- 5.10.1. An analysis of the competitive position of the Company;
- 5.10.2. An analysis of the Company's profitability;
- 5.10.3. A comparison of the planned and actual results of the Company for the year;
- 5.10.4. Net profit information, including total net profit, net profit from the Company's principal activities, and net earnings per share;
- 5.10.5. An assessment of changes in the asset structure over the past three years;
- 5.10.6. The percentage of export revenue over the year;
- 5.10.7. The Company's human resources and training policy;
- 5.10.8. The Company's corporate governance system and main corporate governance event during the reporting period;
- 5.10.9. _____; and
- 5.10.10. _____.
- 5.11. The annual report shall be signed by the General Director and the Chief Accountant, and be subject to prior approval by the Supervisory Board based on a review by the Revision Commission and External Auditor. The annual report shall be approved at least 30 days before the date of the AGM.
- 5.12. The Company shall publish its annual financial statements in _____¹⁸².
- 5.13. The Company shall publish annual financial statements not later than June 1 of the year following the reporting year.
- 5.14. The Company shall keep a record of its affiliated persons, and file reports on affiliated persons as required under law.

¹⁸² Name of the print media in which the annual accounting statements are published.

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- 5.15. The Company shall hold quarterly informational briefings.¹⁸³
- 5.16. Notice of informational briefings shall be published in _____¹⁸⁴ at least 10 days before the date of the briefing.
- 5.17. At the informational briefings, the shareholders and any other interested parties may receive information on the Company's business activities, and pose questions to representatives of the executive bodies and the Supervisory Board of the Company.
- 5.18. The Company shall disclose public information on its internet website located under: www._____.ru.

Article 6. Information Provided to Shareholders

- 6.1. The Company shall ensure that shareholders have access to the documents and information as set forth in the Law.
- 6.2. All shareholders shall have the right to review the documents listed in Clause 5.2 hereof, at the address of the executive body of the Company which is located at: _____.¹⁸⁵ The Company shall provide copies of any such documents upon request of any shareholder.
- 6.3. Requests to review or receive copies of documents shall be made in writing to the attention of _____,¹⁸⁶ and be sent to the following address: _____.¹⁸⁷ The request shall state the full name of the shareholder (for legal entities, their names and location), the number and type (class) of shares owned by the shareholder and the title of the document requested. The request is to be accompanied by an extract from the shareholder register.

¹⁸³ FCSM Code, Chapter 7, Section 3.1.1.

¹⁸⁴ Provide the name of the print media accessible to the majority of shareholders of the company. In accordance with the recommendations of the FCSM Code, Chapter 7, Section 1.1.2, it is possible to name an alternative print media.

¹⁸⁵ Name the location (physical address) of the executive body of the company. Name the contact telephone number of the Corporate Secretary, the Shareholder Relations Department, or others as applicable. It is also advisable to provide an alternative location, if available, where the shareholders may review the company's documents.

¹⁸⁶ Name the position of the relevant person: General Director, Corporate Secretary, or other person performing the functions of the Corporate Secretary.

¹⁸⁷ Name the location of the executive body.

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- 6.4. The Corporate Secretary shall be required to verify the share ownership of the person requesting information.
- 6.5. The documents shall be made available for inspection free of charge within seven¹⁸⁸ calendar days after the date of the request.
- 6.6. Copies of the documents shall be made available within five business days after the relevant request and after receipt of payment from the shareholder for the copy and postage costs incurred by the Company. If copies of the documents are sent to the requesting party by mail, the date of dispatch shall be considered the date of providing the documents.
- 6.7. Payment for providing copies shall be made in the following manner: _____¹⁸⁹.
- 6.8. At the request of any shareholder, the Company or the External Registrar shall, within _____ days¹⁹⁰ after the receipt of such request, make available to the shareholder an extract from the list of persons entitled to participate in the GMS containing information about such persons, or a certificate that the person is not included in the list of persons entitled to participate in the GMS.

Article 7. Confidential Information

- 7.1. Trade secrets or confidential information shall mean any non-public information about the Company having actual or potential commercial value because of the fact that it is unknown to third parties. There is no legal right to free access to such information, and the possessor of such information shall be responsible for taking steps to protect its confidentiality.
- 7.2. The Company shall take all necessary steps and actions to protect its trade secrets and confidential information.
- 7.3. The following persons shall have access to confidential information:¹⁹¹
 - 7.3.1. Supervisory Board members;
 - 7.3.2. The General Director;

¹⁸⁸ FCSM Code, Chapter 7, Section 1.1.1. recommends a period of five business days.

¹⁸⁹ Specify how the payment for copies shall be made.

¹⁹⁰ Best practice suggests a period of 3–5 days.

¹⁹¹ List any other officers and employees of the company that shall have access to proprietary information, or make reference to any other company by-laws containing a list of employees having access to such information.

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- 7.3.3. Executive Board members;
 - 7.3.4. Deputy General Directors;
 - 7.3.5. The Chief Accountant;
 - 7.3.6. The Corporate Secretary; and
 - 7.3.7. _____.
- 7.4. These persons shall sign confidentiality agreements with the Company.
 - 7.5. The General Director shall have the right to make changes and amendments to the list of persons having access to confidential information.
 - 7.6. Any person having access to confidential information shall not use such information for entering into any business transactions, nor shall they disclose such information to third parties for commercial use.
 - 7.7. Persons who have illegally acquired the Company's trade secrets or confidential information shall reimburse the Company for any losses incurred. The same shall apply to the employees of the Company who have disclosed confidential information in violation of their employment contracts, and to any other contracting parties disclosing such information in violation of their contractual agreement.
 - 7.8. Confidential information shall include, but not be exclusively limited to, the following information:¹⁹²
 - 7.8.1. _____;
 - 7.8.2. _____; and
 - 7.8.3. _____.
 - 7.9. The following documents shall not constitute confidential information of the Company:
 - 7.9.1. The Company's founding documents;
 - 7.9.2. Documents providing evidence of certain legal rights, such as patents, or documents evincing the Company's legal right to engage in business operations, e.g. registration certificates, licenses, etc.;
 - 7.9.3. Mandatory reports on financial and business operations;
 - 7.9.4. Documents confirming the solvency of the Company;

¹⁹² FCSM Code, Chapter 7, Section 4.1.1. recommends including any information that shall be deemed confidential.

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- 7.9.5. Documents containing information on the number and composition of the Company's employees, their salaries and labor conditions, as well as available vacancies;
 - 7.9.6. Documents regarding the payment of taxes and other mandatory payments;
 - 7.9.7. Documents containing information on environmental pollution;
 - 7.9.8. Documents concerning compliance with antitrust laws;
 - 7.9.9. Documents with information on noncompliance with labor safety regulations, the sale of products that may have a harmful effect on people's health, as well as any other violations of the Law, and the amount of damages caused by such noncompliance;
 - 7.9.10. Documents containing information about the participation in other organizations of any of the members of the Supervisory Board or Executive Board, the General Director or the General Director's deputies, or the Chief Accountant of the Company;
 - 7.9.11. Any documents containing confidential information which have been released by the Company and have become public information;
 - 7.9.12. _____; and
 - 7.9.13. _____.
- 7.10. The Company shall provide access to the documents and information listed in Clause 7.8 hereof when requested by those governmental and law enforcement authorities entitled to have access to such information pursuant to law, as well as when requested by employees of the Company.

Article 8. Insider Information

- 8.1. Insider information shall include any material non-public information about the business activities of the Company, its shares and any other securities, as well as any transactions with these securities, which, if disclosed, might materially affect the market value of these shares or other securities of the Company.¹⁹³

¹⁹³ It should be noted that the only document currently containing a definition of "insider information" is the FCSM Code, Chapter 7, Section 4.2. Russian legislation does not define those persons considered "insiders," nor does it establish liability for the improper or unauthorized use of insider information, nor does it regulate other issues related to control over the use of insider information. At present, a new law "On Insider Information" is under consideration by the State Duma, and it is advisable to incorporate appropriate changes and amendments to the by-law subsequent to the promulgation of such law.

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- 8.2. Information that meets the following criteria shall be considered insider information:
 - 8.2.1. Information that directly relates to the Company, its subsidiaries and their securities, as well as the business prospects of the Company and its subsidiaries;
 - 8.2.2. Information of a specific nature;
 - 8.2.3. Any non-public information; and
 - 8.2.4. Information that, if published, might significantly affect the price of any of the Company's securities.
- 8.3. Any individual or legal entity that has access to insider information pursuant to the Law, job description, or other internal regulation of the Company, shall be deemed an insider.
- 8.4. The following persons shall be considered insiders:
 - 8.4.1. Supervisory Board members, any corporate executive and members of control bodies of the Company, as well as its subsidiaries and affiliated companies;
 - 8.4.2. Persons employed by the Company or its subsidiaries and affiliated companies in any official or professional capacity pursuant to an employment contract, and having access to insider information pursuant to the terms of such contract; and
 - 8.4.3. The spouses and close relatives of the persons listed herein;
 - 8.4.4. Persons that own a _____% of voting shares or a _____% of votes of the issuer, its subsidiaries, or related companies;
 - 8.4.5. Officials of governmental authorities and agencies, or local authorities;
 - 8.4.6. Legal entities affiliated with any of the aforementioned persons or legal entities;
 - 8.4.7. _____; and
 - 8.4.8. _____.
- 8.5. Insiders shall be prohibited from disclosing insider information or from engaging in any transactions using insider information.
- 8.6. The procedures for the appropriate handling and use of insider information shall be established by the Supervisory Board.
- 8.7. The General Director shall be responsible for ensuring compliance with the Law and any special requirements provided for in the Company's charter,

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by-laws, and other internal documents to prevent conflicts of interest and to prevent the improper use of insider information by the employees and business units of the Company.

Article 9. Information Provided to the Company

- 9.1. If the Company is required to disclose information that is provided to it by other persons or legal entities, the Company shall use its best efforts to ensure the timely receipt and continuous update of such information.
- 9.2. The Company shall be entitled to receive information that is material to the business activities of the Company in accordance with the Law.
- 9.3. The Company's internal regulations shall set forth the appropriate procedure and deadlines for filing, and define the personal information required to be filed by candidates for the Company's elective bodies.
- 9.4. Supervisory Board members, the General Director, Executive Board members, and shareholders owning more than 20% of voting shares of the Company who have been deemed interested parties in any transaction shall provide the Supervisory Board, the Revision Commission, and the External Auditor with information regarding:
 - 9.4.1. Legal entities in which such person owns 20% or more of the voting shares (interest), regardless of whether individually or jointly owned with affiliated persons;
 - 9.4.2. Legal entities in which they hold positions in the governing bodies; and
 - 9.4.3. All executed, negotiated, or proposed deals known to them in which they might be considered an interested party.
- 9.5. When requested by the General Director or other persons duly authorized by the General Director, the External Registrar shall make available that information included in the shareholder register in accordance with the procedures set forth by the Law.
- 9.6. The Company shall keep a record of its affiliates and file reports on such affiliates in accordance with the Law.
- 9.7. Affiliates of the Company shall notify the Company in writing within ten days of the purchase by such affiliate of any of the Company's shares, and

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such notification shall state the number and type (class) of the shares so purchased.

- 9.8. If any damage is caused to the Company because of the failure by any affiliate to disclose such information, or by the untimely disclosure of such information by the affiliate, then that affiliate shall be held liable for any damages caused thereby to the Company.
- 9.9. The External Auditor shall provide the Company with the results of any audit of the Company's financial and business operations in accordance with the Law and the contract with the External Auditor.



Annex 26

A MODEL BY-LAW FOR THE REVISION COMMISSION

Approved
by the General Meeting of Shareholders
of the Open Joint Stock Company «_____»

Minutes of the [Annual or Extraordinary]
General Meeting of Shareholders

No. _____
of _____ 200_.

dated this __day of _____, 200_
[The Company's SEAL]

BY-LAW FOR THE REVISION COMMISSION

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law for the Revision Commission (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been developed in accordance with relevant provisions of laws of the Russian Federation (hereinafter the Law), the Company charter, other internal corporate documents, and the recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-law determines the authority, composition, rights and duties, nomination and working procedures, and remuneration of the Revision Commission.
- 1.3. The Revision Commission shall act in accordance with the law, the charter, and other internal documents of the Company.
- 1.4. The Revision Commission shall report to the General Meeting of Shareholders (hereinafter the GMS).
- 1.5. The relations of the Revision Commission's members with the Company shall be regulated by contracts signed on behalf of the Company by the person duly authorized by the GMS.

Annex 26. A Model By-Law for the Revision Commission

Article 2. Authority

- 2.1. The Revision Commission shall be responsible for the control of the financial and business activities of the Company and its bodies. The Revision Commission shall further be responsible for compliance by the executive bodies and the Supervisory Board, as well as Company's officers, business units, branches, and representative offices with provisions of the Law, the Charter and by-laws of the Company regarding the Company's business activities.
- 2.2. The Revision Commission shall:
 - 2.2.1. Perform regular and extraordinary inspections of the financial and business operations of the Company, and present its findings to the GMS;
 - 2.2.2. Perform inspections of specific aspects of the financial and business operations of the Company at the request of a shareholder (or a group of shareholders) owning not less than 10% of voting shares, or at the request of the Supervisory Board;
 - 2.2.3. Ensure that the Supervisory Board and the executive bodies of the Company act in compliance with the Law, the charter, by-laws, and relevant internal documents of the Company;
 - 2.2.4. Investigate cases of the use of insider information;
 - 2.2.5. Check the timeliness of payments to contractors, mandatory budget payments, accrual and payment of dividends, as well as the meeting of other financial obligations of the Company;
 - 2.2.6. Check the appropriateness of the use of reserve and other funds of the Company;
 - 2.2.7. Check the timeliness of payment for the issued shares of the Company;
 - 2.2.8. Review the financial condition of the Company, its solvency, liquidity of its assets, and creditworthiness;
 - 2.2.9. Confirm the accuracy of information contained in the annual report and financial documents of the Company;
 - 2.2.10. Oversee the timeliness of valuation of the Company's net assets;
 - 2.2.11. _____; and
 - 2.2.12. _____.

Article 3. Rights and Duties of the Revision Commission

- 3.1. The Revision Commission shall have the right to:
 - 3.1.1. Perform checks and inspections of the financial and business operations of the Company at any time and at its own initiative;
 - 3.1.2. Request from the Company's officers and governing bodies the necessary documents on the financial and business operations of the Company;
 - 3.1.3. Request from the Company's officers and employees written and oral explanations on any issues that may arise in the course of inspections;
 - 3.1.4. Issue instructions to remedy the identified violations;
 - 3.1.5. Request the calling of an Extraordinary General Meeting of Shareholders (hereinafter EGM), as well as a Supervisory Board meeting;
 - 3.1.6. Familiarize itself with the External Auditor's opinion;
 - 3.1.7. Use the services of outside experts, specialists, and/or auditors who are not the Company's employees as required;
 - 3.1.8. _____; and
 - 3.1.9. _____.
- 3.2. Revision Commission members shall have the right to attend meetings of the Executive Board and Supervisory Board as observers.
- 3.3. The Revision Commission shall:
 - 3.3.1. Make reports based on the results of inspections and submit them to the GMS and the initiator of the inspection within ____ days of the completion of the inspection;¹⁹⁴
 - 3.3.2. Register all instances of noncompliance with the Law, the charter, by-laws, and rules and instructions by the officers and employees of the Company during business operations of the Company;
 - 3.3.3. Inform the shareholders of the violations identified;
 - 3.3.4. Monitor compliance with its instructions by the Company's officers;
 - 3.3.5. Not later than 40 days prior to the date of the Annual General Meeting of Shareholders (hereinafter AGM), submit to the Supervisory Board its opinion on the accuracy of data contained in the annual report and annual financial statements of the Company;

¹⁹⁴ Best practice suggests two weeks.

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- 3.3.6. Maintain records of violations it identifies and furnish information on such violations to the Supervisory Board and its Audit Committee;¹⁹⁵
- 3.3.7. _____; and
- 3.3.8. _____.
- 3.4. Revision Commission members must participate in the Revision Commission meetings and its inspections, as well as attend the GMS and answer questions of the attendees.

