



Chapter 8

The **General Meeting** of **Shareholders**

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The Chairman's Checklist

The Authority of the General Meeting of Shareholders (GMS):

- ✓ Are the powers of the GMS clearly set forth in the charter?
- ✓ Are there any powers of the GMS that the charter explicitly delegates to the Supervisory Board?

The Preparation for the Annual General Meeting of Shareholders (AGM):

- ✓ Does the Supervisory Board provide workable and timely mechanisms to include all legitimate shareholder proposals on the agenda?
- ✓ Does the Supervisory Board have a clear duty to ensure that the agenda is not changed after it has been sent to all shareholders?
- ✓ Are all shareholders properly notified of the AGM?
- ✓ Is sufficient information available for all shareholders to take well-informed decisions on agenda items?
- ✓ Does the charter require the company to provide additional information to shareholders (or others having recognized interests) on specific agenda items?
- ✓ Does the company properly inform all shareholders of the AGM on its website?

Conducting the AGM:

- ✓ Is the venue of the AGM convenient and easily accessible for all company shareholders?
- ✓ Are shareholders (or their representatives) who attend the AGM properly registered and do they have the opportunity to participate in the AGM?
- ✓ Does the Supervisory Board ensure that the quorum of the AGM is properly verified and properly recorded?
- ✓ Are members of the Supervisory Board, executive bodies, and Revision Commission, as well as the External Auditor, present during the entire AGM? Do shareholders have the right and opportunity to ask questions to executives and other presenters?
- ✓ Does the Supervisory Board ensure that effective and independent vote counting mechanisms are in place during the AGM, and that the voting results are properly recorded? Does the Supervisory Board ensure that all decisions are valid and that all applicable legal requirements are met?

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- ✓ Are the voting results and decisions properly communicated to shareholders?

The Extraordinary General Meeting of Shareholders (EGM):

- ✓ Does the Supervisory Board convene an EGM when circumstances require?
- ✓ Does the Supervisory Board convene an EGM when the Revision Commission, the External Auditor, or a shareholder (or a group of shareholders) owning at least 10% of voting shares requests an EGM?

Shareholders are the main contributors of equity capital. However, shareholders do not always wish to participate in the day-to-day management of the company's affairs. Most shareholders lack the necessary time or skills to run a company. Thus, shareholders entrust professional managers to run the company's day-to-day operations, and elect directors to supervise and guide the work of these managers. However, this does not mean that shareholders completely give up their governance rights. Shareholders most commonly exercise their governance rights through the General Meeting of Shareholders (GMS).

The GMS is the highest governing body of a company.⁸⁴ It is through the GMS that shareholders express their will with respect to such important company matters as the approval of annual reports and financial statements, the election and dismissal of directors, the payment of dividends and distribution of company profits, reorganization, major corporate transactions, and the appointment of the External Auditor. The GMS also provides shareholders with the opportunity to, at least once a year, discuss these and other important matters, meet in person with their directors and managers, ask questions, and determine the future of the company. Hence, shareholders exercise their right to participate in the decision-making of the company through the GMS.

Preparing for and conducting the GMS is subject to detailed procedural requirements as determined by law, and corporate policies and procedures. This chapter describes the authorities of the GMS, its organization, and the legal requirements for adopting valid decisions.

⁸⁴ Law on Joint Stock Companies (LJSC), Article 47, Clause 1, Paragraph 1.

A. General Provisions

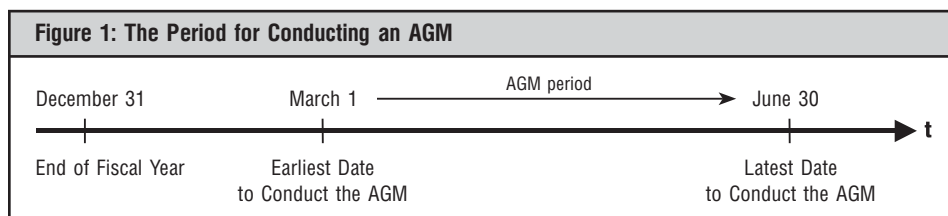
1. Types of General Meetings of Shareholders

There are two types of GMS: the Annual General Meeting of Shareholders (AGM) and Extraordinary General Meeting of Shareholders (EGM).⁸⁵

a) The Annual General Meeting of Shareholders

The Company Law requires companies to hold a GMS once every year.⁸⁶ This Meeting is called the AGM. The AGM must be held:⁸⁷

- Not earlier than two months after the end of the fiscal year; and
- Not later than six months after the end of the fiscal year.⁸⁸



Source: IFC, March 2004

In practice, this means that a company (whose fiscal year is the same as the calendar year) must hold its AGM between March 1 and June 30 of each year. The charter must determine the period or specific date when the AGM is to be held.⁸⁹

The AGM may not be held merely by written consent.⁹⁰ The AGM must provide shareholders the opportunity to attend (if desired, by mail-in ballots).

b) The Extraordinary General Meeting of Shareholders

All GMS other than the AGM are called the EGM.⁹¹ They are convened in response to specific company (or shareholder) needs, such as the issuance of ad-

⁸⁵ LJSC, Article 47, Clause 1.

⁸⁶ LJSC, Article 47, Clause 1, Paragraph 2.

⁸⁷ LJSC, Article 47, Clause 1, Paragraph 3.

⁸⁸ Law on Accounting, Article 14, Clause 1 uses the term “reporting period,” which is defined as a calendar year starting on January 1 and ending December 31.

⁸⁹ LJSC, Article 47, Clause 1, Paragraph 3.

⁹⁰ LJSC, Article 50, Clause 2.

⁹¹ LJSC, Article 47, Clause 1, Paragraph 3.

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ditional shares, a corporate reorganization, or for the election of directors. Under certain circumstances, the company may be required to call an EGM.

The EGM may be held:

- With the physical participation of shareholders; or
- By written consent using mail-in ballots for decision-making.

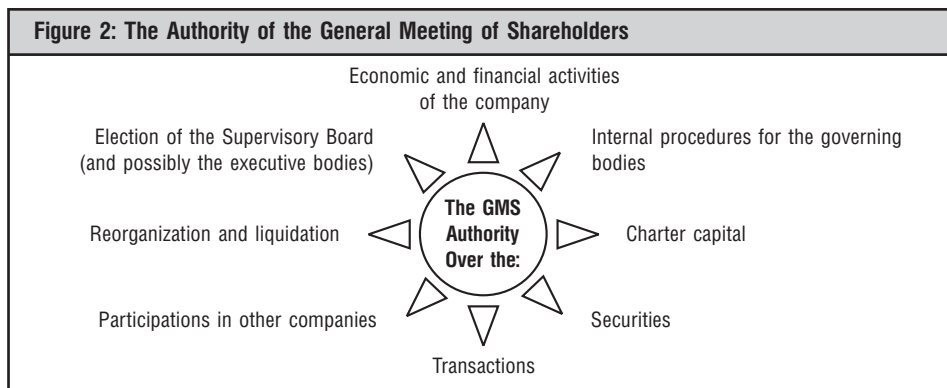
There are no limitations on the number of EGM that a company may conduct.

2. The Authority of the General Meeting of Shareholders

The authorities of the GMS are set forth in the Company Law⁹² and are also specified in the charter.⁹³ The charter may not, however, provide any additional authorities that are not permitted by legislation. The GMS may delegate some of its authorities to the Supervisory Board, such as the right to elect the General Director.

→ For more information on the separation of authorities between the GMS and the Supervisory Board, see Part II, Chapter 4, Section A.4.a. For more information on who should elect the General Director, see Part II, Chapter 5, Section C.1.

The authority of the GMS is summarized in Figure 2:



Source: IFC, August 2003

More specifically, the GMS has the authority related to:

⁹² LJSC, Article 48, Clause 1.

⁹³ LJSC, Article 11, Clause 3.

a) Reorganization and Liquidation of the Company:⁹⁴

- Reorganize the company;
- Liquidate the company and appoint members to the Creditors Committee; and
- Approve the interim and final liquidation balance sheets.

→ *For more information on reorganizations, see Part V, Chapter 16.*

b) Election of the Governing Bodies:⁹⁵

- Determine the number of directors, as well as to elect and dismiss them;
- Approve the remuneration of directors;
- Appoint and dismiss the General Director and Executive Board members (unless the charter delegates this authority to the Supervisory Board); and
- Transfer the authority of the General Director to the External Manager.

c) Control over the Company:⁹⁶

- Approve the by-laws for the Revision Commission;
- Elect and dismiss Revision Commission members;
- Approve the remuneration of the Revision Commission members;
- Request an extraordinary inspection by the Revision Commission;
- Appoint the External Auditor;
- Approve annual reports and annual financial statements; and
- Declare and pay dividends.

→ *For more information on internal and external control structures, see Part III, Chapter 14.*

d) Procedures for Governing Bodies:⁹⁷

- Amend the charter or approve a new version of the charter;
- Establish the procedures for conducting the GMS;
- Elect and dismiss Counting Commission members and set the number of its members; and

⁹⁴ LJSC, Article 48, Clause 1, Sections 2 and 3.

