

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.

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- 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;

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- 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.

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- 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.

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- 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.

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- 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: _____	General Director: Full name: _____
Location: _____ _____	Passport: number _____ Issued _____
Bank details _____	Home address _____
_____	_____
<i>(Position, full name of the authorized person)</i>	<i>(Signature)</i>



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.