Article 4. Composition, Status, and Term of Office of the Revision Commission

- 4.1. The Charter determines the number of Revision Commission members. Members shall be elected to serve until the next AGM.
- 4.2. Only individuals may be Revision Commission members.
- 4.3. Revision Commission members may not at the same time be members of the Supervisory Board, the Executive Board, the Counting Commission, or the General Director of the Company, or of a legal entity competing with the Company.¹⁹⁶
- 4.4. The same person may be re-elected as a Revision Commission member an unlimited number of times.
- 4.5. The Revision Commission members must have the necessary business, financial, and accounting experience, as well as knowledge of accounting and financial reporting.
- 4.6. The GMS may at any time terminate the powers of any Revision Commission member before expiration of his term.
- 4.7. Revision Commission members shall elect from among themselves the Chairman at their first meeting.
- 4.8. The Chairman of the Revision Commission shall:
- 4.8.1. Organize the work of the Revision Commission;
- 4.8.2. Call Revision Commission meetings;

¹⁹⁵ As recommended by the FCSM Code in Chapter 8, Section 2.1.2. The internal regulations of the company should provide for the establishment of the Audit Committee.

¹⁹⁶ It is recommended that the Revision Commission does not include family members of directors or managers. The GMS may establish additional categories of persons who may not be Revision Commission members.

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- 4.8.3. Preside over Revision Commission meetings;
 - 4.8.4. _____; and
 - 4.8.5. _____.
- 4.9. The Deputy Chairman of the Revision Commission shall perform the functions of the Chairman during the absence of the latter.

Article 5. Procedure for Nominating Candidates to the Revision Commission

- 5.1. Candidates to the Revision Commission may be nominated by a shareholder (or a group of shareholders) owning at least 2% of voting shares of the Company as of the date of such nomination.
- 5.2. Shareholder proposals must be received by the Company within _____ calendar days of the end of the financial year.¹⁹⁷
- 5.3. The Supervisory Board may nominate candidates to the Revision Commission if shareholders have nominated an insufficient number of candidates.
- 5.4. The number of candidates nominated to the Revision Commission by each proposing shareholder or shareholder group may not exceed the number of the members to be elected to the Revision Commission pursuant to the Company's charter.
- 5.5. Proposals on the nomination of candidates may be made by:
 - 5.5.1. Registered mail to the following address: _____, to the attention of _____ [*specify title and name of the person responsible for receipt of proposals*]; or
 - 5.5.2. Personal delivery against confirmation of receipt to _____ [*the Secretary of the Supervisory Board or the Corporate Secretary, if such position has been established, or another person authorized to receive written correspondence addressed to the Company*].
- 5.6. The deadline for proposing candidates shall be established in accordance with the requirements for preparing, calling, and conducting the GMS established by the Law.¹⁹⁸

¹⁹⁷ LJSC, Article 53, Clause 1. The company must receive such proposals within 30 days from the end of the financial year, unless the company's charter provides for a longer period.

¹⁹⁸ See FCSM Regulation No. 17/ps on the Approval of the Regulation on Additional Requirements to the Procedure for Preparing, Calling, and Conducting the General Meeting of Shareholders.

Annex 26. A Model By-Law for the Revision Commission

- 5.7. Proposals on the nomination of candidates shall be made in writing and shall state:
 - 5.7.1. The name of the shareholder(s) submitting the proposal; and
 - 5.7.2. The number and category (class) of shares owned by them.
- 5.8. The proposal on the nomination of a candidate shall contain the following information:
 - 5.8.1. The first name, patronymic, and surname of each of the nominated candidates, and date of birth;
 - 5.8.2. Educational background, including continuous professional education (name of educational institution, date of graduation, degree or diploma, honorary mention, etc.);
 - 5.8.3. Place of work and positions held over the past ___ years, and positions held by the candidate in the governing bodies of other legal entities over the past ___ years;¹⁹⁹
 - 5.8.4. List of legal entities of which the candidate is a shareholder, stating the number of shares (interest) in the charter capital of such legal entities;
 - 5.8.5. List of persons with which the candidate is affiliated, stating the nature of the affiliation;
 - 5.8.6. Relations of the candidate with affiliated persons and major partners of the Company, as well as candidate's affiliation with the Company;
 - 5.8.7. Outstanding criminal convictions and administrative disqualifications, if any;
 - 5.8.8. Name of the body to which the candidate is nominated (the Revision Commission in this case);
 - 5.8.9. _____;
 - 5.8.10. _____; and
 - 5.8.11. Other information material to the election of the candidate as a Revision Commission member.
- 5.9. Such proposals may also contain the candidate's consent to stand for election.
- 5.10. The proposal shall be signed by the shareholders or their representatives. If a representative signs the proposal, a power of attorney shall be attached.

¹⁹⁹ FCSM Code, Chapter 3, Section 2.3.1 recommends five years.

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- 5.11. The Supervisory Board shall review the proposals and make a decision on accepting or rejecting the candidates to be included into the list of candidates for the position of the Revision Commission within five days after the end of the period set forth in Clause 5.2 hereof.
- 5.12. A motivated decision of the Supervisory Board to reject the inclusion of a candidate into the list of candidates shall be sent to the proposing shareholder(s) within three days of when the decision was made.
- 5.13. The nominated candidates shall be included into the list of candidates, unless:
 - 5.13.1. The shareholder(s) failed to submit the proposal within the time-frame set by Clause 5.2 hereof;
 - 5.13.2. The shareholder(s) do not own a sufficient number of voting shares of the Company as set forth in Clause 5.1 hereof; and
 - 5.13.3. The proposal does not meet the requirements set forth in Clauses 5.7 and 5.8 hereof.
- 5.14. Candidates nominated to the Revision Commission may stand down until the moment the Supervisory Board includes the candidate into the list of candidates.

Article 6. Organizing the Work

- 6.1. The Revision Commission shall organize its work in the form of regular and extraordinary inspections, as well as meetings to discuss issues related to conducting inspections and organizing its work.
- 6.2. Scheduled inspections shall be conducted based on a fixed schedule that is based on target dates for approving the results of the financial and business operations for the year.
- 6.3. Extraordinary inspections shall be conducted:
 - 6.3.1. On the basis of a decision of the GMS;
 - 6.3.2. On the basis of a decision of the Supervisory Board;
 - 6.3.3. Upon the request of shareholders owning not less than 10% of voting shares of the Company; or
 - 6.3.4. At the initiative of the Revision Commission.
- 6.4. Extraordinary inspections of financial and business operations of the Company shall start not later than ___ days after the shareholder's request to

Annex 26. A Model By-Law for the Revision Commission

perform such an inspection is received by the Company, or after the date of the relevant minutes of the GMS, or the Supervisory Board meeting. The inspection must be completed within ___ days.²⁰⁰

- 6.5. Upon the results of scheduled and extraordinary inspections, the Revision Commission shall prepare a report. All Revision Commission members who participated in the inspection shall sign the report. Any Revision Commission member who disagrees with the Revision Commission's report may prepare a dissenting opinion that shall be appended to and shall be deemed an integral part of the Revision Commission's report. If a Revision Commission member does not sign the report and does not provide a dissenting opinion, the report must contain an explanation.²⁰¹
- 6.6. In accordance with its report, the Revision Commission may issue instructions to the officers of the Company requiring them to remedy the identified violations. The instructions shall be approved by the Revision Commission and signed by the Chairman of the Revision Commission.
- 6.7. The Revision Commission shall meet as required but at least once a quarter, as well as before and after the completion of each inspection.
- 6.8. Revision Commission meetings may be called by the Chairman of the Revision Commission or by written request of any of its members. The request must contain the list of issues to be discussed at the meeting. The meeting must be called within ___ days after the date of the request.
- 6.9. The Revision Commission meetings shall be held in the form of joint attendance. Meetings on organizational issues may be held in the form of video- or teleconferences.
- 6.10. Revision Commission members shall receive advance written notice of ___ days before the date of the meeting. The notice shall contain information about the date, time, and location of the meeting, as well as the agenda of the meeting.
- 6.11. Any Revision Commission member may make proposals and amendments to the meeting agenda subject to the terms of notification of the meeting.
- 6.12. The Revision Commission meeting shall be valid if at least half of its members participate in the meeting.

²⁰⁰ The FCSM Code recommends that the inspection of financial and business activities start within 30 days. The inspection must be completed within 90 days.

²⁰¹ FCSM Code, Chapter 8, Section 3.1.4.

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- 6.13. Decisions on all issues shall be made by a majority vote of Revision Commission members attending the meeting.
- 6.14. In case a member withdraws from the Revision Commission and if the number of Revision Commission members becomes less than the quorum as set forth in Clause 6.12 hereof, the Revision Commission shall request the Supervisory Board to call an EGM.
- 6.15. Revision Commission members may not delegate their powers to other persons, including by power of attorney.²⁰²
- 6.16. Minutes of Revision Commission meetings shall be signed by its Chairman and filed in the book of minutes kept by the Chairman of the Revision Commission or in the Company's files.

Article 7. Remuneration and Compensation of Revision Commission Members

- 7.1. Subject to the decision of the GMS, Revision Commission members shall receive compensation (receipts) of expenses incurred by them in connection with the performance of their duties and receive remuneration for their work.
- 7.2. Revision Commission members shall receive remuneration in the amount of _____ Rubles.
- 7.3. Remuneration shall be payable once every _____ months.

²⁰² FCSM Code, Chapter 8, Section 3.1.2.



Annex 27

A MODEL BY-LAW ON RISK MANAGEMENT

APPROVED
by decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

dated this __ day of _____, 200_
[The Company's Seal]

BY-LAW ON RISK MANAGEMENT

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law on Risk Management (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been developed and drafted in accordance with the laws of the Russian Federation (hereinafter the Law), the charter of the Company, by-laws, and other internal corporate documents, and recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).²⁰³
- 1.2. The By-law defines the principles and elements of the risk management system, risk management methods, monitoring and control over the efficiency of the risk management system, the bodies responsible for the risk management system, and information disclosure.

²⁰³ This By-law has been developed to help companies implement the requirements of the FCSM Code and is consistent with recommendations of specialized institutions. For more information see:

- Internal Control, Guidance for Directors on the Combined Code, The Institute of Chartered Accountants in England & Wales, 1999.
- Implementing Turnbull — A Boardroom Briefing, The Institute of Chartered Accountants in England & Wales, 1999.
- A Risk Management Standard, The Institute of Risk Management (IRM), The Association of Insurance and Risk Managers (AIRMIC), The National Forum for Risk Management in the Public Sector, 2002.
- Internal Control — Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission (COSO), U.K.
- Act on Corporate Control and Transparency (KonTraG), Germany.

Article 2. Definitions, Principles, and Objectives of Risk Management

- 2.1. For the purposes of the By-law, risk shall be defined as the probability of an event occurring, and its expected effect upon the Company's activities. The Company's approach to risk management takes into account the potential of unfavorable events or threats, and the potential of favorable events or opportunities.
- 2.2. The Company views risk management as one of the most important elements of strategic management and internal control. Risk management is a process utilized by the Company which regularly identifies, evaluates, and controls threats and opportunities; modifies its operations for the purpose of decreasing the level of threats and in order to take advantage of any opportunities; and informs shareholders and other stakeholders thereof.
- 2.3. The Company's system of risk management is not designed to eliminate risks, but to increase the probability that the Company's strategic goals will be attained and in addition, take appropriate actions to decrease the probability and amount of potential losses. To this end, the Company clearly defines the levels of risk acceptable for each category of corporate activity.
- 2.4. An integrated risk management system takes into account the interrelation of various risks for the purpose of evaluating their aggregate effect on the Company's operations, and uniformly evaluating the potential of financial, operational, and other risks.
- 2.5. The By-law is not limited to the protection of shareholder interests; it also takes into account the potential consequences of the Company's operations for other stakeholders.
- 2.6. Implementing and maintaining the risk management system has the following objectives:
 - 2.6.1. Compliance with corporate governance standards which focus on identifying, monitoring, and managing the risks, and properly disclosing information regarding such risks;
 - 2.6.2. Preventing situations that threaten the strategic goals and objectives of the Company, and providing protection against them;
 - 2.6.3. Coordinating and integrating risk management affecting various aspects of the Company's financial and business activities to generally increase the efficiency of management;
 - 2.6.4. Taking advantage of opportunities for increasing the value of the Company's assets and the Company's long-term profitability; and
 - 2.6.5. _____.

Article 3. Risk Identification

- 3.1. The Company uses its best efforts to identify all material risks. To achieve this objective, the Company uses standardized questionnaires, joint meetings of those persons responsible for risk identification, surveys conducted by external consultants, benchmarking, results of internal and external audits, and other methods of risk identification.
- 3.2. The Company identifies the risks related to all aspects of its operations, and maintains a register of risks. The register is limited to the description of the nature of the risk, and an experts' opinion regarding the materiality of such risks for the Company's operations. The register shall be updated periodically to reflect any changes in the external and internal conditions of the Company's operations.

Article 4. Analysis, Evaluation, and Classification of Risks

- 4.1. For each of the material risks, the Company assesses the probability of all possible outcomes, and the expected effects of each risk on shareholder value.
- 4.2. Based on this assessment and the allocation of certain risks to a certain management function (e.g. strategic, operating, financial), risks are classified in the form of a "risk chart" and "risk matrix."²⁰⁴
- 4.3. The Company uses simple, measurable, and well-defined indicators that allow it to assess the current probability of an expected event that correspond to each material risk. When an indicator approaches a certain critical threshold, it signals the necessity for management's and/or the Supervisory Board's intervention and decision-making.
- 4.4. For each risk indicator, the Company determines critical thresholds based on the level of acceptable risk and the relevant objectives of the Company.
- 4.5. After a preliminary assessment of the risks identified, the Company reviews registered risks in light of the Company's priorities and needs. As a result, risks that have been rated as high or low may receive a different rating.²⁰⁵

²⁰⁴ Methods of assessment and the risk chart/matrix format depend upon the objectives and specific features of a company's operations. The main goal of the chart is to illustrate relative priorities of material risks and allocate them by certain areas of functional responsibility. An example has been included at the end of this By-law in Exhibits 1 and 2.

²⁰⁵ If the risks are re-evaluated, minutes reflecting the relevant discussions on this matter should be kept. Many of the risks may be insignificant, but sometimes they may be numerous. This, in turn, may impede focusing on major and material risks.

Annex 27. A Model By-Law on Risk Management

Article 5. Risk Management Methods

- 5.1. For each material risk, the Company develops methods and solutions for dealing with such risks, for minimizing possible losses, but also to take advantage of opportunities presented. Such methods include, but are not limited to, detailed response programs when risk indicators reach critical thresholds.
- 5.2. The type and structure of the method is based on a reasonable balance between the expected economic effect of its application and the costs of its implementation.
- 5.3. Main risk management methods applied by the Company are:
 - 5.3.1. Acceptance and recording of risk;
 - 5.3.2. Sharing the risk with other parties;
 - 5.3.3. Termination of risk (e.g. canceling the project);
 - 5.3.4. Financing the risk (insurance, additional investments, or financing for the project, reducing the risk to an acceptable level);
 - 5.3.5. Diversification of risks; and
 - 5.3.6. _____.
- 5.4. Key considerations for choosing risk management methods are:
 - 5.4.1. The Company's willingness to accept a certain amount of risk;
 - 5.4.2. Balance between preventive versus detective controls;
 - 5.4.3. Weighing the costs versus the benefits of control; and
 - 5.4.4. _____.

Article 6. Monitoring and Control of the Risk Management System

- 6.1. The Company shall ensure ongoing monitoring and review of the risk management system.