⁹⁵ LJSC, Article 48, Clause 1, Sections 4 and 8; Article 64, Clause 2; Article 69, Clause 1, Paragraph 3.

⁹⁶ LJSC, Article 48, Clause 1, Sections 9, 10, 10.1, and 11; Article 85, Clause 1, Paragraph 2; Clause 2, Paragraph 2, and Clause 3.

⁹⁷ LJSC, Article 48, Clause 1, Sections 1, 12, 13 and 19; Article 56, Clause 1.

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- Approve the by-laws for the governing bodies of the company (the GMS, the Supervisory Board, the General Director, and the Executive Board).

e) Charter Capital:⁹⁸

- Increase the charter capital by increasing the nominal value of issued shares;
- Determine the number, nominal value, types, and classes of authorized shares that may be issued and placed by the company;
- Increase the charter capital by issuing additional shares (unless the charter delegates this authority to the Supervisory Board);
- Reduce the charter capital by decreasing the nominal value of issued shares; and
- Reduce the charter capital by reducing the number of issued shares by retiring treasury shares.

→ *For more information on the charter capital, see Chapter 9.*

f) Securities:⁹⁹

- Split and consolidate shares;
- Approve the buy-back of company shares in cases specified by the Company Law;
- Issue bonds and other convertible securities, unless the charter delegates this authority to the Supervisory Board; and
- Issue shares and other convertible securities through closed subscription.

→ *For more information on securities, see Chapter 11.*

g) Transactions:¹⁰⁰

- Approve extraordinary transactions;
- Approve related party transactions; and
- Waive the obligation of the controlling shareholder(s) to make a buy-out offer during control transactions.

→ *For more information on control transactions, see Chapter 12, Section B.*

⁹⁸ LJSC, Article 48, Clause 1, Sections 5–7.

⁹⁹ LJSC, Article 48, Clause 1, Sections 14 and 17; Article 33, Clause 2, Paragraph 2; Article 39, Clause 3.

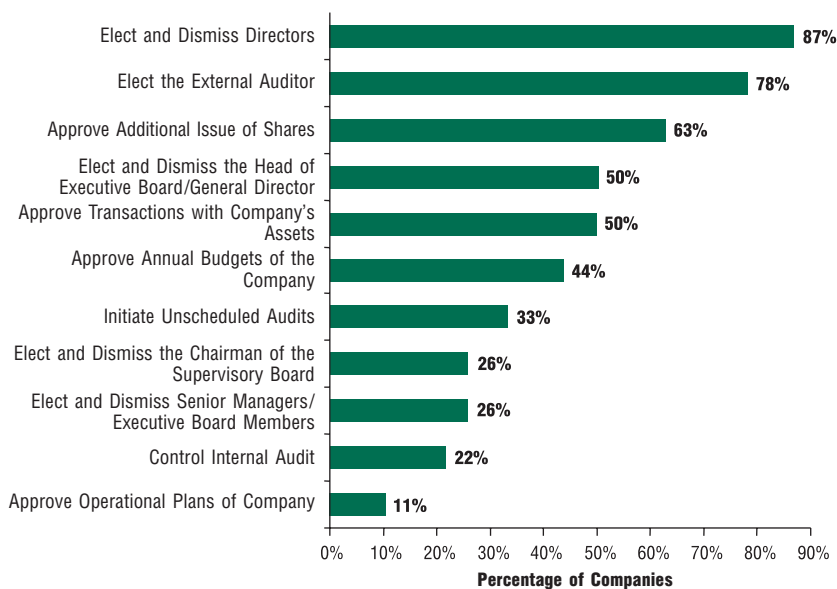
¹⁰⁰ LJSC, Article 48, Clause 1, Sections 15 and 16; Article 80, Clause 2, Paragraph 2.

h) Participation in Other Companies:¹⁰¹

- Authorize the company to participate in holding companies, financial and industrial groups, associations or other groups of commercial enterprises.

Company Practices in Russia: As depicted in Figure 3, most GMS appear to perform the functions assigned to them by law. The most common are electing and dismissing directors (87%), electing the External Auditors (78%), and approving additional issues of company shares (63%).¹⁰² More revealing than the functions performed by the GMS are the responsibilities that it is supposed to fulfill but does not. For example, in 19% of the surveyed companies, the GMS does not approve an independent External Auditor.

Figure 3: Powers of the GMS



Source: IFC, Regional Survey on Corporate Governance Practices, August 2003

¹⁰¹ LJSC, Article 48, Clause 1, Section 18.

¹⁰² IFC Survey on Corporate Governance Practices in Russia's Regions, Section 2.3.1, page 33, August 2003 (see www.ifc.org/rcgp).

3. Delegation of Authority

The authorities of the GMS may not be delegated to the executive bodies. However, the charter may delegate the following tasks to the Supervisory Board:¹⁰³

- Appointing and dismissing the General Director and Executive Board members;
- Increasing the charter capital by issuing additional shares; and
- Issuing bonds (and other convertible securities).

B. Preparing for the Annual General Meeting of Shareholders

Preparing for the AGM requires careful planning and adherence to procedural requirements. The procedures are set out in the Company Law¹⁰⁴ and regulations issued by the Federal Commission for the Securities Market (FCSM).¹⁰⁵ Additionally, The FCSM's Code of Corporate Conduct (FCSM Code) provides useful recommendations.

The steps that must be followed are summarized in Figure 4.

1. Drafting the Agenda

The first step in preparing for the AGM is to draft an agenda. The agenda structures the AGM, and lists issues that must be addressed.¹⁰⁶

a) Who May Submit Agenda Items

A shareholder (or a group of shareholders) holding at least 2% of voting shares may propose agenda items, including the nomination of candidates to the governing bodies.

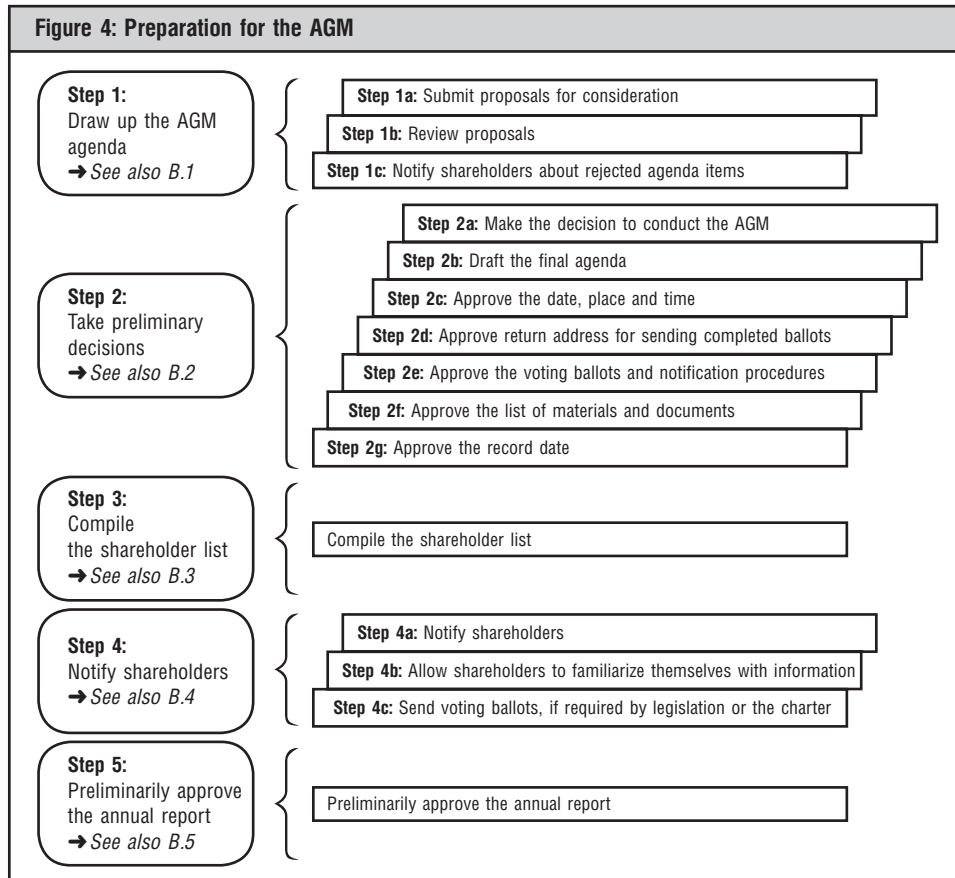
¹⁰³ LJSC, Article 48, Clause 2, Paragraphs 1 and 2.

¹⁰⁴ LJSC, Articles 51 to 54.

¹⁰⁵ LJSC, Article 47, Clause 2. See also: FCSM Regulation No. 17/ps on Additional Requirements to the Procedure of Preparing, Calling and Conducting the General Meeting of Shareholders (FCSM Regulation No. 17/ps), 31 May 2002.

¹⁰⁶ Federal Commission for the Security Market's Code of Corporate Conduct (FCSM Code), Chapter 2, Section 1.4.1.