Article 7. Bodies Responsible for the Risk Management System

- 7.1. The Heads of the Company's structural units are responsible for identifying risks in their respective areas of the Company's operations and within the scope of their authority as vested in them by the General Director.
- 7.2. The General Director is responsible for the implementation of the Company's overall risk management policy.
- 7.3. The General Director establishes a standing body _____ [a council, committee, commission, risk management department] that reports

directly to the General Director. This body consists of the following persons:

- 7.3.1. Deputy General Director;
 - 7.3.2. Heads of structural units;
 - 7.3.3. _____;
 - 7.3.4. _____; and
 - 7.3.5. _____.
- 7.4. The body shall meet regularly, once every ___ weeks to address the following issues:
- 7.4.1. The Company's operational, financial, and strategic risks, and any other risks identified by the structural units of the Company;
 - 7.4.2. The appraisal and analysis of identified risks;
 - 7.4.3. The development and review of the risk chart;
 - 7.4.4. The development of risk management methods for each separate risk; and
 - 7.4.5. _____.
- 7.5. Results of the risk management body meetings are reported directly to the General Director.
- 7.6. The General Director is responsible for submitting regular reports to the Supervisory Board that include information on the overall condition of the risk management system, any deficiencies in the system which have been identified, and specific proposals for its improvement.
- 7.7. If the Supervisory Board receives information on any material deficiencies in the risk management system, it commences an audit of the executive bodies and, if necessary, an assessment of the effectiveness of the risk management system.
- 7.8. The Supervisory Board approves the Company's risk management policy, reviews its efficiency, and takes measures to improve it on regular basis.
- 7.9. The control over the Company's risk management system is the responsibility of the Supervisory Board [the Audit Committee and/or the Strategic Planning and Finance Committee, if established].
- 7.10. The Supervisory Board reviews the following issues on a regular basis:
- 7.10.1. The nature and relative weight (significance) to be assigned to various risks faced by the Company;
 - 7.10.2. Identification of acceptable and unacceptable risks for the Company;
 - 7.10.3. The Company's ability to compensate for losses associated with risks or manage those risks deemed acceptable;

Annex 27. A Model By-Law on Risk Management

- 7.10.4. The cost of maintaining a comprehensive risk management system relative to its potential economic effect;
 - 7.10.5. Structure and arrangements of the Company's risk management system; and
 - 7.10.6. _____.
- 7.11. After receiving the annual appraisal of the risk management system, the Supervisory Board shall discuss and take a position on:
- 7.11.1. Changes in the nature and priorities of material risks since the most recent annual review, and the Company's ability to react to such changes;
 - 7.11.2. Quality and volume of activities of the executive bodies, Internal Auditor, and other bodies of internal control in the area of risk management;
 - 7.11.3. Whether the reports on the status of risk management are provided by the executive bodies to the Supervisory Board and its committees in a timely and complete fashion;
 - 7.11.4. Material errors in the risk management system during the reporting period, and the consequences of such errors for the Company's financial and business activities;
 - 7.11.5. The efficiency of the Company's accountability to outside stakeholders; and
 - 7.11.6. _____.

Article 8. Disclosure of Information on Risk Management

- 8.1. The risk management policy is viewed as an important element of the internal organizational culture, and shall be communicated to all employees. The company maintains communication channels between the Supervisory Board, the executive bodies, and all functional units for appropriate management of operational and strategic risks.
- 8.2. The Company discloses in its annual report the following information for outside stakeholders:
- 8.2.1. The structure of responsibility for various risk management functions;
 - 8.2.2. An analysis of material risks to the Company;
 - 8.2.3. Control processes for material risks, and risk management methods;
 - 8.2.4. Changes made to the company's risk management system and the grounds for such changes; and
 - 8.2.5. _____.

EXHIBIT 1. RISK MANAGEMENT CHART

Company/Project Name: _____

Project Status: _____

1. PARTIES INVOLVED:

Name	Title	Department/Company

2. POTENTIAL RISKS:

Potential Risks	Reasons/Explanations

3. RISK MANAGEMENT PLAN:

Potential Risks	Actions taken/planned (include staff name, date/timeline of action)

Prepared by: _____ Date: _____ Signature: _____

Reviewed by: _____ Date: _____ Signature: _____

Received by: _____ Date: _____ Signature: _____

Annex 27. A Model By-Law on Risk Management

EXHIBIT 2. RISK MANAGEMENT MATRIX

[Company Name] Risk Register			As of: [Enter Date]			Next Review: [Enter Date]			
Risk Serial No.	Risk Category	Description of Risk		Risk Assessment		Risk Priority	Adequacy of Existing Controls	Action (Treat, Tolerate, Transfer, Terminate)	Close Date
	Risk Sponsor	Risk Owner	Likelihood	Impact					
1	[Enter Risk Category]								[Enter Date]
	[Enter Risk Sponsor]								
	[Enter Risk Owner]								
2	[Enter Risk Category]								[Enter Date]
	[Enter Risk Sponsor]								
	[Enter Risk Owner]								
3	[Enter Risk Category]								[Enter Date]
	[Enter Risk Sponsor]								
	[Enter Risk Owner]								

Risk Assessment: High (H), Medium (M), or Low (L)

Adequacy of Controls: Uncertain, Inadequate, Adequate

Assessment Order: Highest Likelihood first, then by Impact

Risk Categories: External, Operational, Technology, Resource



Annex 28

A MODEL BY-LAW ON INTERNAL CONTROL

APPROVED

By decision of the Supervisory Board
of the Open Joint Stock Company «_____»

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

_____ dated this __ day of _____, 200_
[The Company's Seal]

BY-LAW ON INTERNAL CONTROL

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



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Article 1. General Provisions

- 1.1. This By-law on Internal Control (hereinafter the By-law) of the Open Joint Stock Company «_____» (hereinafter the Company) has been drafted in accordance with the laws of the Russian Federation (hereinafter the Law), the charter and other internal corporate documents of the Company, and relevant recommendations of the Federal Commission for the Securities Market's Code of Corporate Conduct (hereinafter the FCSM Code).
- 1.2. The By-Law defines the goals and objectives, principles, and processes, as well as the Company's bodies and persons responsible for internal controls.

Article 2. Definitions

- 2.1. Internal control is a process conducted jointly by the Supervisory Board, management, and the company's employees, the aim of which is to provide reasonable guarantees that the following Company objectives are attained:
 - 2.1.1. Financial reporting is reliable and accurate;
 - 2.1.2. Operations are efficient and effective; and
 - 2.1.3. Activities and processes comply with the Law, the Company's internal rules and guidelines.
- 2.2. The internal control system includes the following interrelated elements:
 - 2.2.1. Control environment;
 - 2.2.2. Risk assessment;
 - 2.2.3. Control procedures;
 - 2.2.4. Information and communication; and
 - 2.2.5. Control and monitoring of the internal control system's efficiency.

Article 3. Principles

- 3.1. The Company's internal system control is based on the following principles:
 - 3.1.1. The internal control system functions at all times, without interruption. A system of internal control that functions on an ongoing basis allows the Company to identify deviations on a timely basis, and helps to predict such deviations in the future.
 - 3.1.2. Each person involved in the internal control process is held accountable. The performance of each person carrying out internal control functions is, therefore, managed by yet another person within the internal control system.
 - 3.1.3. The system of internal control segregates duties. The company prohibits any duplication of control functions, and distributes functions among the employees so that one and the same person does not combine functions relating to the authorization of operations with certain assets, recording of such operations, ensuring and safe-keeping of assets, and inventory of these same assets.

- 3.1.4. Proper authorization and approval of operations is established. The Company establishes procedures for the approval of all financial and business operations only by authorized persons acting within the scope of their authority;
- 3.1.5. The Company ensures the organizational separation of its subdivision responsible for internal control and, moreover, ensures that this subdivision is accountable directly to the Supervisory Board (specifically its Audit Committee);
- 3.1.6. All persons involved in the Company's internal control process are responsible for the proper performance of control processes;
- 3.1.7. All units and departments integrate and cooperate with one another to ensure proper implementation of the internal control system;
- 3.1.8. A culture of continuous development and improvement has been put in place. The Company's internal control system is structured in such a way to ensure that it can be flexibly "tuned" to address new issues, and be receptive to expansions and upgrades in the system;
- 3.1.9. A system for timely reporting any deviations has been put in place. Ensuring the timeliness of reporting on deviations with the shortest possible deadlines allows authorized persons to receive such information in a timely manner and act in an expeditious manner to correct them;
- 3.1.10. The level of complexity of the internal control system corresponds to the level of importance of the object under control;
- 3.1.11. The Company prioritizes its activities. The Company's areas of strategic importance are covered by the internal control system, even if the efficiency of monitoring such areas, and the ratio between the costs and the economic benefits are difficult to measure; and
- 3.1.12. The Company's internal control system is comprehensive, that is, it covers all operational areas.

Article 4. Control Environment

- 4.1. The control environment within the Company can best be described as the general attitude of directors, senior managers, and shareholders towards the internal control system, and their awareness and practical actions aimed at establishing and maintaining the internal control system in the Company.

Annex 28. A Model By-Law on Internal Control

- 4.2. Control environment factors include:
- 4.2.1. The integrity, ethical values, and competence of the Company's employees;
 - 4.2.2. Management's philosophy and operating style;
 - 4.2.3. The way management assigns authorities and responsibilities, and organizes and develops its own employees; and
 - 4.2.4. The attention and direction provided by the Supervisory Board.

Article 5. Risk Assessment

- 5.1. The identification and assessment of the Company's risks is performed in accordance with _____.²⁰⁶

Article 6. Control Activities

- 6.1. Control activities are the policies and procedures that help ensure that management directives are carried out, and that necessary steps to address risks are taken.
- 6.2. Specific internal control procedures include:
- 6.2.1. Controlling the implementation of the financial and business plans of the Company;
 - 6.2.2. Comparing current operational data with the budget;
 - 6.2.3. Comparing data provided by various operating units of the Company;
 - 6.2.4. Examining the accuracy of accounting entries;
 - 6.2.5. Checking the accuracy and timeliness of document flows;
 - 6.2.6. Evaluating the efficiency of certain specific transactions;
 - 6.2.7. Checking for the management approvals of the underlying primary documents;
 - 6.2.8. Conducting periodic and unscheduled inspections, inventories of assets and liabilities;
 - 6.2.9. Reconciling and confirming settlement accounts;
 - 6.2.10. Using information from external sources for the purposes of control;

²⁰⁶ Insert the name of the by-law or other document regulating the company's risk management procedures. See also Annex 27 for a model by-law on risk management.

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- 6.2.11. Controlling the use of tangible assets;
- 6.2.12. Physically limiting access to the Company's assets, the underlying primary documents, accounting registers, and electronic accounting files;
- 6.2.13. _____; and
- 6.2.14. _____.

Article 7. Information and Communication

- 7.1. Information and communication refer to the identification, capture, and exchange of information in a timely and useful manner.
- 7.2. The Company ensures the availability of full and accurate information on events and conditions that may affect the Company's decision-making.
- 7.3. The Company is committed to creating a comprehensive system of information dissemination to cover all areas of the Company's activities. Information system software is authorized and protected in accordance with procedures adopted by the Company.
- 7.4. The Company seeks to create efficient communication channels to ensure that all governing bodies and persons involved in the internal control process understand and adhere to approved policies and procedures.
- 7.5. The Company ensures the protection of information by prohibiting and preventing unauthorized access.

Article 8. Control and Monitoring of the Internal Control System

- 8.1. An ongoing evaluation of the internal control system is conducted to determine the probability and materiality of errors, the occurrence of which could influence the accuracy of financial statements, and in order to determine whether the internal control system is meeting its stated objectives.
- 8.2. The review of the Company's internal control system is conducted in two stages:
 - 8.2.1. A general overview of the internal control system and preliminary evaluation of its reliability (Annex 1); and
 - 8.2.2. The confirmation of evaluations of material elements of the internal control system (Annex 2).

Article 9. Bodies and Persons Responsible for Internal Control

- 9.1. The Supervisory Board and the executive bodies of the Company are responsible for establishing the proper internal control environment and maintaining high ethical standards at all levels of the Company's operations.
- 9.2. The Supervisory Board (through its Audit Committee, if established) shall be responsible for the approval of the internal control procedures that fall within the authority of the Supervisory Board.
- 9.3. The General Director is responsible for devising and implementing the internal control system throughout the Company. For this, the General Director delegates certain authority to managers who are responsible for internal control functions within specific areas of the Company's activities.
- 9.4. The control and audit body of the Company²⁰⁷ or _____ [*specify the name of another person/body in charge of the internal audit function*] implements control activities on a daily basis and reports to the Supervisory Board (or its Audit Committee, if established) and the Company's executive bodies on the results of the internal audit of the internal control system. The control and audit body reports to and is functionally accountable to the Supervisory Board, and is administratively accountable to the General Director.
- 9.5. The control and audit body is comprised of ____ staff members that have the following qualifications:²⁰⁸
 - 9.5.1. _____;
 - 9.5.2. _____; and
 - 9.5.3. _____.
- 9.6. The control and audit body holds regular meetings whenever necessary, but not less than one meeting every ____ weeks.
- 9.7. The results of the meetings of the control and audit body are presented to the General Director [Finance Director] and the Chairman of the Supervisory Board [Chairman of the Audit Committee].

²⁰⁷ The control audit body may be the Control and Revision Service, or the Internal Auditor, or any other company department.

²⁰⁸ For example, a higher educational degree, __ years of professional experience in the __ industry or sector, etc.

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- 9.8. The Company's executive bodies shall annually prepare a report on the internal control regarding the preparation of financial statements for the Supervisory Board __ days before the Supervisory Board shall approve the annual report and the annual financial statements.²⁰⁹
- 9.9. The report on the internal control over the preparation of financial statements shall contain:
 - 9.9.1. A confirmation of the top managers' responsibility for implementing proper internal control over the preparation of the financial statements;
 - 9.9.2. A description of the internal control system and methods used to evaluate the efficiency of the system;
 - 9.9.3. Evaluation of the efficiency of the internal control over the preparation of the financial statements as of the end of the latest fiscal year as carried out by top managers;
 - 9.9.4. Confirmation that the Company's External Auditor prepared an opinion on management's evaluation;
 - 9.9.5. _____; and
 - 9.9.6. _____.
- 9.10. The Company develops a schedule of audits of its internal control system, and its subsidiary companies.
- 9.11. The following functions shall not be allocated to one and the same person:
 - 9.11.1. Immediate and unrestrained access to the assets of a business entity;
 - 9.11.2. Approval of operations with such assets;
 - 9.11.3. Conducting business operations; and
 - 9.11.4. Accounting of business operations.
- 9.12. The proper functioning of the internal control system depends upon the professionalism of its employees. The Company employs systems of selection, engagement, promotion, and professional training of personnel that ensure the highest qualifications and integrity of such personnel.
- 9.13. Executive bodies shall disclose information on material deficiencies in the internal control system.

²⁰⁹ Article 404 of the U.S. Sarbanes-Oxley Act (2002) requires use of this particular report. Accordingly, Russian companies are strongly advised to consider using this report.

Annex 28. A Model By-Law on Internal Control

Exhibit 1. General Overview of the Internal Control System and Preliminary Evaluation of Its Reliability²¹⁰

	Control Environment	Yes	No	N/A
Organizational Structure				
1.	The organizational structure has been developed and approved. It illustrates all departments, clearly indicating relations among management and the subordination of departments (employees).			
2.	The organizational structure of the department responsible for maintaining accounting records has been developed and approved indicating the relations within management and subordination of departments (employees).			
3.	Approved procedures on document flow exist, which list all of activities involving the production, review, and processing of documents performed by the departments and individual employees, and specifies relevant deadlines.			
Allocation of Duties, Powers, and Liability				
4.	The duties of those employees responsible for conducting commercial, financial, and business operations are clearly separated from the duties of those employees in charge of reflecting such operations in the operating system and/or accounting records.			
5.	The separation of functions and duties exists among the employees involved in the operations in a particular segment from their ability to exercise control over the accounting in such segment.			
6.	There are job descriptions for accounting unit employees which specify the allocation of duties, define liability, and establish the scope of authority for each position.			
7.	Those officers having the right to sign underlying documents are clearly identified.			
8.	The persons responsible for safekeeping assets have been officially appointed, and there is a clear system of accountability for such persons.			
9.	If the Company owns expensive assets, the number of persons authorized to dispose of them is limited in number.			
Human Resources Policy				
10.	Training sessions, and continuing professional education seminars are conducted for: <ul style="list-style-type: none"> • The members of the inventory commission in connection with the procedure for conducting and summarizing the results of the inventory of assets; • The cashier regarding rules for conducting cash operations; • Those persons accountable for assets regarding matters of control over the assets; and • The accounting employees to offer additional training and advanced training, etc. 			

²¹⁰ The list of questions in the exhibit is not exhaustive.