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Source: IFC, March 2004

The signatory of the proposal is considered the individual who submits the proposal.¹⁰⁷ The date on which a shareholder's ownership should be verified is the date of legal submission.¹⁰⁸

¹⁰⁷ FCSM Regulation No. 17/ps, Section 2.2.

¹⁰⁸ FCSM Regulation No. 17/ps, Section 2.3.

b) How and When to Submit Agenda Proposals

Shareholders must submit proposals in writing:¹⁰⁹

- By regular mail to the General Director (or the External Manager). The postal address must be included in the State Register of Legal Entities, the charter, or the relevant by-laws. Proposals are considered submitted as of the postmark date; or
- By hand to the General Director (or to the Chairman of the Supervisory Board, the Corporate Secretary, or any other person entitled to receive mail on behalf of the company). The delivery must be verified by dated receipt. The date of receipt of such a proposal is deemed to be the date of submission; or
- By other means, such as e-mail or fax (if allowed by the charter and/or by-laws). In this case, the charter or by-laws determine the date of submission.

The company must receive proposals no later than 30 days after the end of fiscal year, unless the charter allows for a later submission.¹¹⁰

c) Required Proposal Information

A shareholder (or a group of shareholders) owning 2% or more of voting shares may propose any number of issues for the agenda. Each proposal must contain:¹¹¹

- The name of the submitting shareholder(s);
- The number, types, and classes of shares held by the shareholder(s);
- The text of the proposal (it may also contain proposed wording for shareholders to vote on); and
- The signature(s) of the submitting shareholder(s).

If a shareholder representative signs the proposal, a valid power of attorney must be attached.¹¹²

¹⁰⁹ LJSC, Article 53, Clause 3. FCSM Regulation No. 17/ps, Sections 2.1 and 2.4.

¹¹⁰ LJSC, Article 53, Clause 1.

¹¹¹ LJSC, Article 53, Clauses 3–4.

¹¹² FCSM Regulation No. 17/ps, Section 2.7.

Best Practices: Shareholder proposals should be included as separate items on the agenda. However, certain agenda items should be grouped together. For example, a decision on reorganization through spin-off may only be approved if the AGM also approves the following related issues:

- The spin-off procedure;
- Terms and conditions of the spin-off;
- The establishment of new companies as a result of reorganization;
- The procedure to convert the reorganized company's shares into shares of new companies; and
- The approval of a transfer balance sheet.

d) Information to Be Included in Candidate Proposals

A shareholder (or a group of shareholders) owning at least 2% or more of voting shares may propose candidates for the:

- Supervisory Board;
- General Director and Executive Board;¹¹³
- Counting Commission; and
- Revision Commission.

The number of candidates that may be proposed is limited to the size of the body specified in the charter or by-laws.¹¹⁴

Candidate proposals must contain the:¹¹⁵

- Name of candidates;
- Name of the body for which candidates are nominated;
- Name(s) of the shareholder(s) submitting the proposal;
- Number, types, and classes of shares held by the submitting shareholder(s); and
- Signature(s) of the shareholder(s).

¹¹³ LJSC, Article 53, Clause 1. Note that shareholders have the right to propose candidates for the position of General Director and Executive Board members only if the establishment of the company's executive bodies falls within the authority of the GMS. The charter must specifically address this.

¹¹⁴ LJSC, Article 53, Clause 1.

¹¹⁵ LJSC, Article 53, Clause 4; FCSM Regulation No. 17/ps, Section 2.8.

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The charter, by-laws, or other internal documents of the company may require additional information.

As under item B.1.c above, if a shareholder representative signs the proposal, a valid power of attorney must be attached.¹¹⁶

Best Practices: Candidates should be informed of their nomination. In addition, the AGM documents should contain an agreement that, if elected, candidates will accept the position.¹¹⁷ In the absence of such an agreement, it is recommended that the candidate physically attend the AGM and verbally confirm his acceptance if elected, before shareholders vote on his candidacy.

e) Proposal Review by the Supervisory Board

The Supervisory Board must decide whether to accept or reject shareholder proposals within five days after the submission deadline. It may reject a proposal only when:¹¹⁸

- The proposal is not submitted within the period determined by law and the charter;
- A submitting shareholder (or a group of shareholders) does not possess at least 2% of voting shares;
- The proposal is incomplete or does not meet the legal requirements for proposals;
- The AGM does not have the authority to decide on the proposed item; or
- The proposal does not otherwise comply with legislation (for example, if the shareholder proposes to declare dividends when this recommendation may only be made by the Supervisory Board).

¹¹⁶ FCSM Regulation No. 17/ps, Section 2.7.

¹¹⁷ FCSM Regulation No. 17/ps, Section 2.8; FCSM Code, Chapter 2, Section 1.3.6.

¹¹⁸ LJSC, Article 53, Clause 5.

The Supervisory Board may not invoke any other grounds for rejecting proposals.

Best Practices: Companies should check the shareholder register to verify shareholders' right to participate in the AGM, rather than require shareholders to submit supporting documents.¹¹⁹

f) The Notification of Shareholders of Rejected Proposals

The Supervisory Board must notify shareholders within three days of making the decision if their proposals are rejected.¹²⁰ It must provide them with the text of its decision stating the reasons for the rejection. Legislation does not specify how shareholders should be notified when proposals are rejected. It is, however, recommended that they be notified by registered mail.

The rejection of or failure to make a decision on shareholder proposals may be appealed to a court.¹²¹

The Company Law does not require shareholders to be notified if their proposals are accepted.¹²² It is assumed that they will receive sufficient notification when they receive the agenda.

2. Making Key Decisions

As depicted on Figure 5, the Supervisory Board must make a number of key decisions in preparing for the AGM.¹²³

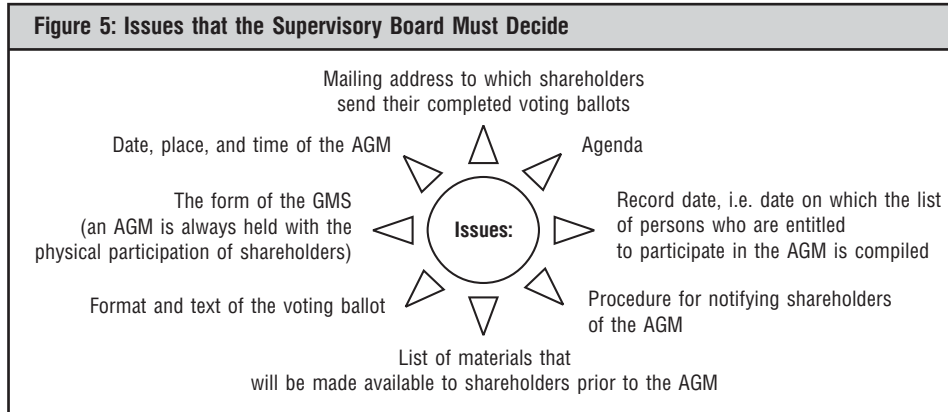
¹¹⁹ FCSM Code, Chapter 2, Section 1.5.

¹²⁰ LJSC, Article 53, Clause 6.

¹²¹ LJSC, Article 53, Clause 6.

¹²² LJSC, Article 53, Clause 6.

¹²³ LJSC, Article 54, Clause 1. LJSC, Article 60, Clause 2, Paragraph 2. The distribution of voting ballots prior to the AGM is mandatory for companies with 1,000 or more shareholders with voting rights; for companies with fewer than 1,000 shareholders with voting rights, only if required by the charter. (→ *For more information on voting ballots, see Section B.4 of this Chapter.*) LJSC, Article 60, Clause 1, Paragraph 2. Voting during the AGM must be done by ballot if the company has more than 100 shareholders with voting rights.



Source: IFC, March 2004

In addition to the requirements of the Company Law, the FCSM requires that the Supervisory Board decide on:¹²⁴

- Which classes of preferred shares grant voting rights to their owners on each agenda item; and
- When the registration of participants at the AGM shall start.

a) The Decision to Conduct the AGM

The Supervisory Board must decide to conduct the AGM before its preparation may start. As part of this decision, the Supervisory Board decides as to the final agenda; date, place, and time; address to which completed ballots must be sent; notification procedure and text of the voting ballot; list of materials; and record date.

b) The Date of the AGM

The company must conduct its AGM on a date that is determined by the charter.

Company Practices in Russia: In practice, the charter typically provides for a period of time within which the AGM must be held. The Supervisory Board then determines the exact date for each AGM, within the period stipulated by the charter.