Notes:

- 1) The Company uses three levels — high, medium, and low — for the purpose of assessing the efficiency and reliability of the internal control system in general, the control culture, and the specific control procedures employed by the Company.
- 2) The grading at this stage is done by analyzing the data in the table. The ratio of positive answers, i.e. those checked “yes”, in relation to the total number of questions in the questionnaire will be the basis for the assessment. If the ratio is 40–60%, the preliminary assessment of the internal control system shall be assessed as medium. If the ratio is less than 40%, the level of the internal control system will be defined as low, and if it is more than 60%, as high.
- 3) The results of any preliminary review of the accounting and internal control systems are generally insufficient to draw a final conclusion as to the overall efficiency of the internal control system, since a low assessment of reliability of the internal control system and/or separate controls does not preclude a medium or high assessment of the level of other individual controls. However, the results of the first stage should be taken into account during the process of further review (see Exhibit 2).
- 4) The completed table is used as the basis for assessing each section and the entire stage, in general. Subsequently, a review is planned based on the given results. One should not rely on the existing internal control system in the areas affected by the sections graded as “low,” and items for which the answer was “no.” Attention should be paid to those specific areas assessed negatively, although the section as a whole may have been graded as “medium” or “high.” Based on the initial result received upon assessment of the entire stage, a decision is made whether one can rely on the internal control system or not.

Annex 28. A Model By-Law on Internal Control

Exhibit 2. Confirming the Evaluation of Material Elements of the Internal Control System²¹¹

No.	System of Control	Notes
General Matters		
1.	Does management create the appropriate atmosphere and culture in the Company regarding matters of internal control?	
2.	Does any control and audit body implement internal control?	
3.	Does any regular program regarding the review and assessment of the internal control system exist as the Company's operations change?	
4.	Does the reporting system provide sufficient information to identify any material financial and operational problems in a timely manner?	
5.	Does the Audit Committee receive the same comments from the External Auditor regarding the internal control system as management does?	
6.	How does the External Auditor evaluate the Company's internal control system? What suggestions have been made? Does the External Auditor prepare a report regarding internal control measures for preparing financial statements? Do the Company and its External Auditor provide a report on the internal control system to the Company's shareholders?	
7.	Has the External Auditor identified any material defects in the internal control system's structure or functioning? Were any of them serious enough to be considered "material defects"? What was done to cure such defects?	
8.	Do both management and the Supervisory Board consider the Company's internal control system to be effective? What mechanisms exist within the Company to prevent accounting fraud or other violations of accounting principles?	
9.	How often do the control and audit bodies of the Company (the Revision Commission, the Control and Audit Service, or the Internal Auditor) examine the Company's internal control policies and procedures? Have any serious defects been identified? And, if so, what was done to cure such defects?	
Fraudulent and Illegal Practices		
10.	Does the Company have any program in place to detect and prevent fraud? Who is responsible for corporate security? Does the Company have a good control system to protect the Company's technology, commercial secrets, and other confidential information?	
11.	Are the internal control policies and procedures efficient enough to reveal any potential defects, fraud, or illegal practices? Is the the control system sufficient enough to uncover any unauthorized transactions, for example, unauthorized securities operations?	

²¹¹ The list of questions in the exhibit is not exhaustive.

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No.	System of Control	Notes
Fraudulent and Illegal Practices (continued)		
12.	Is there any system in place which protects against the misappropriation of the Company's assets?	
13.	Does the control and audit body of the Company have any processes specifically intended to prevent fraud? Do they include discussions with management regarding implementing of measures to prevent fraud? Does the Audit Committee discuss with the External Auditor its review of the risk of fraud during the course of audits?	
14.	Did the Audit Committee receive any information regarding fraudulent or illegal practices occurring during the previous year? If such practices occurred, what arrangements did management and the auditing authorities make for dealing with such events?	
15.	Were any employees involved in committing fraud? If so, what sanctions were imposed against such employees? Were these cases disclosed to the public?	
16.	What policies and procedures does the Company have in order to uncover and prevent any insider transactions? Were any such violations revealed during the previous year? If so, what measures did management and the control and audit body take to rectify the situation?	
17.	Does the Company have any policies or procedures concerning voluntarily disclosing information as to material terms (the price, periods, payment procedures) of supply agreements with counterparts representing the interests of state agencies or departments?	
18.	Who is responsible for the enforcement of the Company's internal control policies and procedures? Does this person have a sufficiently high level of experience and expertise to ensure efficient performance of its duties and responsibilities?	
19.	Are the Company's lawyers required by the Company to report any possible violations of laws and regulations to executives at the relevant level? Has such information ever been reported? If so, what measures were taken as a result?	
External Audit		
20.	How often does the External Auditor meet with the control and audit body and the Audit Committee? Does management take part in such meetings? Does the Audit Committee meet with the External Auditor separately, i.e. without management being present?	
21.	Does the Audit Committee analyze the breadth and degree of the External Auditor' intended audit prior to such audit? Does it hold any meetings with the External Auditor when the audit is completed? What mechanism ensures that the Audit Committee follows the Auditor's recommendations?	
22.	Who appoints the External Auditor? What is the decision-making process for the Audit Committee to decide on appointment of the existing Auditor or election of a new one? If shareholders do not approve this decision, what are the reasons?	
23.	Does the External Auditor have any relationship with management or the Supervisory Board that may be viewed as a conflict of interest?	

Annex 28. A Model By-Law on Internal Control

No.	System of Control	Notes
External Audit (continued)		
24.	What kind of non-audit services does the External Auditor provide? Do the fees for such non-audit services significantly exceed typical audit fees and if so, why? How do the fees for non-audit services compare with the fees paid by other companies in the same industry in terms of their form and amount?	
25.	Has any competitive selection process been carried out, or any other method used to guarantee that the External Auditor's services are offered at market prices and pursuant to accepted standards? What fees do other consulting firms charge, and what is the percentage of the total fees for such consulting services that the External Auditor receives?	
26.	Does the External Auditor provide the Company with any internal audit services? Does the Company plan on having the External Auditor provide such services?	
27.	Does the External Auditor advise the Company on matters of structuring transactions? If so, what kind of advice is provided? Does the External Auditor analyze any material and complex transactions from the point of view of accounting and tax matters? Is the control and audit body informed about such transactions? What methods are applied to supply the External Auditor with all the necessary information in order to ensure accurate taxation? Does the Company consult with the technical staff of the External Auditor? Has the Company ever had any disagreements with the External Auditor concerning the accounting for such complicated transactions?	
28.	Has the Company ever considered periodic rotation of the External Auditor's lead partner, or even the entire audit firm?	
29.	How many years has the External Auditor audited the Company?	
30.	If the External Auditor was dismissed/replaced, what were the reasons? If the External Auditor refused to conduct further audits of the Company, what were the reasons?	
31.	Did the company have any disagreements with the previous External Auditor concerning the Company's accounting practices? If so, what were the reasons of such disagreements?	
32.	What are the nature and scope of errors in the financial statements which were revealed by the External Auditor and which were not corrected by management?	
33.	Did the Audit Committee have any consultations with its advisers or any other audit firm? What necessitated such consultations? Does the Audit Committee believe that such consultations will become a standard practice in the future?	
34.	Does the Company use the services of any other audit firms in order to audit its subsidiaries? Are all the Company's divisions audited? Is any Auditor's report on financial statements of Company's subsidiaries qualified? If yes, why did the Auditor's report on the parent company not disclose such information?	
35.	Does the External Auditor visit the main operating units of the Company on a regular basis?	

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No.	System of Control	Notes
Internal Audit		
36.	Does the Company have an Internal Auditor or internal audit unit? If not, does the Company plan on establishing one? When will it start operating? What costs are involved in its creation?	
37.	How many Internal Auditors are there in the Company, and how does this figure compare to similar companies? What is the amount of annual expenses for maintaining the Internal Auditor? What have been the trends for changing the personnel of the Company's Internal Auditor over the last five years?	
38.	How often do the internal audit representatives meet the Audit Committee? Does management take part in such meetings? Are any meetings held without management's participation? Does the Audit Committee meet the Internal Auditors separately?	
39.	Does the Audit Committee conduct a preliminary evaluation of the scope of work of the Internal Auditors? What mechanism, if any, ensures the Committee's compliance with the Internal Auditors' recommendations?	
40.	Does the Internal Auditor participate in the audit of financial statements?	
41.	Does the Company have any Internal Auditors specializing in the audit of information systems and control systems? Do their responsibilities include examination of computer security and business continuity planning?	
42.	Does the Internal Auditor include specialists in the area of operations with financial instruments? How often does the Internal Auditor inspect operations with derivative instruments and risk management procedures?	
43.	Is the Internal Auditor encouraged to receive additional professional training (for example, to qualify as a certified accountant)? How is the appropriate professional level of the Company's Internal Auditor maintained?	
44.	What governing body does the Internal Auditor report to? Does the head of the Internal Auditor function have permanent access to Audit Committee members? Does the Supervisory Board approve the By-law on Internal Control and the scope of work of the Internal Auditor? Can management dismiss the head of the Internal Auditor without the consent of the Audit Committee?	
45.	Are there any limitations on the scope of work of the Internal Auditor? Do the Internal Auditors have unrestricted access to all units, documents and personnel of the Company?	
46.	How often do the representatives of the Internal Auditor visit each of the operating units? Do they audit foreign units? Are there any offices or units of the Company that the Internal Auditors have never visited?	
47.	Does the Internal Auditor conduct operational (managerial) audits intending to identify opportunities to increase production efficiency and eliminate instances of inefficient operation? How much time does the operational audit take in comparison with the financial audit?	
48.	Do the Internal Auditors prepare written reports for each audit? Who receives such reports? Who is responsible for implementing the recommendations?	
49.	Does the Company use the External Auditor's employees to conduct internal audits? If so, does this procedure violate the requirements regarding the External Auditor's independence?	

Annex 28. A Model By-Law on Internal Control

No.	System of Control	Notes
Internal Audit (continued)		
50.	Does the Company engage any other audit firm to conduct the internal audit? What is the relationship between the External Auditor and the firm that provides internal audit services?	
51.	Has an external audit of the standards and efficiency of the Internal Auditor ever been conducted?	
General Financial Accounting Matters		
52.	How does the Company gauge the quality of its accounting practices? Can the Company's accounting policy generally be described as aggressive or conservative?	
53.	Have the press or analysts expressed any concerns regarding the accounting policy of the Company?	
54.	How does the Company's accounting policy compare with those of its main competitors?	
55.	Is the Company's accounting policy consistent with the last year's policy? Were there any changes in the accounting policy? If so, how did such changes influence the financial results? Are there any plans to change the accounting policy next year? What is the expected effect?	
56.	What quantitative and qualitative factors does the Company consider important for purposes of making decisions regarding the materiality of violations during reviews of the financial statements?	
57.	Did the Company have to amend the profit and loss statement? If yes, what was the reason for the misstatement, and how was it discovered? Is there any possibility that these misstatements were deliberate?	
58.	Why has the information about _____ (a material event such as acquisition, write-off, or sale) not been made available earlier? How long did such information remain undisclosed? Is the Company considering any similar transactions in the near future?	
59.	Are the financial statements of the Company available on the internet? Does the Company plan to distribute hard copies of its annual report directly to shareholders?	
60.	Why did the Company change its accounting method of _____ [name transactions]? Why is the new method better than the old one?	
61.	What is the cause for the increase/reduction of _____ [name account] as compared to the last year?	
62.	What general items were included into _____ [name account]?	
63.	What is the Company's accounting policy regarding _____ [name transaction]?	
64.	What extraordinary accounting entries affected the comparability of results?	
65.	What items are included into "other" in _____ (name the balance sheet line)?	
66.	What kind of information does the Company provide regarding its trading activity, in particular, its over the counter transactions where fair or market value price must be determined separately?	

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No.	System of Control	Notes
Financial Accounting Matters: Information Disclosure in the Annual Report		
67.	Does the Company include in its annual report information on material aspects of its accounting policy, assumptions and uncertainties that affect the application of its policy, and the probability of the amounts being materially different based on other assumptions? What are the most material assumptions and qualifications that management uses in preparing the financial statements?	
68.	What does the Company do in order to make its financial statements transparent and easy to understand? Do the financial statements of the Company and its annual report reflect actual business risks and economic reality accurately, completely, and clearly?	
69.	Why does the Company not increase the scope of information in its annual report by including more analytical information and forecasts, and information about current issues and steps to resolve problems?	
70.	Does the Company's annual report clearly explain the external environment, industry dynamics, and the Company's position in the market?	
71.	Does the Company's annual report reflect its strategy in terms of its market capitalization?	
72.	Are the Company's financial objectives clearly stated, and to what extent have they been fulfilled by the Company? Is information included about the managerial and governance structures responsible for fulfilling the Company's strategies?	
73.	Is it clear from the annual report what the basis for the Company's financial performance is, how efficient the Company is in managing such resources as personnel, innovations, clients, trademarks, and suppliers, and what the Company's reputation is with stakeholders in terms of its environmental responsibility?	
Financial Accounting Matters: Accounting		
74.	Have accounting records been kept in accordance with the Company's approved accounting policy for the relevant period?	
75.	Does the Chief Accountant or any other authorized person check internal transactions to control whether all current business transactions are fully reflected in the accounts, and whether internal transactions comply with the rules in effect?	
76.	If the Company is conducting internal transactions which are not referenced or reflected in the chart of accounts (accounting records), do these internal transactions lead to a violation of accounting rules and, as a result, are misstatements of the taxable base and financial results material?	
77.	Are the business transactions authorized by management, both in their entirety and on each phase of the transaction (for example, all underlying petty cash vouchers and accounts payable are approved by the authorized manager)?	
78.	Do the accounting records reflect all business transactions based on the primary documents only?	
79.	Do the synthetic accounting balance data in the ledger correspond to the accounting balance data in the order record books or in any other backup accounting registers?	

Annex 28. A Model By-Law on Internal Control

No.	System of Control	Notes
Financial Accounting Matters: Accounting (continued)		
80.	Does analytical accounting data correspond to primary document data regarding the designation, terms and amount, and to the synthetic accounting data?	
81.	Do the closing balances in the accounting registers correspond to the opening balances of the next reporting period?	
82.	Are there any inconsistencies between the amounts of a particular internal transaction as reflected in different accounting registers (for example, in the order register and in the ledger)?	
83.	Are there any inconsistencies between the balances of any particular account as reflected in different accounting registers (for example, the balance of the cash account which is registered in the ledger may not correspond to the same account balance registered in the cashbook)?	
84.	Are primary documents and accounting registers free from any notes made in pencil or unspecified corrections?	
85.	Are accounting operations registered on the basis of the accrual method?	
86.	Has any particular person been appointed to be responsible for, and is there any control over the timing of payments under invoices to avoid penalties for the breach of contractual obligations?	
87.	Are earmarked funds used for their intended purpose (subject to approved estimates and plans)?	
88.	Are all funds created in accordance with the Company's charter spent in accordance with their purpose?	
Financial Accounting Matters: Financial Results		
89.	How do actual sales and revenues relate to the numbers in the forecasts and the budget, or the numbers for the previous year? If any differences exists, what are the reasons for such differences? To what extent did operating volumes influence these differences? Or the assortment of goods/services? Or the price?	
90.	If the financial results of the Company differ from the forecasted figures or from forecasts by analysts, what are the reasons?	
91.	What percentage of any increase in sales is accounted for by new acquisitions?	
92.	How much money did the Company save over the past year because of cost-saving measures?	
93.	What share of the Company's net profit accounts for one-time transactions? What kind of transactions were they?	
94.	How do revenues and the major financial indices of the Company compare with the data for other companies in this industry? How do cash flows and the Company's liquidity compare with those of its competitors? If operational cash flows fail to grow as fast as the net profit, what are the reasons for that?	
95.	How much money was spent on advertising and goods promotion this past year? Will these expenses increase or decrease next year?	
96.	If the Company's receivables increase faster than sales, what are the reasons for that? Does the Company provide major clients with additional financing in order to encourage sales? Has the Company had to write off any part of such debts?	