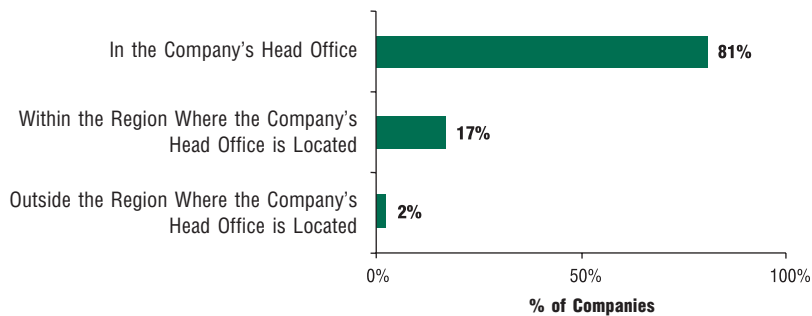
¹²⁴ FCSM Regulation No. 17/ps, Section 2.10.

c) The Place of the AGM

The company is required to conduct the AGM where it has its registered seat unless otherwise specified by the charter or by-laws.¹²⁵

Company Practices in Russia: Today most companies in Russia hold their GMS in easily accessible locations. This is in stark contrast to practices in the 1990s. Figure 6 shows that 81% of the companies in Russia's regions used their head office to host the GMS.¹²⁶ A further 17% held their GMS within the region where their head office was located, and only 2% of these companies held their GMS outside of the region in which they were located.

Figure 6: Common GMS Locations



Source: IFC, Regional Survey on Corporate Governance Practices, August 2003

Current company practices are consistent with the FCSM Code's recommendations that:¹²⁷

- The AGM should be held at a location and at a time that facilitates shareholders to participate and does not impose undue expenses upon them;
- The AGM should be held where the company is located or at a location defined by the charter;
- Companies that are located where access is difficult should choose a venue that is easy to access (for example, by public transport). This location should be specified in the charter;

¹²⁵ FCSM Regulation No. 17/ps, Section 2.9.

¹²⁶ IFC Survey on Corporate Governance Practices in Russia's Regions, Section 2.3.1, page 32, August 2003 (see www.ifc.org/rcgp).

¹²⁷ FCSM Code, Chapter 2, Section 1.2. and 1.6.

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- The premises should be able to accommodate all shareholders who want to participate; and
- Companies should estimate how many participants are likely to attend the AGM and plan accordingly.

d) Approving the Agenda

The Supervisory Board must approve the final AGM agenda. The agenda is composed of items that are:

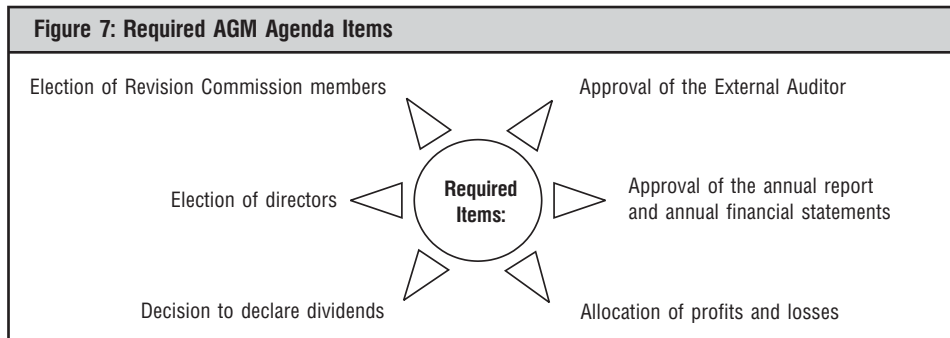
- Proposed by shareholders; and
- Included upon the Supervisory Board's initiative.

The Supervisory Board must include all shareholder proposals on the agenda that were not rejected. The Supervisory Board may not change the wording of any proposal, or the wording of the proposed decision to be taken on that item.¹²⁸ Once the Supervisory Board has approved the final agenda, it may not be changed.

The Supervisory Board may include:¹²⁹

- Items in addition to those required by the Company Law or those proposed by shareholders; and
- Additional candidates for governing bodies if shareholders failed to propose a sufficient number. It is good practice for the Supervisory Board to include a sufficient number of candidates to fill all positions for governing bodies.

Figure 7 shows the items that the agenda must include.¹³⁰



Source: IFC, March 2004

¹²⁸ LJSC, Article 53, Clause 7, Paragraph 1.

¹²⁹ LJSC, Article 53, Clause 7, Paragraph 2.

¹³⁰ LJSC, Article 54, Clause 2.

e) The Record Date

The record date, sometimes referred to as the fixing date, is the date used to determine who is entitled to participate in the AGM. The record date must be set by the Supervisory Board prior to the AGM, and may not be set at a date that is:¹³¹

- Earlier than the Supervisory Board's decision to conduct the AGM;
- More than 50 days prior to the AGM; and
- Less than 45 days prior to the AGM, if voting ballots must be sent.

3. Preparing the Shareholder List

The next step in preparing for the AGM is to compile the list of shareholders who are entitled to participate in the AGM. The shareholder list is based on information from the Registrar on the record date.¹³²

Once the Supervisory Board has set the record date, the General Director must tell the Registrar to compile the shareholder list.¹³³ The shareholder list is prepared for the Supervisory Board to:

- Determine which shareholders are entitled to participate in the AGM;
- Notify shareholders of the AGM;
- Determine which shareholders have the right to receive dividends; and
- Give shareholders the opportunity to verify that their rights are registered properly.

a) Who Should Be Included on the Shareholder List

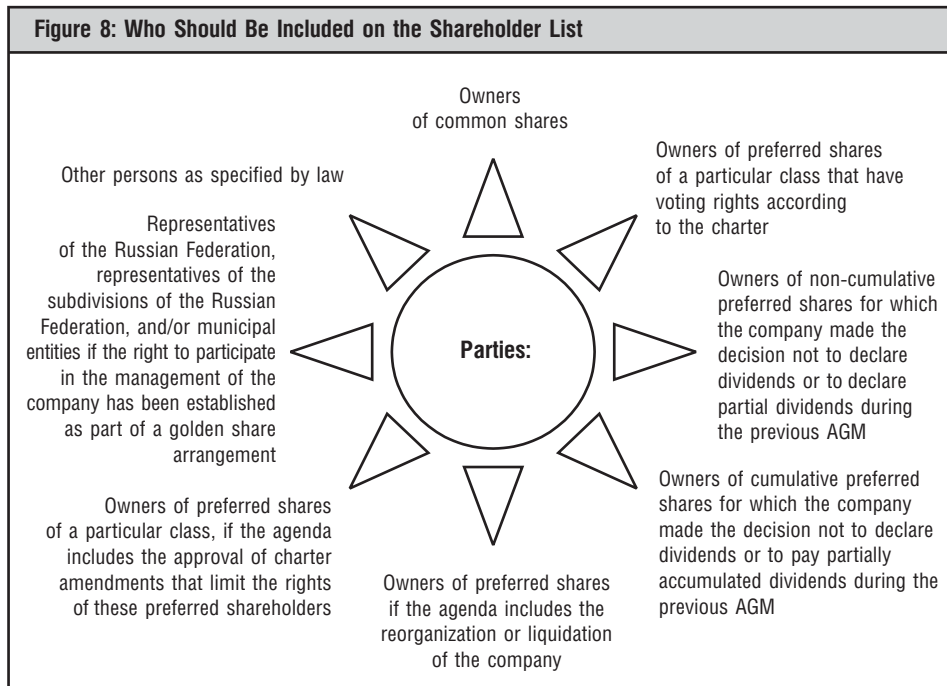
Only persons included on the shareholder list are entitled to participate in the AGM. Figure 8 depicts who should be included on the shareholder list.¹³⁴

¹³¹ LJSC, Article 51, Clause 1.

¹³² LJSC, Article 51, Clause 1, Paragraph 1.

¹³³ The holder of the shareholder register will typically be the company or an External Registrar. See also: Chapter 7, Section D.

¹³⁴ FCSM Regulation No. 17/ps, Section 2.11. All shares of the company must be fully paid. LJSC, Article 34, Clause 1, Paragraph 3 specifies that shares that are held by the founders of the company, but are not fully paid do not grant voting rights to their owners, unless the charter provides otherwise. Because of amendments to the LJSC, preferred shares with voting rights cannot be placed after January 1, 2002. Securities convertible into preferred shares



Source: IFC, March 2004

b) Nominal Shareholders and the Shareholder List

To ensure that all shareholders are included in the shareholder list, nominal shareholders (such as brokers, banks, and investment funds that manage shares on behalf of shareholders) are required to provide the company with information on the ultimate or beneficial owners they represent.¹³⁵

→ See also Part IV, Chapter 13, Section B.3 for more information on the disclosure of beneficial ownership.

with voting rights can not be converted into voting preferred shares after January 1, 2002. The amendments to the LJSK have eliminated the possibility of issuing preferred shares that have voting rights if this is specified by the charter. FCSM Regulation No. 17/ps does not specify these other persons.

¹³⁵ LJSK, Article 51, Clause 2.

c) Information in the Shareholder List

The shareholder list must contain information on each individual and legal entity including:¹³⁶

- Name;
- Identification details;
- The number, type, and class of shares held; and
- A mailing address in the Russian Federation.

d) Disclosure of Information in the Shareholder List

Two information disclosure situations may be differentiated:¹³⁷

- Disclosure to larger shareholders; and
- Verification by a shareholder of his own holdings.

In the first situation, the shareholder list should be made available to all shareholders who own at least 1% of voting shares. Information regarding physical persons, including their mailing address, may however only be disclosed with their permission.¹³⁸

In the second situation, shareholders are entitled to verify the accuracy of the information in the register about themselves and their holdings. If the shareholder is unable to verify his inclusion on the shareholder list, the company must issue a statement within three days of the request.

The Supervisory Board may amend the shareholder list after the record date only to restore the rights of persons who were omitted or to correct other errors.¹³⁹

e) Shareholder Obligations When Selling Shares After the Record Date But Prior to the Annual General Meeting of Shareholders

Shareholders lose voting rights when they sell their shares, as voting rights are transferred automatically to the new owner. However, as the shareholder list is not updated after the record date, the selling shareholder must ensure that the new shareholder may vote at the AGM. There are two ways for the selling shareholder to fulfill his obligation:¹⁴⁰

¹³⁶ LJSJ, Article 51, Clause 3.

¹³⁷ LJSJ, Article 51, Clause 4.

¹³⁸ LJSJ, Article 51, Clause 4.

¹³⁹ LJSJ, Article 51, Clause 5.

¹⁴⁰ LJSJ, Article 57, Clause 2.

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- Grant a power of attorney to the new owner; or
- Participate in the AGM and vote in accordance with the instructions of the new owner.

In practice, these two options only work when the shareholder knows:

- **The identity of the buyer:** In Russia, as elsewhere in the world, shares are generally sold anonymously through intermediaries thus making it impossible for the seller to identify and contact the buyer. It gets more complicated when shares are sold to multiple shareholders or during multiple and sequential transactions.
- **The record date:** In practice, shareholders are not notified about the record date before they are notified of the AGM. This makes it difficult for the seller to know if he is obliged to act in order to allow the new shareholder to participate in the AGM.

Securities legislation further regulates this issue. In particular, if a shareholder sells his shares after the record date to multiple shareholders, then he is required to either: 1) vote based on the instructions of the new owners; and/or 2) give a power of attorney to all new owners specifying the number of shares the new owner may vote in accordance with the following:¹⁴¹

- If the instructions of the new owners coincide, their votes must be combined;
 - If the instructions of new owners do not coincide, the seller must vote in accordance with the instructions of new owners;
 - If the new owners receive power of attorney from the seller, the new shareholders must be registered in order to participate in the AGM, and they must be given new voting ballots;
 - If voting shares are being circulated in foreign markets in the form of depositary receipts, voting must be based on the instructions of the depositary receipt holders.
- *For more information on depositary receipts, see Chapter 11, Section G.*

¹⁴¹ FCSM Regulation No. 17/ps, Section 2.12.

4. Providing Proper Notice

Once the procedures set out in Section B.3 are completed, all shareholders of record must be notified of the AGM:¹⁴²

- No later than 20 days prior to the AGM; or
- No later than 30 days prior to the AGM if the agenda includes the reorganization of the company.

Best Practices: It is good practice that notification of the AGM:¹⁴³

- Allows sufficient time for all shareholders to prepare for the AGM;
- Is given to all shareholders;
- Allows sufficient time for shareholders to contact other shareholders; and
- Occurs at least 30 days in advance.

a) How to Notify

Shareholders must be notified of the AGM by:¹⁴⁴

- Registered mail, unless the charter provides otherwise; or
- Hand delivery with a delivery receipt; or
- Publication in a newspaper or other printed media with a large circulation, if provided by the charter.

Company Practices in Russia: An IFC survey of corporate governance practices in Russia's regions shows that most companies send announcements by registered mail and/or publish them in the print media, as shown in Figure 9 below.¹⁴⁵

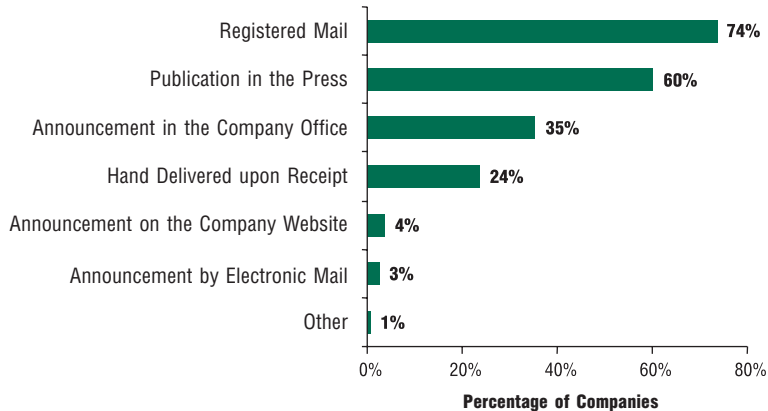
¹⁴² LJSC, Article 52, Clause 1.

¹⁴³ FCSM Code, Chapter 2, Section 1.1.1.

¹⁴⁴ LJSC, Article 52, Clause 1, Paragraph 3.

¹⁴⁵ IFC Survey on Corporate Governance Practices in Russia's Regions, Section 2.3.1, page 31, August 2003 (see www.ifc.org/rcgp).

Figure 9: Method of AGM Notification



Source: IFC, Regional Survey on Corporate Governance Practices, August 2003

The company may also notify shareholders of an AGM by television or radio, or other methods such as the internet.¹⁴⁶ These other methods may not, however, replace those required by the Company Law and those specified in the charter.

Best Practices: Every reasonable effort should be made to inform shareholders of an upcoming AGM.¹⁴⁷ A broader reach may be achieved by:

- Permitting the use of e-mail and the internet;
- Using widely read print media to disseminate notice; and
- Using no less than two and, ideally, several publications to give notice.

b) Information that Is Included in the AGM Notification

The AGM notification must include information required by the Company Law and the FCSM.¹⁴⁸ In addition, the FCSM Code states that notification should

¹⁴⁶ LJSC, Article 52, Clause 1, Paragraph 4.

¹⁴⁷ FCSM Code, Chapter 2, Sections 1.1.3 and 1.1.4.

¹⁴⁸ LJSC, Article 52, Clause 2; FCSM Regulation No. 17/ps, Section 3.1; FCSM Code, Chapter 2, Section 1.1.2.

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contain sufficient information to enable shareholders to decide whether they will participate and how they will participate. Legal requirements and the FCSM Code's recommendations are summarized in Table 1.

Table 1: Information to Include in the AGM Notification		
Information	Required	Recommended
Full name and location of the company	✓	✓
Date, place, and time of the AGM	✓	✓
Mailing address for sending voting ballots (if applicable)	✓	✓
Record date of the AGM	✓	✓
Agenda	✓	✓
Procedures for receiving background materials	✓	✓
The time when the registration of participants starts	✓	✓
The place where registration takes place		✓
The person to whom shareholders may report violations of the registration procedure		✓

c) Information and Materials for the AGM

The Company Law and securities legislation list the background materials that must be made available to shareholders before the AGM.¹⁴⁹

Best Practices: Companies should identify additional materials that may need to be provided to shareholders in their charter.¹⁵⁰

Legal requirements and the FCSM Code's recommendations are summarized in Table 2.

¹⁴⁹ LJSC, Article 52, Clause 3, Paragraph 1; FCSM Regulation No. 17/ps, Sections 3.2 to 3.5;

¹⁵⁰ FCSM Code, Chapter 2, Section 1.3.1.

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Table 2: AGM Materials		
Information (Materials)	Required	Recommended
Annual report and annual financial statements	✓	✓
Report of the Revision Commission	✓	✓
Report of the External Auditor	✓	✓
Recommendations of the Supervisory Board regarding the distribution of profits, including the amount of dividends and the procedure for the payment of dividends, and regarding the distribution of losses	✓	✓
Draft charter amendments, draft of the new version of the charter, if any	✓	✓
Draft by-laws, if any	✓	✓
Drafts of decisions of the AGM	✓	✓
Information on proposed candidates for the position of General Director, and for members of the Executive Board, Supervisory Board, Revision Commission, and Counting Commission	✓	✓
Consent of nominees to accept the position if they are elected	✓	✓
<p>Materials that must be made available when the agenda includes items that may trigger redemption rights:</p> <ul style="list-style-type: none"> • The report of an Independent Appraiser on the market value of the company shares; • The net assets of the company based on the financial statements for the last reporting period; and • The minutes of the Supervisory Board meeting, which determined the redemption price for shares, including the redemption price. 	✓	✓
<p>Materials that must be made available when the agenda includes the reorganization of the company:</p> <ul style="list-style-type: none"> • The justification of the terms and procedures of the reorganization, contained in the decision on the division, separation, or transformation, or in the contract on merger or accession approved by the Supervisory Board; • The annual reports and financial statements of all companies involved in the reorganization for the last three fiscal years or for all completed fiscal years if the company was established less than three years ago; and • The quarterly accounting documents for the quarter that precedes the date of the AGM. 	✓	✓

Table 2: AGM Materials		
Information (Materials)	Required	Recommended
The position of the Supervisory Board on each agenda item and any dissenting opinions. ¹⁵¹		✓

d) When and Where Materials Must Be Made Available

AGM materials must be made available at the premises of the company where the General Director is located and any other places specified in the AGM notification:¹⁵²

- 20 days prior to the AGM; or
- 30 days prior to the AGM, if the agenda includes the reorganization of the company.