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No.	System of Control	Notes
Financial Accounting Matters: Financial Results (continued)		
97.	What was the total amount of debt written off last year? How can it be compared with other companies in this industry? What were the largest amounts of debt written off?	
98.	How much in receivables are owed by insolvent or bankrupt companies? Has any reserve been set aside, and if so, do such reserves cover the full amount of these debts?	
99.	Is there any risk of default from the Company's major suppliers or customers, or other major contracting parties, because of financial problems or bankruptcy?	
100.	Are there any direct or indirect operational risks, including risks connected with off-balance contracts, with a company that has initiated bankruptcy proceedings?	
101.	Does the Company have any joint investment projects, derivative, or other contracts with a company that has claimed bankruptcy? If yes, has the value of such joint investments decreased as a direct result thereof? What was the estimated value of those investments at the end of the year?	
102.	Why are ____ [a competitor's] operational results so much better than the Company's results?	
103.	How does the Company's return on investments compare with other companies in this industry?	
104.	How does the Company's profitability compare with changes in revenues? If the net profit has not grown in proportion to revenues, then what factors influenced the situation?	
105.	Were there any material revisions of profit data made in the fourth quarter?	
Control Over Computer Data Processing System		
106.	Is software appropriately licensed?	
107.	Is the program protected from access by third parties who may change or delete data?	
108.	Are electronic accounting data backed-up on a regular basis to prevent loss or deletion?	
109.	Do the original electronic forms (templates) of primary documents and accounting registers developed by the company (an order register, a cash register, the ledger) satisfy the requirements for unified and approved forms?	
110.	Does the business accounting data processing algorithms comply with current laws? When using the electronic business accounting method overall, or in certain areas, is it necessary to selectively check and confirm the validity of calculations under the main orders? For example, when using the computerized method of filling in tax returns, are the tax accounting formulas and the tax rates correct? When using the computerized method of filling in accounting forms, are the formula and synthetic accounts which are involved in the calculations correct?	

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Notes:

- 1) The processing of the data is carried out in the same way as for the table in Exhibit 1. Thereafter, an evaluation of the functioning of the accounting and internal control system should be separately conducted for each Company unit and for the Company as a whole.
- 2) The report on the evaluation shall provide a description of any identified shortcomings with suggestions for remedying such deficiencies. In this way, those parts of the accounting and internal control systems that require special attention and focus from the Supervisory Board will be identified, and efforts made to minimize the risks of recurrence. The resulting data analysis should indicate the status of the internal control system in each Company unit, and will readily allow the identification of strengths and weaknesses in the accounting and internal control systems.²¹²
- 3) The results of the aggregated data analysis in each Company unit should indicate the level of the internal control system in the whole Company. A low estimate indicates that material deficiencies in the internal control system exist, and that the existing accounting and internal control systems in the Company are not capable of identifying and curing significant deficiencies and/or preventing such deficiencies from occurring.²¹³

²¹² Approximate results of the estimates:

- Financial operations reflected on the accounting with violations of legal requirements bring into question the correctness of recording these transactions;
- Misstatement of cost and financial results records in certain accounting periods;
- Lack of control functions leads to unjustified expenditures of the company's funds; and
- Contracts entered into which violate laws and regulations might be declared null and void under Article 168 of the Civil Code.

²¹³ Some examples of the most common deficiencies:

- Lack of proper delineation of duties, or multiple duplication of duties;
- Lack of proper control over, and approval of business transactions;
- Lack of proper control while preparing and entering into business agreements;
- Inefficiency of control procedures;
- Intentional or unintentional violations of control procedures by company officials; and
- Accounting system violations by employees who are in charge of preparing initial documents.



Annex 29

GUIDELINES ON THE ANNUAL REPORT

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Part I. Drafting, Approving, and Publishing the Annual Report

The purpose of these guidelines is both to summarize the standards and requirements of current Russian legislation, and to succinctly present good corporate governance practices relative to drafting annual reports for Open Joint Stock Companies. This document consists of two parts. The first part



contains general recommendations on procedures for drafting, approving, and publishing the annual report, while the second part contains specific guidelines and recommendations regarding the structure and content of annual reports.

1. The Importance of the Annual Report for the Company

The annual report is more than just a legal requirement — it should be seen first and foremost as an information tool for the company's shareholders. It may also serve to highlight the company's accomplishments and help attract potential investors. The annual report should, however, present a balanced view. Balance requires that the company not only focus on successes, but on setbacks as well. The manner in which information about the company is presented, how that information is grouped, and the key elements of the document's layout and structure can all have a significant impact on readers. The specific structure chosen by the company will of course depend upon the nature of its business activities, and the specific goals and objectives chosen for the annual report. Ultimately, it is the information contained in the annual report that will define its quality.

2. Preparing Information for the Annual Report

a) Defining the aims of the company's information disclosure policy

The principal aims and purposes of disclosing information in the annual report should be clearly defined at the outset of the preparation process, and might include any of the following:

- To demonstrate to shareholders the ability of management to respond successfully to changes in the external business environment;
- To convince potential investors of the benefits of investing in the company;
- To convince key stakeholders of the company's ability to withstand industry crises; and
- To inform the markets of the company's earnings, how earnings were generated, and future performance potential.

b) Defining the target audience

Defining the target audience and its expectations in terms of disclosure is important. The potential target audience may include one or more of the following groups: shareholders, potential investors, state and local authorities, customers,

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suppliers, creditors, and employees. At a minimum, the following questions about the target audience must be addressed:

- Who is the intended recipient?
- What level of knowledge and skills in the fields of management, finance, and marketing, and the company's industry and sector does the potential reader have?
- What effect should the report have on the reader?
- What information about the company is the most important to potential readers?

c) Defining responsibility

The Supervisory Board should ultimately be responsible for supervising the drafting of the report. Nevertheless, it is advisable to establish a separate committee or charge a specific person with the responsibility for preparing the information and drafting the report.

d) Defining the contents

In terms of preparing the information to be included in the report, it should be borne in mind that the report should do more than simply recite the company's recent financial achievements — it should reflect the dynamics of the company's current and future development. For example, today's market and potential investors not only require information about the company's recent profits, but also information about the company's investments in R&D, its market share, capital expenditures, technological innovations, and a description of its corporate governance, social, and environmental policies. The prevailing practice today is to divide the annual report into various sections for quick reference. If the company intends to attract foreign investment, the report should be drafted in a number of languages, ideally in English.

3. Procedures for the Approval and Publication of Annual Reports

In Russia, procedures for the preparation and publication of annual reports of Open Joint Stock Companies are regulated by:

- The Federal Law of December 26, 1995, No. 208 on Joint Stock Companies;
- The Federal Law of November 21, 1996, No. 129 on Accounting and Book-keeping;

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- The Order of the Ministry of Finance of the Russian Federation of November 28, 1996, No. 101 on Procedures for the Publication of Financial Statements by Open Joint Stock Companies;
- The Federal Commission for the Securities Market (FCSM) Resolution of May 31, 2002, No. 17/ps on Approving the Regulations on Additional Requirements for Preparing, Calling, and Conducting the General Meeting of Shareholders; and
- The FCSM Resolution of April 04, 2002, No. 421/r on Recommendations to the Application of the Code of Corporate Conduct (hereinafter the FCSM Code).

The principal requirements of Russian law regarding the approval and publication of annual reports can be summarized as follows:

- The executive body is responsible for the annual report;
- The data contained in the annual report must be verified by the company's Revision Commission, and certain companies are also required to have their annual financial statements verified by an independent External Auditor;²¹⁴
- The annual report has to be preliminarily approved by the company's Supervisory Board, but not later than 30 days before the date of the Annual General Meeting of Shareholders (AGM);
- The annual report must be signed by the General Director, as well as the chief accountant, and contain a specific statement regarding its preliminary approval;
- Companies are required to disclose their annual reports to shareholders;
- The publication of financial statements is subject to AGM approval, but good corporate governance practices dictate that they be publicly disclosed, ideally through the company website as well; and
- The annual financial statements must be published no later than June 1st of the year following the reporting year.²¹⁵ The publication of financial statements shall mean public disclosure through publication in the mass media, and they are deemed publicly disclosed in the event of actual publication in at least one

²¹⁴ Law on Auditing, Article 7, Clause 1, Paragraph 2 provides that companies must have an annual, external audit conducted by a certified independent External Auditor (or a licensed audit company), when the company is incorporated as an Open Joint Stock Company, or has revenues for the reporting year greater than 500,000 times the minimum wage, or has a book value of assets as of the year-end greater than 200,000 times the minimum wage.

²¹⁵ Order of the Ministry of Finance of the Russian Federation, No. 101 on Procedures for the Publication of Financial Statements by Open Joint Stock Companies, 28 November 1996, Section 1.1.

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printed media as may be set forth by the charter or decision of the General Meeting of Shareholders (GMS).

4. The Annual Report's Structure

Until recently, there was no legal regulation of the structure of annual reports in Russia. Lately, the trend has been to toughen regulations in this area. The FCSM Regulation No. 17/ps on Approving the Regulations on Additional Requirements for Preparing, Calling, and Conducting the General Meeting of Shareholder contain requirements for the contents of annual reports. The FCSM Code also includes certain recommendations with this regard.

In accordance with requirements of FCSM Regulation No. 17/ps and the FCSM Code recommendations, the annual report should contain a statement of the company's industry position and business; disclose the company's sales and financial performance; report on the payment of dividends; include detailed information about the company's securities; list extraordinary transactions and related party transactions; disclose information about the company's Supervisory Board and the executive bodies, as well as information regarding remuneration; and finally, disclose information regarding the company's corporate governance practices, and its employee, social, and environmental policies.

Part II. A Model Structure of the Annual Report

1. The Cover Page

The cover page should be attractive, professional, and designed to reflect the principal idea and the main focus of the company's business, and should include, if applicable, the following:

- The company's logo or trademark; and
- The company's slogan or motto.

2. Overview

This section should provide the reader with a brief overview of key events and issues that have had an impact on the company — both with respect to the past financial year and in the foreseeable future.

3. The Address of the Company's Chairman of the Supervisory Board

The address of the company's Chairman of the Supervisory Board (commonly referred to as the Chairman's report) must be balanced and targeted specifically at its intended audience. A principal theme or topic should be chosen, and typically, the following items should be included:

- A general discussion of the company's financial results and highlights;
- An overview of the company's share performance and the payment of dividends;
- The company's principal achievements during the year;
- A brief overview of the general business environment and the company's principal markets;
- The company's business strategy and plan, and product initiatives and innovations; and
- Principal changes in the company's management structure.

4. Information about the Company

This section is critical, especially for potential investors. It is necessary to bear in mind that much of the intended audience does not necessarily possess sufficient historical or up-to-date information about the company. Accordingly, this section should provide a sufficiently comprehensive description of the company, and might include the following main points:

- A brief history of the company, its products or services, and a description of its governance structure (consider presenting the company's structure in the form of a diagram);
- The company's organisational structure, including any subsidiaries and related companies;
- An overview of the main events of the year that affected the company's development and success;
- A brief review of the company's key markets and product groups;
- An overview of its production capacity and output, where applicable; and
- Any other information, including contact and reference information about the company, and information about its achievements and policies that might be deemed interesting or attractive for potential investors.

5. Management's Discussion and Analysis

Financial information about the company, including the utilization, sale, and purchase of assets, is essential for both current shareholders and potential investors alike. Therefore, in this section entitled Management's Discussion and Analysis (MD&A) it is advisable to provide a comprehensive picture of the company's assets and financial situation, and disclose this information to an even greater degree than that currently required by law. For example, certain business transactions between the company and its senior executives or major shareholders should be disclosed. As another example, it may be desirable to present net profit figures both as a total net profit, and net profit broken down by products or market segments. In addition, detailed information regarding changes in asset composition, an analysis of the company's liquidity, its profit margin and debt to equity ratio, and the percentage of export earnings relative to the total earnings of the company for the year should be included. The sections presenting the financial results and condition of the company should contain both current and historical data covering, for example, the preceding three-year period. Since the company's executives often have the most complete information about the company's financial situation, the annual report should include management's discussion and analysis of the results and the factors affecting its financial situation, and the current trends that are likely to affect the company's financial strength in the future. The following topics should be addressed in detail:

- A review of significant business transactions entered into or contemplated for the future;
- An analysis of the factors contributing to the discrepancy between planned and actual results;
- A thorough presentation of the company's accounting methods and policies, including the legal basis on which the annual report was prepared, which accounting standards were utilized in preparing financial statements beyond Russian Accounting Standards (RAS), e.g. International Financial Reporting Standards (IFRS) or U.S. GAAP, and any deviations from these standards, methods for asset reporting (for example, depreciation and amortization of assets), and methods for cost and tax accounting;
- Inflation figures and foreign currency calculations and accounting, if applicable;
- An analysis of any restructuring of the company and the effects of such restructuring;

- A detailed and comprehensive analysis of the company's financial results, including, but not limited to, presentation of data on sales, product costs, operational profits broken down by business units, products or market segments, a breakdown of operational and non-operational income and expenses, earnings before tax, depreciation, and amortisation, net profit, taxes on profit, and earnings per share;
- A detailed and comprehensive analysis of the company's financial condition, including, but not limited to, a presentation of data regarding the company's balance sheet, such as information on the composition of current assets including inventories, payables and receivables, equity structure, the debt to equity ratio, details as to current and long-term liabilities and debt repayment, and changes in the company's policy regarding asset and debt management;
- The company's liquidity and sources for additional funding for current and long-term operations; and
- A detailed description of the company's risk management system, including a description of the principal risks associated with the company's business operations, e.g. market price and interest rate fluctuations, and an overview of the procedures employed for managing and minimizing such risks, including the setting aside of additional reserves and the purchase of insurance policies.

6. Market Share, Sales, and Marketing

In general, this section should enable the reader to obtain a comprehensive understanding of the company's sales and marketing position in its principal markets. Further, this section should provide adequate information about management's activities and efforts aimed at strengthening the company's position. To facilitate the reader's understanding, it is especially appropriate and desirable in this section to utilize tables, graphs, and diagrams to present and illustrate the data, and additionally, it may prove useful to provide references to the financial statements and cash flows when explaining how certain events or decisions affected the financial results of the company. Consider providing a detailed analysis of the following:

- Key market trends, both macro- and micro-economic;
- Summarize the company's competitive environment and changes in its market share;
- Present sales data expressed in unit volumes and in monetary figures, and by market segments and products as applicable;

Annex 29. Guidelines on the Annual Report

- Present detailed product and price information, including new products, sales, and pricing policies;
- Provide a summary of the company's relationship with its principal suppliers; and
- Summarize management's efforts to counteract negative developments in the company's markets, and efforts aimed at maximizing the company's competitive advantages.

7. Securities and Equity

This section is primarily addressed to shareholders and potential investors. It should include information about the company's ownership structure, and a description of the main principles of the company's dividend policy and disclosure of dividends paid or reasons for non-payment. The aim of this section is to give shareholders and potential investors a thorough understanding of the current value of the company's shares, existing stock market trends, and associated risks. Characteristically, this section utilizes an abundance of charts and graphs to present the data. It is important as well to note that, in accordance with Russian law, the company must disclose information on shareholders who own 20% or more of the company's shares. However, this is insufficient information for understanding the true ownership structure of the company. Therefore, it is also recommended that information on shareholders who own as little as 5% or more of the company's shares be disclosed. While disclosing this information, the company should also disclose any information in its possession about indirect ownership of the company's shares. The following issues should be covered:

- Information regarding the issuance of company securities and its capital share structure, including information on the number of outstanding shares, a list of major shareholders, and any share buyback plans or other acquisitions and divestitures implemented by the company;
- Any steps undertaken by management to raise the market capitalization of the company;
- Current and historical trading data for the company's shares, including maximum and minimum prices and volume of shares traded over a specified period; and
- A description of the company's dividend policy and payments of dividends.

8. Corporate Governance Structures and Principles

In general, shareholder protection mechanisms, good board practices, disclosure and greater transparency, as well as the establishment of adequate risk management and internal control mechanisms, lead to more than just an increased flow and volume of investment capital — they should also lead to increasing operational and managerial efficiency, increasing growth and profits, and enhancing reputation. For these reasons, it is imperative that the annual report include a section on the company's corporate governance policies and procedures.

In addition to providing a diagram of the company's governance structure, the annual report should contain the company's statement of firm and continuing commitment to corporate governance principles and practices. Further, it is worthwhile to consider providing a list of corporate governance principles that the company has adopted and adheres to, and provide a detailed accounting of the company's efforts and successes in satisfying such principles during the reporting period. While no list can be considered completely exhaustive, the following items regarding the corporate governance policies and practices should be considered for inclusion in the annual report:

- The company's statement of firm commitment to the most progressive principles and practices of corporate governance;
- A statement of compliance with the principles of the FCSM Code and regulations;²¹⁶
- Details regarding the composition of the Supervisory Board, including background information for each member, and a statement as to which directors are independent;
- A statement regarding the company's remuneration policy, and the details of the individual remuneration of Supervisory Board members and senior executives during the reporting period;
- A statement regarding the existence and competencies of any Supervisory Board committees, and details of their relationship and interaction with the company's Supervisory Board;
- A disclosure of the company's risk management and internal control systems, and a statement of compliance therewith;
- A detailed disclosure of all material related or interested party transactions entered into or that were being considered during the reporting period;
- A disclosure regarding the existence and role of the Audit Committee or Revision Commission in ensuring transparency and full information disclosure;

²¹⁶ For an example of a detailed statement of compliance, see the IFC Russia Corporate Governance Project's website under www.ifc.org/rcgp.