Information may also be made available at other places, preferably in an area where a significant numbers of shareholders reside,¹⁵³ as long as the address is specified in the AGM notification.

Best Practices: AGM materials should be posted on the internet, preferably on the company's website. Electronic dissemination is a simple and cost-effective method of allowing broad public access.

Each shareholder of record has the right to receive copies of AGM materials. The company may recoup the actual cost of making copies from shareholders.¹⁵⁴ Copies must be provided within five days of the request, unless the charter or by-laws specify a shorter period.¹⁵⁵

e) When and How Voting Ballots Are Sent to Shareholders

The Company Law dictates when the company is required to use voting ballots and when to distribute these in advance.

¹⁵¹ FCSM Code, Chapter 2, Section 1.3.3.

¹⁵² LJSC, Article 52, Clause 3, Paragraph 3.

¹⁵³ FCSM Code, Chapter 2, Section 1.3.5.

¹⁵⁴ LJSC, Article 52, Clause 3, Paragraph 4.

¹⁵⁵ FCSM Regulation No. 17/ps, Section 3.8.

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Companies with more than 100 shareholders with voting rights must always use voting ballots.¹⁵⁶ Companies with fewer shareholders may use voting ballots if required by the charter.

The company is required to distribute voting ballots if it has more than 1,000 shareholders with voting rights or the charter requires so.¹⁵⁷

Voting ballots must be distributed to all shareholders of record:¹⁵⁸

- No later than 20 days prior to the AGM; and
- By registered mail, if the charter does not provide otherwise; or
- By hand with a delivery receipt.

For companies with more than 500,000 shareholders with voting rights, the charter may allow for the publication of voting ballots in the print media.¹⁵⁹

f) Information on Voting Ballots

Voting ballots must include the information summarized in Table 3.¹⁶⁰

Required Information	The Company Law	The FCSM Code
The full name and location of the company	✓	✓
The form of the AGM (either in the presence of shareholders or by written consent)	✓	✓
The date, place, and time of the AGM	✓	✓
Deadline prior to which completed ballots must be sent to the company	✓	✓
The mailing address to which completed ballots must be sent	✓	✓

¹⁵⁶ LJSC, Article 60, Clause 1.

¹⁵⁷ LJSC, Article 60, Clause 2, Paragraph 2.

¹⁵⁸ LJSC, Article 60, Clause 2, Paragraphs 2 and 3.

¹⁵⁹ LJSC, Article 60, Clause 2, Paragraph 4.

¹⁶⁰ LJSC, Article 60, Clause 4. FCSM Letter on Information that is Contained in the Voting Ballot for the General Meeting of Shareholders, 16 June 2000, Section 4; FCSM Regulation No. 17/ps, Sections 2.13. and 2.14.

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Table 3: Information That Must Be Included on the Voting Ballot		
Required Information	The Company Law	The FCSM Code
The wording of decisions on each issue and the names of candidates	✓	✓
The instruction that the ballot must be signed by the shareholder	✓	✓
The exact wording “for,” “against,” or “abstain” alongside each decision	✓	✓
An explanation of cumulative voting with the following text: “When Supervisory Board members are elected with cumulative voting, the shareholder may cast all his votes for one candidate or for several candidates”		✓
The ballot must have a designated area where shareholders must insert the number of votes they cast for each candidate		✓
The ballot must contain an explanation that fractions of a vote may only be cast for one candidate		✓
The ballot must show the number of votes each shareholder may cast to decide on each decision based on information from the shareholder list		✓
Instructions on how to complete the ballot → See also Section C.11 in this Chapter.		✓
The instruction that a shareholder who is a physical person must write his last name when he signs the ballot		✓
The instruction that an individual who completes the ballot on behalf of a shareholder that is a legal entity must indicate his name and position, and the full name of the legal entity which he represents		✓
The instruction that a copy of the power of attorney must be attached to the ballot, and that the representative of the shareholder must sign the voting ballot (if the voting is by proxy)		✓

g) Nominal Shareholders and Shareholder Notification

The AGM notification must be sent to nominal shareholders if the mailing address of the beneficial owner is unknown.

If notice is sent to a nominal shareholder, the nominal shareholder must inform the beneficial owner of the AGM. The nominal shareholder must give notice in

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accordance with the procedure and time specified by legislation, or by agreement with the beneficial owner.¹⁶¹

5. Preliminarily Approving the Annual Report

The last step in preparing for the AGM is for the Supervisory Board to preliminarily approve the annual report, which must occur no later than 30 days prior to the AGM.¹⁶² Before it does so, the Revision Commission must verify the annual report.¹⁶³ The AGM then approves the final version of the annual report.

C. Conducting the Annual General Meeting of Shareholders

The company may conduct the AGM once all the preparatory steps have been completed. The AGM is a key corporate governance event, and its proper implementation thus takes on added importance.

Best Practices: The AGM should be used to inform shareholders about company activities, achievements, and plans, and to involve shareholders in important decisions. For a minority shareholder, the AGM is often the only chance to obtain detailed information about the company's operations, and to meet management and directors.¹⁶⁴

Convening and conducting the AGM is a complex task and a number of steps must be followed to ensure that the AGM meets legal requirements and the FCSM Code's recommendations.

Best Practices: The AGM should not start prior to 09.00 and should end not later than 22.00.¹⁶⁵ Clearly, one should steer away from a marathon AGM in order to avoid exhausting participants. This may pose considerable organizational challenges when the issues to be decided are either complex, contentious, and/or numerous.

¹⁶¹ LJSC, Article 52, Clause 4.

¹⁶² LJSC, Article 88, Clause 4.

¹⁶³ LJSC, Article 88, Clause 3, Paragraph 1.

¹⁶⁴ FCSM Code, Introduction to Chapter 2.

¹⁶⁵ FCSM Code, Chapter 2, Section 1.6.3.

The overriding principle for organizing the AGM is that it should be conducted in such a manner so as to facilitate effective shareholder participation and decision-making.

An overview of the steps necessary to organize the AGM is provided in Figure 10.

1. Shareholder Participation Options

Shareholders may attend the AGM in person or grant a power of attorney to a representative (proxy) who attends the AGM on the shareholder's behalf.¹⁶⁶ Shareholders may also participate in the GMS by sending completed voting ballots to the company (if voting ballots are distributed in advance). If participation is by proxy, the power of attorney must be drafted in compliance with legislation or notarized to become valid.¹⁶⁷ It may be revoked and/or transferred to another person at any time by the shareholder. In addition, the shareholder may change the terms of the proxy and give his representative different instructions at any time.

→ See Part VI, Annexes 22 and 23 for a model proxy from an individual and a legal entity, respectively.

In case of joint ownership of shares, proxy voting may be by:¹⁶⁸

- One of the owners, acting on behalf of all owners on the basis of a valid proxy; or
- A joint representative, acting on the basis of a valid proxy.

If an individual shareholder dies or a legal entity shareholder reorganizes after the record date, the legal heir or the new shareholder may attend.¹⁶⁹

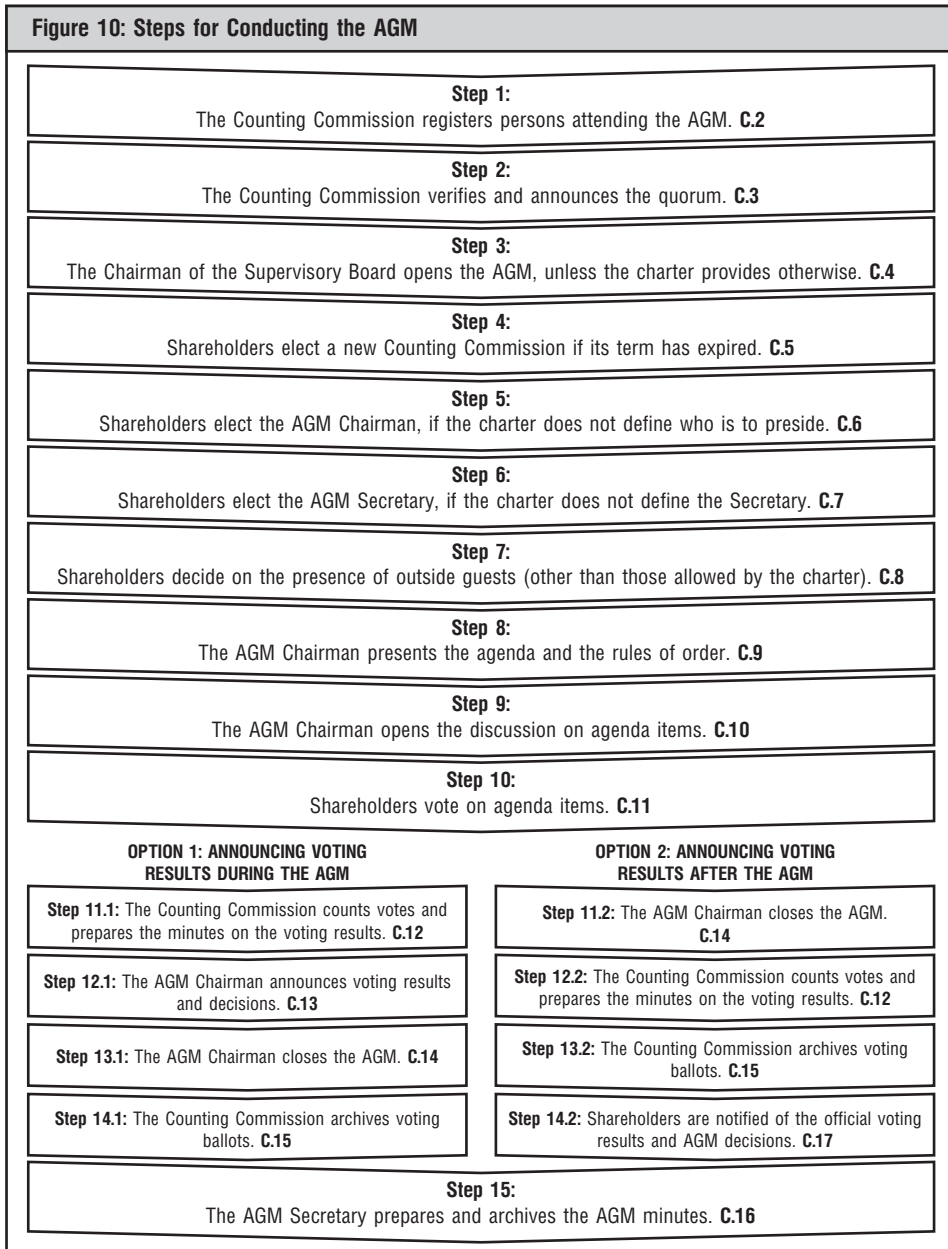
¹⁶⁶ LJSC, Article 57, Clause 1, Paragraph 1.