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- A disclosure of the process for evaluating the performance of the company's Supervisory Board and executive bodies, including information regarding any performance evaluations conducted during the reporting period; and
- A statement regarding the adoption of a code of ethics and adherence thereto.

9. Environmental, Social, and Economic Sustainability

The establishment and implementation of an environmental policy is one area in which, regardless of the existence or absence of mandatory disclosures and practices, the companies themselves should be proactive, and voluntarily develop and disclose their policies, projects, and related expenses. As to personnel, labor, and social policies, the annual report should consider including a discussion of the following topics:

- The main areas in which the company has concentrated its efforts, especially in terms of its environmental policy, and its principal achievements;
- The social expenses incurred by the company and contributions to any charities;
- The number of employees and current changes being experienced or implemented;
- Its primary goals and important steps taken in terms of personnel development; and
- Wages and growth rate for wages.

10. The Revision Commission's Conclusions and Report

Pursuant to Russian law, the Revision Commission's report regarding the results of its inspection of the business and financial performance of the company must contain a verification regarding the accuracy of the data contained in the annual report and financial statements of the company. While the Revision Commission typically conducts an annual audit and inspection of the previous year's results, Russian law also provides certain circumstances and procedures for conducting extraordinary audits at different times during the year.

The scope of duties and responsibilities of the Revision Commission include the following:

- An inspection of the financial documents and reports, and an analysis of the accuracy and completeness of the company's accounting, tax and statistical reporting;

- An analysis of the company's financial condition, specifically, its solvency, asset liquidity, debt to equity ratio, net assets, and charter capital;
- Developing recommendations for management;
- Conducting an inspection of the timeliness and correctness of payments; and
- Verifying the reliability of data included in the annual reports of the company and the annual financial statements.

11. The External Auditor's Opinion

It is important to note that the company must under legally defined circumstances employ the services of an independent External Auditor whose opinion would be included as a separate section of the company's annual report. The focus of the External Auditor's opinion is on whether or not the financial statements of the company are prepared, in all material respects, in accordance with an identified financial reporting framework, and whether they can be relied upon. It gives shareholders, managers, employees, and market participants an independent opinion about the company's financial position and, if performed properly, should attest to the accuracy of the statements. An independent external audit conducted by a publicly recognized accounting firm normally enhances the company's credibility and prospects for attracting investment.

12. Financial Statements, Notes, and Comments

The financial statements are to present a true and fair view of the company's financial position to enable shareholders and other market participants to gauge the company's performance and assess the stewardship of the executive bodies. Any comments and presentation of financial statements should contain an explanation of the principles used in preparing those financial statements, and their effect on the key performance indicators of the company. The company should disclose and provide detailed comments regarding the following:

- The balance sheet;
- The profit and loss statement;
- The statement of changes in owners' equity
- Its cash flow statement
- The notes to the financial statements; and
- Explanations to financial statements.

Annex 30

GLOSSARY OF ENGLISH AND RUSSIAN CORPORATE GOVERNANCE TERMINOLOGY

No	English	Русский
1.	Accountability: The liability of management and the Supervisory Board to Shareholders and other stakeholders for corporate performance and the actions of the company.	Подотчетность: ответственность руководства и <i>совета директоров</i> перед <i>акционерами</i> и другими заинтересованными лицами за действия и результаты работы общества.
2.	Administrative Authorities: Governmental authorities. In the context of this Manual: Regulators.	Государственные органы: в контексте настоящего Пособия — органы государственного управления.
3.	ADR (American Depository Receipts): Certificates that are traded in the U.S. representing shares of corporations listed outside of the U.S. market.	АДР (американская депозитарная расписка): сертификаты акций компаний, зарегистрированных на иностранных биржах. Американские депозитарные расписки обращаются на фондовом рынке США.
4.	Affiliated Person: An individual or a legal entity that can influence the activity of legal entities, and/or individuals who are engaged in entrepreneurial activity. See more detailed definition in Chapter 12, Section B.	Аффилированное лицо: физическое или юридическое лицо, которое может повлиять на деятельность юридических лиц и (или) физических лиц, занимающихся предпринимательской деятельностью. См. более подробное определение в разделе В главы 12.
5.	Annual General Meeting of Shareholders (AGM): An AGM shall be held two not earlier two months and not later than six months after the end of each reporting year, at which shareholders, directors and managers discuss the company's results and future. Synonyms: General Meeting or Annual Meeting. See related: Extraordinary Meeting.	Годовое общее собрание акционеров: общее собрание акционеров, которое проводится не ранее чем через 2 месяца и не позднее чем через 6 месяцев после окончания каждого отчетного года и на котором <i>акционеры</i> и руководство обсуждают результаты и будущее общества. Синонимы: общее собрание и годовое собрание. См. также: <i>внеочередное собрание.</i>

No	English	Русский
6.	<p>Annual Report: A document that must be provided to a company’s shareholders and other interested parties for the AGM. It usually includes full set of financial statements, including notes, the report of the External Auditor and Revision Commission, management’s discussion of results, as well as commentary on corporate governance and the outlook of the company.</p>	<p>Годовой отчет: документ, который должен быть предоставлен <i>акционерам</i> общества и иным заинтересованным лицам при проведении годового общего собрания акционеров. Как правило, он включает баланс, отчет о прибылях и убытках, примечания к финансовой отчетности, заключение аудитора и ревизионной комиссии, изложение мнения руководства по поводу результатов деятельности общества, а также комментарий по вопросам корпоративного управления и перспективам развития общества.</p>
7.	<p>Anti-takeover Defense: A device designed to prevent a takeover of the company.</p>	<p>Защита от поглощений: механизм, призванный предотвратить поглощение компании.</p>
8.	<p>Arbitration: A dispute settlement process that occurs outside the court system. This should be distinguished from state arbitration (commercial) courts.</p>	<p>Третейское производство: процесс внесудебного урегулирования споров. Следует отличать от государственного арбитражного суда.</p>
9.	<p>Audit Committee: A committee of the Supervisory Board that oversees the company’s financial reporting, risk management, and internal control processes.</p>	<p>Комитет по аудиту: комитет <i>совета директоров</i>, отвечающий за контроль за финансовой отчетностью, управлением рисками и процессами внутреннего контроля в обществе.</p>
10.	<p>Audit: An examination and verification of a company’s financial and accounting records and supporting documents by a professional and independent External Auditor.</p>	<p>Аудиторская проверка: изучение и проверка документов финансового и бухгалтерского учета общества профессиональным и независимым <i>аудитором общества</i>.</p>
11.	<p>Audited Financial Statements: A company’s financial statements that have been prepared and certified by an independent External Auditor. See related: Auditor and Auditor’s Report.</p>	<p>Проверенная аудитором финансовая отчетность: финансовая отчетность общества, подтвержденная независимым <i>аудитором общества</i>. См. также: аудитор и заключение аудитора.</p>
12.	<p>Auditor: A person certified at the government level to conduct an audit. Synonym: External Auditor</p>	<p>Аудитор: лицо, обладающее государственной лицензией на право проведения аудита.</p>

Annex 30. Glossary of English and Russian Corporate Governance Terminology

No	English	Русский
13.	Auditor's Report: An auditor's opinion on the accuracy of the company's financial statements commonly included in the annual report.	Заключение аудитора: отчет аудитора о достоверности финансовой отчетности общества, как правило, включаемое в годовой отчет.
14.	Authorized Shares: Maximum number of shares of any class a company may issue in addition to issued and outstanding shares	Объявленные акции: максимальное количество акций любой категории, которое общество может выпустить в дополнение к выпущенным акциям.
15.	Ballot: Any printed or written document used in voting during the GMS.	Бюллетень: документ, используемый для голосования во время общего собрания акционеров.
16.	Bankrupt: A person, firm, or company that has been declared insolvent through a court proceeding.	Банкрот: физическое и юридическое лицо, которое было признано банкротом по решению суда.
17.	Bankruptcy: A proceeding in a state court in which an insolvent debtor's assets are liquidated and the debtor is relieved of further liability. See related: Liquidation.	Банкротство: судебная процедура, в ходе которой активы неплатежеспособного должника ликвидируются, а должник освобождается от дальнейшей ответственности. См. также: ликвидация.
18.	Bearer Form: A security in bearer form is not registered on the books of the issuing company. Bearer securities are payable to the one who physically holds them. See related: Registered Security.	Ценная бумага на предъявителя: ценные бумаги на предъявителя не регистрируются в учетных документах эмитента. Доход по таким бумагам выплачивается их фактическому держателю. См. также: именная ценная бумага.
19.	Beneficial Owner: The individual who enjoys the benefits of owning a security or property, regardless of whose name the title of the security or property is.	Реальный собственник: лицо, получающее выгоду от владения ценной бумагой или имуществом, вне зависимости от того, на чье имя зарегистрированы такие ценная бумага или имущество.
20.	Beneficiary: An individual or legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.	Выгодоприобретатель (бенефициарий): физическое или юридическое лицо, которое получает либо может получить право на получение выгод по завещанию, страховому полису, пенсионному плану, договору ренты, договору доверительного управления имуществом (договору траста) или иному договору.

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No	English	Русский
21.	<p>Benefits: A payment or entitlement, such as one made under an employment or service agreement, such as health insurance, vacation, a company car, a phone allowance, etc.</p>	<p>Пособия: выплаты или право на получение дополнительных благ по трудовому или гражданско-правовому договору, таких как медицинское страхование, оплаченный отпуск, служебный автомобиль, оплата телефонных разговоров и т.д.</p>
22.	<p>Best practice: The best procedures that can be observed in multinational and national companies for which other companies should aim.</p>	<p>Надлежащая практика: наилучшая практика, которая применяется международными и национальными компаниями и к следованию которой должны стремиться остальные компании.</p>
23.	<p>Board Member: An individual elected by shareholders to provide strategic guidance and oversee management on their behalf. Also called: Supervisory Board Member and Director.</p>	<p>Член совета директоров: лицо, избранное акционерами для осуществления стратегического руководства и контроля за деятельностью исполнительных органов от имени акционеров. Синонимы: член наблюдательного совета и директор.</p>
24.	<p>Board of Directors: A governance body of the company that is responsible for providing strategic guidance and overseeing the management on behalf of shareholders. The Board of Directors in a unitary board system corresponds to a Supervisory Board in a two-tiered board system. See related: Supervisory Board.</p>	<p>Совет директоров: орган управления общества, отвечающий за стратегическое руководство и контроль за деятельностью исполнительных органов от имени акционеров. Совет директоров в одноуровневой системе соответствует наблюдательному совету в двухуровневой системе управления обществом. См также: наблюдательный совет.</p>
25.	<p>Bond: A debt corporate security that obligates the issuer to pay the holder a specified sum of money, usually at specific intervals, and to repay the principal amount at maturity. Bondholders have no corporate ownership and governance rights as shareholders do. Synonym: Debenture.</p>	<p>Облигация: долговая корпоративная ценная бумага, по которой эмитент обязуется выплачивать ее держателю определенные суммы, как правило, с фиксированной периодичностью, и погасить основной долг по наступлении срока платежа. Держатели облигаций, в отличие от акционеров, не обладают правами собственности и правом на участие в управлении обществом.</p>

Annex 30. Glossary of English and Russian Corporate Governance Terminology

No	English	Русский
26.	Book Value: Value of a company or an asset according to accounting records. The book value does not always bear a relation to the fair market value of an asset or a company.	Балансовая стоимость: стоимость компании или какого-либо актива, отраженная в документах бухгалтерского учета. Балансовая стоимость не всегда соответствует рыночной стоимости актива или компании.
27.	By-Laws: The internal rules and regulations that govern a company's structures, policies, and procedures. Synonym: Internal corporate documents.	Положение: внутренние правила и положения, регулирующие структуры, политику и процедуры общества. Синоним: внутренние документы общества.
28.	Capital Gains: An increase in the market price of an asset (e.g. shares).	Прирост капитала: увеличение рыночной цены актива (например, акций).
29.	Capital Surplus: 1. A part of the company's equity which typically results from funds accumulated from any re-valuation of non-current assets and the positive difference between the nominal value and the issuing value of the company's shares. 2. Common umbrella term for more specific classifications such as acquired surplus, additional paid-in capital, donated surplus, and re-evaluation surplus (arising from appraisals). Synonyms: Paid-In Surplus; Surplus, Additional Paid-in Capital.	Добавочный капитал: 1) часть акционерного капитала общества, которая, как правило, образуется за счет средств, накопленных в результате переоценки внеоборотных активов, и положительной разницы между номинальной стоимостью и стоимостью размещения акций общества; 2) общий термин для обозначения таких понятий, как приобретенный дополнительный капитал, дополнительный оплаченный капитал, капитал, переданный на безвозмездной основе, и добавочный капитал, полученный в результате переоценки.
30.	Capacity: Legal qualification, generally in terms of age, residence, and character necessary for certain purposes, such as for holding office, for marrying, making contracts. Sometimes translated from the Russian as dispositive capacity. Synonym: Competency. See: Dispositive Capacity.	Деспособность: способность гражданина своими действиями приобретать и осуществлять гражданские права, создавать для себя гражданские обязанности и исполнять их.
31.	Charter: A document that establishes a company.	Устав: учредительный документ общества.

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No	English	Русский
32.	<p>Closed Joint Stock Company: A joint stock company the shares of which have limited transferability. Synonym: Closely Held or Private Company.</p>	<p>Закрытое акционерное общество: общество, акции которого распределяются среди учредителей или иного заранее определенного круга лиц.</p>
33.	<p>Common Share: The type of shares that grants to their owners certain voting and property rights. Synonyms: Ordinary Share or Ordinary Stock.</p>	<p>Обыкновенная акция: акция, предоставляющая ее держателю определенные имущественные права и право голоса.</p>
34.	<p>Company (Joint Stock Company): A legal entity the charter capital of which is divided into a defined number of shares. Synonyms: Corporation, Joint Stock Company.</p>	<p>Общество (акционерное общество): юридическое лицо, уставный капитал которого разделен на определенное число акций. Синоним: компания, корпорация.</p>
35.	<p>Compensation: Reimbursement for expenses incurred while fulfilling official duties. In the context of this Manual, the term Compensation is used for the members of the Revision Commission. Different from remuneration, which includes wages, bonuses, perks, and other benefits.</p>	<p>Компенсация: возмещение расходов, понесенных в ходе выполнения служебных обязанностей. В контексте настоящего Пособия используется в отношении членов <i>ревизионной комиссии</i>. В отличие от вознаграждения не включает оплату труда, премии, поощрения и иные выплаты.</p>
36.	<p>Conflict of Interests: A situation that occurs when a person in a position of trust needs to exercise judgment on behalf of others but also has interests that might compromise the exercise his judgment. In such a situation, the person is generally required to abstain from making any judgments.</p>	<p>Конфликт интересов: ситуация, возникающая, когда лицу, наделенному доверием, необходимо вынести суждение от имени других лиц, но при этом он имеет заинтересованность, которая может препятствовать вынесению такого суждения. В принципе в подобной ситуации заинтересованное лицо должно воздерживаться от каких-либо суждений.</p>
37.	<p>Consolidation (in reorganization): The combination of separate companies into a single one whereby consolidating companies terminate and their assets and liabilities transfer to the new company.</p>	<p>Слияние: объединение нескольких обществ в одно. При этом объединяющиеся общества прекращают свою деятельность, а их активы и обязательства переходят к новому обществу.</p>