¹⁶⁷ LJSC, Article 57, Clause 1, Paragraph 3.

¹⁶⁸ LJSC, Article 57, Clause 3.

¹⁶⁹ FCSM Regulation No. 17/ps, Section 4.1.

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Source: IFC, March 2004

2. Shareholder Registration

The previous year's Counting Commission registers shareholders or shareholder representatives before the AGM may begin.¹⁷⁰ Participants must be registered to verify the quorum. In the absence of a quorum, the AGM must be rescheduled. It should be noted that shareholders whose voting ballots were received at least two days prior to the AGM are automatically registered.¹⁷¹

Best Practices: To avoid company officials preventing shareholders from participating in the AGM, e.g. by blocking registration, the registration procedure should be described in detail in the internal documents of the company, and in the GMS notification.¹⁷²

a) Who Registers Shareholders

Registration of participants must be done by:

- The body specified by the charter when the company has 100 or fewer shareholders with voting rights, or by the External Registrar;¹⁷³ or
- The Counting Commission¹⁷⁴ when the company has more than 100 shareholders with voting rights;¹⁷⁵ or
- The External Registrar if it is assigned to perform such functions;¹⁷⁶ or
- The External Registrar when the company has more than 500 shareholders with voting rights.

b) Who Must Be Registered

The following persons must be registered before they may participate in the AGM:¹⁷⁷

¹⁷⁰ LJSC, Article 56, Clause 4.

¹⁷¹ FCSM Regulation No. 17/ps, Section 4.6.

¹⁷² FCSM Code, Chapter 2, Section 2.2.1.

¹⁷³ FCSM Regulation No. 17/ps, Section 4.4.

¹⁷⁴ Hereinafter, any references to the Counting Commission include other bodies fulfilling the function of the Counting Commission, as specified by the Company Law and/or the charter.

¹⁷⁵ LJSC, Article 56, Clause 1, Paragraph 1.

¹⁷⁶ LJSC, Article 56, Clause 1, Paragraph 2.

¹⁷⁷ FCSM Regulation No. 17/ps, Section 4.6.

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- Shareholders, or shareholder representatives who did not return voting ballots; and
- Shareholders, or shareholder representatives who acquired shareholder rights due to the reorganization of the company or death of a shareholder.

c) What Documents Must Be Verified for the Registration

To register participants of the AGM, the registering body must verify:¹⁷⁸

- The identity of the participants;
- That participants are on the shareholder list; and
- That shareholder representatives, or proxies, have a valid power of attorney.

d) Registration of Participants and Voting Ballots

The registering body must provide voting ballots to participants after registration is complete, unless voting ballots were sent prior to the AGM.

e) The Time for the Registration of Participants

The registration of participants of the AGM officially starts at the time stated in the notice of the AGM and ends after the discussion of the last agenda item.¹⁷⁹

Best Practices: The registration of participants should be carried out on the same day just prior to conducting of the AGM.¹⁸⁰ Poorly organized registration may result in shareholders having to wait in line while the AGM starts. Accordingly, companies should make every effort to ensure that the registration process is quick and efficient, and that participants are not prevented from participating in the AGM due to administrative delays. This means that the registration desk needs to be adequately staffed, and open well in advance of the AGM.

¹⁷⁸ FCSM Regulation No. 17/ps, Section 4.8.

¹⁷⁹ FCSM Regulation No. 17/ps, Section 4.9, Paragraph 1.

¹⁸⁰ FCSM Code, Chapter 2, Section 2.2.2.

f) Where Participants Must Be Registered

Registration must take place where the AGM is held.¹⁸¹

3. Verifying and Announcing the Quorum

The Counting Commission must verify and announce that a quorum is present for the AGM after registration is complete and before shareholders may vote.¹⁸²

Owners of more than 50% of voting shares must participate in the AGM for it to commence and its decisions to be valid.¹⁸³ The shareholders participating in the AGM are those who:

- Are registered (in person or by proxy); or
- Have returned voting ballots no later than two days prior to the AGM.¹⁸⁴

If the agenda of the AGM includes items with different voting requirements for common shareholders and preferred shareholders, a quorum must be determined separately for each item. The absence of a quorum for any one agenda item does not prevent shareholders from voting on other agenda items for which a quorum exists.¹⁸⁵ A quorum must be re-verified for each agenda item.¹⁸⁶

A quorum is verified by counting the number of registered shares. Fractional shares must be counted for a quorum, and may not be rounded off.¹⁸⁷

The Chairman opens the AGM when there is a quorum for at least one agenda item. If there is no quorum, the AGM must be postponed in accordance with the charter or by-laws. The AGM may not be postponed for more than two hours.¹⁸⁸ If the charter or by-laws do not specify how long the AGM may be postponed, it must be postponed for only one hour. The AGM may be postponed only once.

¹⁸¹ FCSM Regulation No. 17/ps, Section 4.5.

¹⁸² LJSC, Article 56, Clause 4.

¹⁸³ LJSC, Article 58, Clause 1, Paragraph 1.

¹⁸⁴ LJSC, Article 58, Clause 1, Paragraphs 1 and 2.

¹⁸⁵ LJSC, Article 58, Clause 2.

¹⁸⁶ FCSM Regulation No. 17/ps, Section 4.11.

¹⁸⁷ FCSM Regulation No. 17/ps, Section 4.15.

¹⁸⁸ FCSM Regulation No. 17/ps, Section 4.9, Paragraphs 2 and 3.

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In the absence of a quorum for at least one agenda item, the AGM must be rescheduled. The rescheduled AGM must be conducted with the same agenda.¹⁸⁹

The rescheduled AGM may be conducted and will be deemed valid if the owners of not less than 30% of voting shares participate in the rescheduled AGM.¹⁹⁰ The charter of a company with more than 500,000 shareholders with voting rights may set a lower quorum requirement for any rescheduled AGM.

Best Practices: Charters of companies with more than 500,000 shareholders (with voting rights) should require the registration of no less than 20% of voting shares for a rescheduled AGM.¹⁹¹

If the rescheduled AGM is held within 40 days of the original AGM, it is not necessary to prepare a new shareholder list.¹⁹² The rescheduled AGM may only be held if persons included on the shareholder list are notified in a timely manner according to procedures for the original AGM.¹⁹³

4. Opening the Annual General Meeting of Shareholders

The AGM may be opened if a quorum exists on at least one agenda item. The person who opens the AGM, typically the Chairman of the Supervisory Board, must invite shareholders to vote on:

- The Counting Commission members if their terms have expired;
- The AGM Chairman (unless the charter defines who presides over the GMS);¹⁹⁴ and
- The AGM Secretary (unless the charter defines who the Secretary is).

¹⁸⁹ LJSC, Article 58, Clause 3, Paragraph 1.

¹⁹⁰ LJSC, Article 58, Clause 3, Paragraphs 1 and 2.

¹⁹¹ FCSM Code, Chapter 2, Section 2.3.

¹⁹² LJSC, Article 58, Clause 4.

¹⁹³ LJSC, Article 58, Clause 3, Paragraph 3.

¹⁹⁴ LJSC, Article 67, Clause 2.