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No	English	Русский
38.	<p>Consolidation of Shares: The process of converting two or several shares of the same type and class into one share of the same type and class. Synonym: Reverse Split. Antonym: Split.</p>	<p>Консолидация акций: процесс конвертации 2 или нескольких акций одной категории (типа) в 1 акцию той же категории (типа). Антоним: <i>дробление акций.</i></p>
39.	<p>Control and Revision Service: An internal company department that is responsible for carrying out internal control on a daily basis as recommended by the Code of Corporate Conduct of the Federal Commission for the Securities Market (the FCSM Code). See: Internal Audit.</p>	<p>Контрольно-ревизионная служба: внутреннее подразделение общества, отвечающее за осуществление текущего внутреннего контроля в соответствии с рекомендациями Кодекса ФКЦБ. См. внутренний аудит.</p>
40.	<p>Control Transaction: A transaction in which the control of the corporation is established or changes hands.</p>	<p>Сделка по приобретению контроля: сделка, в результате которой контроль над обществом устанавливается либо переходит к другому лицу.</p>
41.	<p>Controlling Shareholder: A shareholder who personally or with affiliated parties effectively controls decision-making in the company</p>	<p>Контролирующий акционер: <i>акционер</i>, который сам либо совместно с аффилированными лицами фактически контролирует процесс принятия решений в обществе.</p>
42.	<p>Convertible Security: A bond or preferred share that is exchangeable at the option of the holder for common share (or preferred share of another class) of the issuing company.</p>	<p>Конвертируемая ценная бумага: облигация или привилегированная акция, которая может быть обменена по усмотрению ее держателя на обыкновенную акцию (либо на привилегированную акцию другого типа) эмитента.</p>
43.	<p>Corporate Governance: The structures and processes for the direction and control of companies. See: Part I, Chapter 1 for other definitions.</p>	<p>Корпоративное управление: структуры и процедуры управления и контроля в обществе. См. также определения, приведенные в главе 1.</p>
44.	<p>Counting Commission: A body or a person that counts and verifies the votes cast at a GMS. Synonyms: Tabulation Commission.</p>	<p>Счетная комиссия: орган или лицо, осуществляющее подсчет и проверку голосов, поданных на общем собрании акционеров</p>

No	English	Русский
45.	<p>Cumulative Voting: A method of voting when each shareholder entitled to vote at an election of directors has the right to cast a number of votes equal to the number of voting shares held by the shareholder multiplied by the number of directors to be elected, and the shareholder may cast all such votes in favor of one candidate or distribute them among the candidates in any manner. See related: Standard Voting.</p>	<p>Кумулятивное голосование: метод голосования, при котором каждый <i>акционер</i>, имеющий право на участие в голосовании по вопросу об избрании <i>членов совета директоров</i>, имеет право отдать число голосов, равное количеству принадлежащих ему голосующих акций, умноженное на число избираемых членов совета директоров, при этом акционер может отдать все свои голоса в пользу одного кандидата либо любым образом распределить их между кандидатами. См. также: стандартное голосование.</p>
46.	<p>Damages: The expenses that a person, whose right is infringed, bear or shall bear in order to restore the infringed right, as well as a loss or harm to his property.</p>	<p>Ущерб: расходы, которые лицо, чье право нарушено, произвело или должно будет произвести для восстановления нарушенного права, утрата или повреждение имущества такого лица.</p>
47.	<p>Debtor: The entity that is liable for debts. Synonym: Borrower.</p>	<p>Должник: лицо, несущее обязательства по долгам. Синоним: заемщик.</p>
48.	<p>Dilution (of Ownership): A reduction in the existing Shareholder’s ownership of the company (in terms of the percentage of the company shares owned) resulting from the issue of additional shares or the exercise of convertible securities and/or options.</p>	<p>Размывание собственности: уменьшение доли существующих акционеров в капитале общества (доли принадлежащих им акций) в результате дополнительного выпуска акций или осуществления права на конвертацию ценных бумаг и (или) реализация опционов.</p>
49.	<p>Director: See Board Member.</p>	<p>Директор: См.: член совета директоров.</p>
50.	<p>Disclosure: The release of relevant information to the public. Synonym: Information Disclosure.</p>	<p>Раскрытие информации: опубликование соответствующей информации.</p>
51.	<p>Divestiture: The disposition or sale of an asset by a company. A company will often divest an asset that is not performing well, is not part of the company’s core business, or that may be worth more as a separate entity than as part of the company.</p>	<p>Отделение: общество нередко выделяет неэффективно работающие активы, активы, которые не связаны с его основной деятельностью, и активы, стоимость которых в рамках отдельного юридического лица может быть выше их стоимости в составе активов общества.</p>

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No	English	Русский
52.	Divided Balance Sheet: A document drawn up in case of a company divestiture and split-up, by which assets and liabilities of reorganizing company(ies) are transferred to the new entity(ies).	Разделительный баланс: документ, который составляется в случае выделения или разделения общества и по которому активы и обязательства реорганизуемого общества (обществ) передаются на вновь создаваемым обществам.
53.	Dividend: A portion of the net profits of the company distributed to the shareholders of a company.	Дивиденд: часть чистой прибыли общества, распределяемая между <i>акционерами</i> .
54.	Dividends Payable: The amount of dividends to be paid as reported in the financial statements.	Объявленный дивиденд: сумма дивидендов, объявленная к выплате по данным финансовой отчетности.
55.	Equity: An ownership interest in a company.	Акционерный капитал: собственный капитал общества.
56.	Ex-Dividend: The time period between the declaration of a dividend and the payment of the dividend. Shares bought during this period are not entitled to dividend payments.	«Без дивидендов»: период между объявлением и выплатой дивидендов. Акции, приобретенные в течение этого периода, не дают права на получение дивидендов.
57.	Executive Board: A collective executive body of the company responsible for the day-to-day management. The Executive Board reports and is accountable to the Supervisory Board. Synonyms: Directorate, Management Board, or Managerial Board.	Правление: коллегиальный исполнительный орган, отвечающий за текущее руководство деятельностью общества. Правление подотчетно <i>совету директоров</i> . Синоним: дирекция.
58.	Executive Body: For the purposes of this Manual, the governing bodies of a company are divided into oversight bodies and Executive Bodies. The Executive Bodies include the General Director and the Executive Board. See: Oversight Bodies.	Исполнительный орган: в контексте настоящего Пособия органы управления общества делятся на <i>наблюдательные органы</i> и исполнительные органы. К исполнительным органам относятся <i>генеральный директор</i> и <i>правление</i> . См.: наблюдательные органы.
59.	Executive Director: A member of a company's Supervisory Board who is also an employee of the company.	Исполнительный директор: член <i>совета директоров</i> общества, являющийся работником общества.

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No	English	Русский
60.	<p>External Auditor: The auditor responsible for conducting the audit of the financial statements of the company. Synonyms: Independent Auditor. See related: Annual Report.</p>	<p>Аудитор общества: аудитор, отвечающий за проведение аудиторской проверки финансовой отчетности общества. Синоним: независимый аудитор. См. также: годовой отчет.</p>
61.	<p>External Director: A director who is not an employee of the company. Synonyms: Non-Executive Director or Outside Director. Antonym: Internal Director.</p>	<p>Внешний директор: член совета директоров, не являющийся работником общества. Синоним: неисполнительный директор. Антоним: внутренний директор.</p>
62.	<p>External Manager: An individual or a management company called in from the outside to manage the company.</p>	<p>Управляющая организация, управляющий: физическое лицо или управляющая компания, приглашенные для управления обществом.</p>
63.	<p>Extraordinary General Meeting of Shareholders (EGM): Any General Meeting of Shareholders (GMS) other than an AGM.</p>	<p>Внеочередное собрание акционеров: любое, помимо годового, общее собрание акционеров.</p>
64.	<p>Extraordinary Transaction: A sale of assets or a substantial portion of the company that requires shareholder or Supervisory Board approval. The term is often translated from the Russian as major transaction, major deal, or large transaction and large deal. The term extraordinary transaction is used throughout the Manual.</p>	<p>Крупная сделка: продажа активов или значительной части общества, требующая одобрения акционеров или совета директоров.</p>
65.	<p>Fair Market Value: The price that a (an informed) buyer would be willing to pay and a (an informed) seller would be willing to accept on the open market assuming a reasonable time for a transaction to take place.</p>	<p>Рыночная стоимость: цена, которую информированный покупатель готов заплатить, а информированный продавец готов принять на свободном рынке, при условии, что сделка совершается в разумные сроки.</p>
66.	<p>Fiscal Year: In Russia, an accounting period of one year starting on January 1.</p>	<p>Финансовый год: в России — годовой отчетный период, начинающийся 1 января.</p>

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No	English	Русский
67.	<p>Fixing Date: The date set by the company on which an individual must own shares in order to be eligible to vote at GMS or receive a dividend. Synonym: Record Date.</p>	<p>Дата закрытия реестра: дата, которую устанавливает общество и по состоянию на которую лицо должно владеть акциями, чтобы получить право голосовать на общем собрании или право на получение дивидендов.</p>
68.	<p>General Director: An individual executive body of the company responsible for the day-to-day management of the company. Synonym: Chief Executive Officer (CEO).</p>	<p>Генеральный директор: единоличный исполнительный орган общества, отвечающий за текущее руководство деятельностью общества.</p>
69.	<p>General Meeting of Shareholder (GMS): The highest governing body of the company. Synonym: General Assembly. See related: Notice.</p>	<p>Общее собрание акционеров: высший орган управления обществом. См. также: уведомление.</p>
70.	<p>Generally Accepted Accounting Principles (GAAP): A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by accounting standard setters. Best known is US GAAP though other countries may also refer to their standards as GAAP. Russian Accounting Standards (RAS) are used in the Russian Federation though some companies also prepare statements in accordance with US GAAP or International Financial Reporting Standards (IFRS), most often when they seek foreign listings.</p>	<p>ГААП (общепринятые принципы бухгалтерского учета): принятый набор правил, положений, стандартов и процедур для представления финансовой информации, установленных органами регулирования. Наиболее широко известны ГААП США, хотя другие страны также могут называть свои стандарты ГААП. В Российской Федерации применяются российские стандарты учета и отчетности, хотя некоторые компании также подготавливают свою отчетность в соответствии с ГААП США или международными стандартами финансовой отчетности (МСФО), как правило, в случае, если они хотят включить свои ценные бумаги в листинг на иностранных фондовых биржах.</p>
71.	<p>Golden Share: A special right of the state to participate in the governance of the company.</p>	<p>Золотая акция: специальное право государства на участие в управлении обществом.</p>

No	English	Русский
72.	<p>Governing Bodies: Structures that are involved in the governance of the company. They include the GMS, the Supervisory Board, the General Director, and the Executive Board. For the purposes of this Manual, governing bodies are divided into two subsets: oversight bodies that exercise an oversight function and executive bodies that are responsible for the day-to-day management of the company.</p>	<p>Органы управления: органы общества, занимающиеся его управлением. К ним относятся <i>общее собрание акционеров, совет директоров, генеральный директор и правление</i>. Для целей настоящего Пособия органы управления подразделяются на две группы: <i>наблюдательные органы</i>, осуществляющие функции контроля, и <i>исполнительные органы</i>, отвечающие за текущее руководство деятельностью общества.</p>
73.	<p>Holding Company: A company whose assets include control shares of another company or a group of companies.</p>	<p>Холдинговая компания: компания, активы которой включают контрольные пакеты акций другой компании или группы компаний.</p>
74.	<p>Immovable property: Immovable property includes land, land interior, detached water objects, and everything else that is tightly attached to the earth, detachment of which without a material damage to their purpose is impossible, including forests, long-term plants, buildings, and constructions.</p>	<p>Недвижимое имущество: такое имущество включает земельные участки, участки недр, обособленные водные объекты и все, что прочно связано с землей, то есть объекты, перемещение которых без несоразмерного ущерба их назначению невозможно, в том числе леса, многолетние насаждения, здания, сооружения.</p>
75.	<p>Independence: The freedom from control or influence of others. The concept of independence is used in different contexts in this Manual: 1) with respect to Supervisory Board members; 2) with respect to the independent External Auditor; 3) with respect to the Internal Auditor, and 4) Independent Appraiser. See: Annex 18 for the definition of an independent director.</p>	<p>Независимость: свобода от контроля и влияния других лиц. Понятие независимости в настоящем Пособии используется в различном контексте: 1) по отношению к <i>членам совета директоров</i>; 2) по отношению к <i>независимому аудитору</i> или <i>аудитору общества</i>; 3) по отношению к <i>внутреннему аудитору</i>; и 4) к независимому оценщику. См. определение независимого директора в Приложении 18.</p>
76.	<p>Independent Auditor: See: External Auditor See related: Annual Report, Auditor, and Independence.</p>	<p>Независимый аудитор: См. аудитор общества. См. также: годовой отчет, аудитор и независимость.</p>

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77.	Inside Director: A director who is an employee of the company. Synonym: Executive Director. Antonyms: Outside Director, External Director or Non-executive Director.	Внутренний директор: член совета директоров, являющийся работником общества. Синоним: исполнительный директор. Антоним: внешний директор или неисполнительный директор.
78.	Insider: An individual with access to material information before it is announced to the public.	Инсайдер: лицо, имеющее доступ к существенной информации до ее публичного раскрытия.
79.	Insider Dealing: Trading by insiders based on Insider Information.	Инсайдерская торговля: совершение инсайдерами сделок на основе инсайдерской информации.
80.	Insider Information: Material information about a company known to insiders (generally, directors, management, and/or employees) but not to the public.	Инсайдерская информация: существенная информация об обществе, известная инсайдерам (как правило, членам совета директоров, руководству и (или) работникам общества), но не являющаяся общедоступной.
81.	Internal Audit: An appraisal of the financial health of a company's operations by its own employees. Employees who carry out this function are called Internal Auditors.	Внутренний аудит: оценка финансовой целесообразности операций общества его работниками. Работники, выполняющие эту функцию, называются внутренними аудиторами.
82.	International Financial Reporting Standards (IFRS): Accounting standards promulgated by the International Accounting Standards Board (IASB).	Международные стандарты финансовой отчетности: Стандарты учета и отчетности, принятые Международным советом по стандартам учета и отчетности
83.	Issue: The group of securities of the company which confer upon their holders identical rights.	Выпуск ценных бумаг: совокупность ценных бумаг общества, предоставляющая их держателям одинаковые права.
84.	Issue (verb). Legally specified steps necessary to place securities.	Эмиссия: предусмотренные законом действия по размещению ценных бумаг.

No	English	Русский
85.	<p>Issued and Outstanding: Shares of a company, which have been issued and are outstanding. These shares represent capital invested by the firm's shareholders. Shares that have been issued and subsequently repurchased by the company are called treasury share, because they are held in the corporate treasury pending reissue or retirement. Treasury shares are legally issued but are not considered outstanding for purposes of voting, dividends, or earnings per share calculations.</p>	<p>Выпущенный и находящийся в обращении: выпущенные и находящиеся в обращении акции общества. Эти акции представляют собой инвестированный капитал акционеров общества. Акции, которые были выпущены и впоследствии выкуплены обществом, называются казначейскими акциями, поскольку они находятся на балансе общества до их повторного выпуска или погашения. Казначейские акции являются выпущенными, но не считаются находящимися в обращении в целях голосования, начисления дивидендов или расчета прибыли на одну акцию.</p>
86.	<p>Joint and Several Liability: An obligation for which multiple individuals are equally liable.</p>	<p>Солидарная ответственность: обязательство, по которому несколько лиц несут равную ответственность.</p>
87.	<p>Liquidation: To sell all of a company's assets, pay outstanding debts, and distribute the remainder to shareholders, and then go out of business.</p>	<p>Ликвидация: продажа всех активов общества, выплата долгов и распределение оставшегося имущества между <i>акционерами</i> с последующим прекращением деятельности общества.</p>
88.	<p>Listed: Traded on a stock exchange.</p>	<p>Включенный в листинг (или <i>котирующийся</i>): обращающийся на фондовой бирже.</p>
89.	<p>Listing Requirements: The conditions set by a stock exchange to list the company's securities. Listing requirements may impose certain conditions on the governance of the company.</p>	<p>Правила листинга (включения в <i>котируемые листы</i>): условия, устанавливаемые фондовой биржей применительно к листингу ценных бумаг общества. Требования в отношении листинга включают определенные требования в отношении корпоративного управления в обществе.</p>
90.	<p>Loss: The expenses that a person, whose right is infringed, bear or shall bear in order to restore the infringed right, as well as a loss or harm to his property (real damages), as well as unrealized profit, which the person could have received in ordinary conditions of civil turnover if his right would have not been infringed (lost profit).</p>	<p>Убытки: расходы, которые лицо, чье право нарушено, произвело или должно будет произвести для восстановления нарушенного права, ущерб в результате утраты или повреждения имущества такого лица (реальный ущерб), а также неполученные доходы, которые такое лицо получило бы при обычных условиях гражданского оборота, если бы его право не было нарушено (упущенная выгода).</p>

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No	English	Русский
91.	<p>Majority Shareholder: A shareholder who alone or with a group of affiliated parties exercises significant control over the company. See related: Controlling Shareholder.</p>	<p>Крупный (мажоритарный) акционер: <i>акционер</i>, который сам либо совместно с аффилированными лицами осуществляет значительный контроль над обществом. См. также: контролирующий акционер.</p>
92.	<p>Management: The group of individuals who run the day-to-day operations of the company.</p>	<p>Менеджмент: группа лиц, осуществляющая текущее руководство обществом.</p>
93.	<p>Mandatory Bid: The offer to buy all the outstanding common shares and securities convertible into common shares made by the acquirer to all other shareholders in control transactions. Synonyms: Buyout, Mandatory Offer.</p>	<p>Предложение об обязательном выкупе: предложение выкупить все находящиеся в обращении обыкновенные акции общества и ценные бумаги, конвертируемые в обыкновенные акции, которое приобретатель в рамках сделки по приобретению контроля обязан сделать всем остальным акционерам. Синоним: обязательное предложение.</p>
94.	<p>Material Events Report: A document that is used to report the occurrence of any material events that have not previously been reported by the issuer. Sometimes referred to in the Russian context as material facts report.</p>	<p>Сообщение о существенных фактах: документ, раскрывающий информацию о существенных событиях, которая ранее не раскрывалась эмитентом.</p>
95.	<p>Material Information: Information whose omission or misstatement could affect the economic decisions taken by users of information. Materiality is a characteristic of an event or information that is sufficiently important to have an impact on a company's stock price.</p>	<p>Существенная информация: информация, упущение или искажение которой может повлиять на принятие экономических решений ее пользователями. Существенность — это характеристика события или информации, означающая, что такие событие или информация достаточно важны, чтобы повлиять на цену акций общества.</p>
96.	<p>Merger: The termination of one or several companies while their assets and liabilities are transferred to another company. Mergers differ from Consolidations in that no new entity is created from a Merger. Some translations of the Company Law refer to merger as an «accession».</p>	<p>Присоединение: прекращение деятельности одного или нескольких обществ при одновременной передаче их активов и обязательств другому обществу. Присоединение отличается от слияния тем, что в этом случае не образуется нового общества.</p>

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No	English	Русский
97.	<p>Minority Shareholder: A shareholder with less than 50% ownership of a company's voting shares, or insufficient ownership to control company operations. See related: Majority Shareholder.</p>	<p>Миноритарный акционер: акционер, владеющий менее чем 50% голосующих акций общества либо числом акций, недостаточным для осуществления контроля за деятельностью общества. См. также: мажоритарный акционер.</p>
98.	<p>Natural Person: A single person as distinguished from legal entities and individual entrepreneurs. Synonyms: Individual, Private Person, or Physical Person.</p>	<p>Физическое лицо: лицо, не являющееся юридическим лицом или индивидуальным предпринимателем.</p>
99.	<p>Nominal Shareholder: A person or organization named to act on behalf of someone else. Synonym: Nominee Shareholder.</p>	<p>Номинальный владелец: физическое или юридическое лицо, действующее от имени другого лица.</p>
100.	<p>Nominal Value: Value of a bond or a share as given on "the face" of the certificate or instrument.</p>	<p>Номинальная стоимость: стоимость облигации или акции, указанная на лицевой стороне сертификата или инструмента.</p>
101.	<p>Nominee: The person, bank, or brokerage in whose name securities are transferred.</p>	<p>Номинальный держатель: лицо, банк или брокер, от чьего имени осуществляется передача ценных бумаг.</p>
102.	<p>Non-Executive Director: A member of a company's Supervisory Board who is not a manager (an employee) of the company. Synonyms: Outside Director or External Director.</p>	<p>Неисполнительный директор: член <i>совета директоров</i> общества, не являющийся менеджером (работником) общества. Синоним: внешний директор.</p>
103.	<p>Non-Standard Operations: Operations that go beyond the scope of the financial and economic plan of the company as defined by the FCSM's Code.</p>	<p>Нестандартная операция: операция, выходящая за рамки финансово-хозяйственного плана общества (в соответствии с определением, приведенным в Кодексе ФКЦБ).</p>
104.	<p>Notice: Official proclamation of a legal action or intent to take a legal action. Notice in this Manual is used in the context of giving notice of or calling a GMS.</p>	<p>Уведомление: официальное извещение о совершении юридического действия или намерении совершить такое действие. В контексте настоящего Пособия используется в значении «уведомление о созыве общего собрания акционеров».</p>

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No	English	Русский
105.	Oversight Bodies: The bodies of the company tasked with oversight functions including the Supervisory Board and the GMS.	Наблюдательные органы: органы управления общества, в задачи которых входит осуществление контроля. Включают <i>наблюдательный совет</i> и <i>общее собрание акционеров</i> .
106.	Participating Shareholder: A shareholder who participates in the GMS in person, through a representative, or by sending completed voting ballots.	Участвующий акционер: акционер, принимающий участие в общем собрании акционеров лично, через представителя или посредством направления заполненного бюллетеня для голосования.
107.	Place: To market new securities.	Разместить: продать новые ценные бумаги.
108.	Placement: The acquisition of the ownership of securities by the first owners through transactions.	Размещение: приобретение права собственности на ценные бумаги их первыми владельцами посредством совершения сделок.
109.	Pre-Emptive Right: The right of current shareholders to maintain their proportion of ownership in a company by buying shares in any future issue of shares and convertible securities. Synonym: Right of First Refusal.	Преимущественное право приобретения: право существующих <i>акционеров</i> на сохранение своей доли собственности в обществе, обеспечиваемое посредством приобретения акций и конвертируемых ценных бумаг последующих выпусков.
110.	Preferred shares: Non-voting shares, which provide a defined dividend and liquidation value, paid before any dividends paid to the owners of common shares.	Привилегированная акция: неголосующая акция, которая предоставляет их держателю право на получение определенного <i>дивиденда</i> и ликвидационной стоимости, выплачиваемых до выплаты дивидендов владельцам обыкновенных акций.
111.	Prospectus: A formal offer to sell securities. The Prospectus sets forth the business plan of the company and sufficient facts for the investor to make an informed decision regarding the purchase of such securities.	Проспект ценных бумаг: официальное предложение о продаже ценных бумаг. В проспекте содержится бизнес-план общества и информация, необходимая для принятия инвестором обоснованного решения о покупке предлагаемых ценных бумаг.
112.	Proxy Card: The instrument by which Shareholders cast their votes, or assign their proxy.	Доверенность: документ, посредством которого <i>акционер</i> назначает доверенное лицо (и осуществляет через него свое право на участие в голосовании).

No	English	Русский
113.	Proxy: An authorization by a shareholder giving another person the right to vote the shareholder's shares. Proxy also refers to the document granting this authority, as in proxy card.	Представительство: передача <i>акционером</i> другому лицу права голосовать по его акциям. Также употребляется в значении документа, удостоверяющего такое право.
114.	Quarterly Report: Unaudited document reporting the financial results for the quarter.	Ежеквартальный отчет эмитента эмиссионных ценных бумаг: не проверенный аудитором документ, содержащий финансовые результаты деятельности эмитента за квартал.
115.	Quorum: The minimum percentage of votes of shareholders or directors that must be present at a meeting in order for a vote to be legally effective.	Кворум: минимальное число голосов <i>акционеров</i> или <i>директоров</i> , присутствие которых необходимо на собрании с тем, чтобы результаты голосования были действительны по закону.
116.	Redemption Rights: Right of shareholders to require the company to repurchase their shares under certain circumstances.	Право выкупа: право акционеров потребовать от общества выкупа их акций при определенных обстоятельствах.
117.	Redemption: The return of an investor's principal in a security at or before maturity.	Погашение (облигации): возврат основной суммы долга инвестору не позднее срока погашения.
118.	Registered Security: A security whose owner's name is recorded on the face of the security certificate or books of the issuer (for non-documentary securities).	Именная ценная бумага: ценная бумага, имя держателя которой указывается на лицевой стороне сертификата (в случае документарных ценных бумаг) или в учетных документах эмитента (в случае бездокументарных ценных бумаг).
119.	Registrar: The organization, that maintains a shareholder register that includes information on the shareholders and the number of shares held. The term External Registrar is used in this manual	Регистратор: организация, которая ведет <i>реестр акционеров</i> . В реестре содержится информация об акционерах и числе принадлежащих им акций.
120.	Related Party Transaction: A transaction in which a related party is involved and which must be approved by the GMS or the Supervisory Board in accordance with requirements of the law.	Сделка с заинтересованностью: сделка, в совершении которой имеется заинтересованность и которая должна быть утверждена <i>общим собранием акционеров</i> или <i>советом директоров</i> в соответствии с требованиями закона.

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No	English	Русский
121.	Reorganization: In Russia, the reorganization is the changing of a legal structure, such a consolidation, merger, divestiture, split-up, and transformation.	Реорганизация: реорганизация — это прекращение или изменение правового положения юридического лица, влекущее отношения правопреемства юридического лица.
122.	Reserve Fund: A part of owners' equity set aside in a separate fund to supplement the charter capital. It can be used to cover the company's losses, or to redeem bonds and shares if other funds are not available.	Резервный фонд: часть собственного капитала общества, выделенная в отдельный фонд. Может использоваться для покрытия убытков общества, выкупа акций и облигаций при отсутствии иных средств.
123.	Restructuring: The reorganization of a company's operations without changing the legal form.	Реструктуризация: реорганизация деятельности общества без изменения его организационно-правовой формы.
124.	Revision Commission: A special body of the company elected by shareholders to oversee the financial and business activities of the company and the compliance with relevant laws and regulations. It fulfills a different function than the Audit Committee, or the Internal Auditor.	Ревизионная комиссия: специальный орган общества, избираемый акционерами для осуществления контроля за финансово-хозяйственной деятельностью общества и выполнением требований законодательства. Его функции отличаются от функций <i>комитета по аудиту</i> и службы <i>внутреннего аудита</i> .
125.	Share Buyback: The repurchase of a company's own shares.	Приобретение акций обществом: выкуп обществом собственных акций.
126.	Shareholder of Record: The name of an individual or entity that an issuer carries in its records as the registered holder (not necessarily the beneficial owner) of the issuer's securities. Synonyms: Stockholder of Record, Holder of Record, or Owner of Record.	Акционер: физическое или юридическое лицо, указанное в учетных записях эмитента в качестве зарегистрированного держателя (не обязательно реального собственника) ценных бумаг эмитента.
127.	Shareholder Proposal: A proposal for an agenda of the GMS submitted by a shareholder (or a group of shareholders) that own at least 2% of voting shares.	Предложение акционера: предложение для включения в повестку общего собрания акционеров, представленное акционером (или группой акционеров), владеющим (владеющими) не менее чем 2% голосующих акций.

No	English	Русский
128.	<p>Shareholder Register: The register of shareholders used to record ownership of shares and determine shareholders of record on the record date. A shareholder register is generally maintained by an independent body to avoid conflicts of interest.</p>	<p>Реестр акционеров: реестр, который используется для учета прав собственности на акции и определения списка акционеров на дату закрытия реестра. Реестр акционеров, как правило, ведет независимая организация, так как это позволяет избежать конфликта интересов.</p>
129.	<p>Shareholder List: A list setting out the names and addresses of the shareholders of record used to determine who may participate at a GMS and receive dividend payments. Shareholder lists must be compiled on a fixing date or a date of record. See related: Shareholder of Record.</p>	<p>Список акционеров: список, содержащий имена (наименования) и адреса акционеров, имеющих право на участие в общем собрании акционеров и получение дивидендов. Список должен быть составлен на дату закрытия реестра.</p>
130.	<p>Simple Majority: More than 50% of votes. See related: Supermajority.</p>	<p>Простое большинство голосов: более 50% голосов. См. также: квалифицированное большинство голосов.</p>
131.	<p>Spin-Off: An independent company created from an existing part of another company through a divestiture.</p>	<p>Выделение: создание независимого общества из части другого общества в процессе выделения активов.</p>
132.	<p>Split of Shares: The process of converting one share of a specific type and class into two or more shares of the same type and class. Antonym: Consolidation of Shares.</p>	<p>Дробление: процесс конвертации 1 акции определенной категории (типа) в 2 или более акций той же категории (типа). Антоним: консолидация акций.</p>
133.	<p>Split-Up: The splitting or division of a company into new entities followed by the cessation of activity of the original company.</p>	<p>Разделение: разделение общества путем его прекращения и создания новых обществ.</p>
134.	<p>Stakeholder: Any party that has an interest or stake in a company.</p>	<p>Заинтересованное лицо: лицо, имеющее ту или иную заинтересованность в обществе.</p>
135.	<p>Standard Voting: Method of shareholder voting in which shareholders cast all their votes either for or against an issue put for vote or refrain from voting. Synonym: Regular Voting. See related: Cumulative Voting.</p>	<p>Стандартное голосование: метод голосования акционеров, при котором акционеры отдают свои голоса «за» или «против» того или иного решения или воздерживаются от голосования по определенному вопросу повестки дня общего собрания акционеров. См. также: кумулятивное голосование.</p>

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No	English	Русский
136.	Subscription: An agreement to buy newly issued securities.	Подписка: соглашение о покупке вновь выпущенных ценных бумаг.
137.	Subsidiary: A company that is owned outright or controlled by a parent company.	Дочернее общество: общество, находящееся в собственности или под контролем материнского (основного) общества.
138.	Supermajority: Any vote requiring more than simple majority of votes. Commonly two-thirds or three-fourths.	Квалифицированное большинство голосов: число голосов, необходимое для принятия какого-либо решения, для которого простого большинства голосов недостаточно. Обычно 2/3 или 3/4 голосов.
139.	Supervisory Board: Part of a two-tier board structure. The Supervisory Board provides strategic guidance and exercises oversight over the Executive Board. The Supervisory Board corresponds to the Board of Directors in a unitary board system. See related: Executive Board and Board of Directors.	Наблюдательный совет: часть двухуровневой структуры, при которой наблюдательный совет обеспечивает стратегическое руководство обществом и осуществляет контроль за деятельностью его исполнительных органов. В одноуровневой структуре наблюдательному совету соответствует совет директоров. См. также: правление и совет директоров
140.	Transfer Balance Sheet: An act drawn in case of consolidation, merger and transformation by which assets and liabilities of reorganizing company(ies) are transferred to newly created company(ies).	Передаточный баланс: документ, который составляется в случае слияния, присоединения, выделения, разделения или преобразования и по которому активы и обязательства реорганизуемого общества (обществ) передаются вновь создаваемому обществу (обществам).
141.	Transformation (in reorganization): Changing a legal form of a joint stock company into a limited liability company, production cooperative, or non-commercial partnership.	Преобразование: изменение организационно-правовой формы акционерного общества, в результате оно становится обществом с ограниченной ответственностью, производственным кооперативом или некоммерческим партнерством.
142.	Takeover: Acquisition of control of a company, called a target, by purchase or exchange of shares. A takeover may be either hostile or friendly.	Поглощение: приобретение контроля над обществом посредством покупки или обмена акций. Поглощение может быть враждебным или дружественным.

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No	English	Русский
143.	<p>Treasury Shares: Shares reacquired by the issuing company and available for retirement or resale. Treasury shares cannot be voted and receive dividends. It is not included in any of the ratios measuring values per common share.</p>	<p>Казначейские акции: акции, выкупленные эмитентом и предназначенные для погашения или перепродажи. Казначейские акции не голосуют, и по ним не начисляются дивиденды. Они также не включаются в расчет показателей на одну обыкновенную акцию.</p>
144.	<p>Voting Shares: Common shares, and preferred shares when providing such rights on all agenda items (if dividends were not fully paid) or certain items (e.g. reorganization).</p>	<p>Голосующие акции: обыкновенные акции, а также привилегированные акции в случае предоставления им права на участие в голосовании по всем вопросам повестки дня (в случае неполной выплаты дивидендов) или по ее отдельным пунктам (например, по вопросу о реорганизации).</p>
145.	<p>Written Consent: A way of participating in the GMS or a meeting of the governing body by sending a written document to the company with voting results.</p>	<p>Заочное голосование: возможность участия в общем собрании акционеров или заседании коллегиального органа управления посредством направления письменного документа с результатами голосования.</p>

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