5. Electing the Counting Commission

The AGM must elect Counting Commission members when the company has more than 100 shareholders with voting rights and the term of the previous Counting Commission has expired.¹⁹⁵

If the company has more than 500 shareholders with voting rights, an External Registrar must perform the functions of the Counting Commission.¹⁹⁶ A company with 500 or fewer shareholders with voting rights may voluntarily retain an External Registrar to perform the functions of the Counting Commission.¹⁹⁷

The functions of the Counting Commission may also be assigned to an External Registrar when:¹⁹⁸

- The terms of Counting Commission members have expired; or
- The number of its members is less than three; or
- Fewer than three Counting Commission members are present at the AGM.

There are no term-limits for Counting Commission members.

Figure 11 depicts the various responsibilities of the Counting Commission.¹⁹⁹

The Counting Commission must have at least three members.²⁰⁰ To ensure that it performs its functions independently of the General Director, the Executive Board, and the Supervisory Board, the following individuals may not be members:²⁰¹

- Supervisory Board members, and candidates for the Supervisory Board;
- Revision Commission members, and candidates for the Revision Commission;
- The General Director, and candidates for the position of General Director;
- Executive Board members and candidates for the Executive Board; and
- The External Manager, and candidates for the External Manager.

¹⁹⁵ LJSC, Article 56, Clause 1.

¹⁹⁶ LJSC, Article 56, Clause 1.

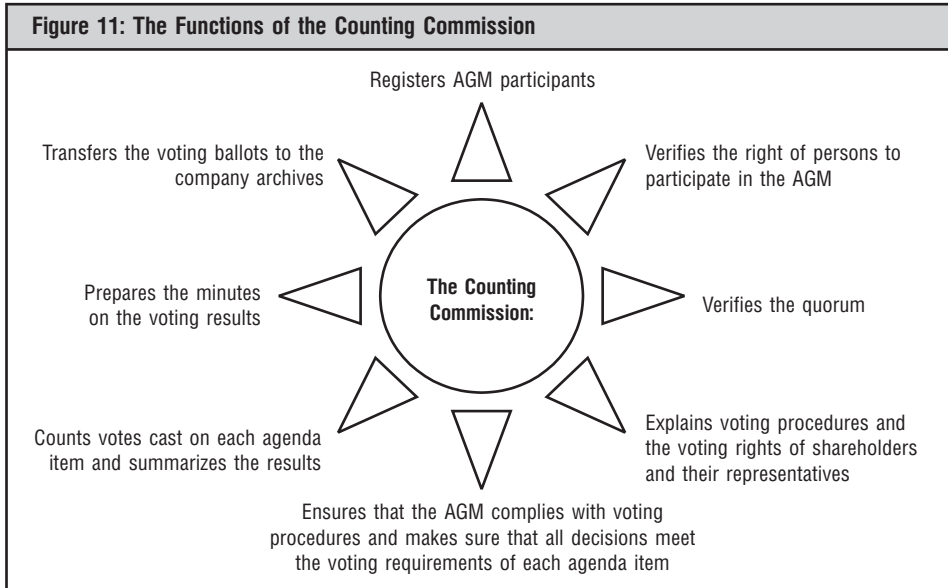
¹⁹⁷ LJSC, Article 56, Clause 1, Paragraph 2.

¹⁹⁸ LJSC, Article 56, Clause 3.

¹⁹⁹ LJSC, Article 56, Clause 4.

²⁰⁰ LJSC, Article 56, Clause 2.

²⁰¹ LJSC, Article 56, Clause 2.



Source: IFC, March 2004

6. Electing the Chairman of the Annual General Meeting of Shareholders

The Chairman of the Supervisory Board presides over the AGM if the charter does not provide otherwise.²⁰² In all other cases, shareholders must elect the AGM Chairman.

7. Electing the Secretary of the Annual General Meeting of Shareholders

The AGM must have a Secretary.²⁰³ The AGM Secretary ensures that discussions and decisions are duly recorded in the AGM minutes. Shareholders elect the AGM Secretary if the charter does not define who the Secretary is or when his term expires.

Best Practices: A qualified Corporate Secretary is an excellent candidate to serve as the AGM Secretary.²⁰⁴

²⁰² LJSC, Article 67, Clause 2.

²⁰³ LJSC, Article 63, Clause 1.

²⁰⁴ FCSM Code, Chapter 5, Section 1.1.7.

8. Inviting Outside Guests as Observers

As a practical matter, the company may invite creditors, potential investors, employees, government officials, journalists, experts, and other individuals and organizations that do not own company shares to the AGM. The charter and by-laws may specify procedures on inviting guests to the AGM.

9. Presenting the Agenda and the Rules of Order

The Chairman of the AGM presents the agenda to the AGM participants. In addition, the AGM Chairman explains the rules of order as specified either in the charter, by-laws or a decision of the GMS. Per request of the AGM Chairman, the Counting Commission explains the voting procedures.

10. Discussing Agenda Items

The AGM Chairman may invite Supervisory Board members, the General Director, and Executive Board members to comment on agenda items before the shareholders vote. He may also ask invited experts to explain agenda items to shareholders.

Best Practices: It is good practice that:²⁰⁵

- Shareholders have the opportunity to question Revision Commission members and the External Auditor;
- Shareholders receive clear answers to questions;
- Questions from shareholders are answered immediately. If a question cannot be answered immediately, a written response should be given as soon as possible after the AGM;
- The AGM be conducted so that all shareholders have an opportunity to make balanced and informed decisions on all agenda items;
- The External Auditor, the General Director, and members of the Supervisory Board, the Revision Commission, and the Executive Board are present at the AGM. If they are not, the AGM Chairman should explain their absence;
- Key officers of the company, including the chairmen of Supervisory Board committees, speak at the AGM;
- The agenda set aside some time for presentations by shareholders; and
- The Chairman of the AGM interrupt speakers only to maintain order or comply with procedural requirements.

²⁰⁵ FCSM Code, Chapter 2, Section 2.1.

11. Voting

After one or several agenda items have been thoroughly discussed, the Chairman of the AGM invites shareholders to vote. Voting is based upon the principle of “one voting share — one vote,” except for cumulative voting when directors are elected²⁰⁶ or when the charter includes voting limitations.²⁰⁷

Shareholders have the right to vote on all agenda items from the moment the AGM is opened until the moment it is closed when voting results are not announced during the AGM.²⁰⁸

When the charter, by-laws, or a decision of the AGM requires voting results to be announced during the AMG, all shareholders have the right to vote on all agenda items from the moment the AGM is opened until the counting of votes begins.²⁰⁹

The format of a ballot depends on the voting procedures. Ballots document how shareholders voted on agenda items. Further, they may help shareholders to prove how they voted in the event that there are subsequent legal actions. The ballot is typically a document that:

- Contains all agenda items on which shareholders may vote. In this case, the Counting Commission presents voting results to the Chairman of the AGM after shareholders have voted on all agenda items; or
- Consists of separate pages, each containing one or several items on which shareholders may vote. In this case, the Counting Commission presents the voting results to the Chairman of the AGM every time that shareholders vote on the items listed on one page.

➔ *For more information on voting ballots, see Section B.4.f of this Chapter.*

A ballot is valid if a shareholder marks only one of the possible options for a particular item.²¹⁰ A failure to do so invalidates the ballot with regard to that item.

²⁰⁶ LJSC, Article 59.

²⁰⁷ LJSC, Article 11, Clause 3.

²⁰⁸ FCSM Regulation No. 17/ps, Section 4.10.

²⁰⁹ FCSM Regulation No. 17/ps, Section 4.10.

²¹⁰ LJSC, Article 61.

Improperly completed voting ballots with respect to one or more items do not cause the voting ballot to be invalid for other agenda items.

Best Practices: The procedure for counting votes should be transparent. To avoid any (perception) that the voting results have been manipulated, the Counting Commission should be independently monitored when counting votes. The charter and other internal regulations should provide for such monitoring and, additionally, define the authority of those persons appointed to monitor the counting process.²¹¹

12. Counting and Documenting Votes

The Counting Commission must count the number of votes cast during the AGM and summarize voting results in its minutes. The Counting Commission presents the voting results to the Chairman of the AGM, who then announces the results (if the company decides to announce results immediately).

The FCSM requires that the Counting Commission minutes contain specific information.²¹²

→ See Section C.18 of this Chapter.

All Counting Commission members must sign the minutes on the voting results.²¹³ If the External Registrar performs the functions of the Counting Commission, the person(s) authorized by the Registrar must sign the minutes.²¹⁴

13. Announcing the Voting Results and Decisions

The Chairman of the AGM announces the voting results by reading the Counting Commission minutes and the AGM decisions.²¹⁵

²¹¹ FCSM Code, Chapter 2, Section 2.4.2.

²¹² FCSM Regulation No. 17/ps, Section 5.3.

²¹³ LJSC, Article 62, Clause 1.

²¹⁴ FCSM Regulation No. 17/ps, Section 5.4.

²¹⁵ LJSC, Article 62, Clause 4.

Best Practices: The voting results should be counted and announced prior to the closing of the AGM.²¹⁶

14. Closing the Annual General Meeting of Shareholders

The Chairman of the AGM closes the AGM when:

- All agenda items have been discussed and voted upon; and
- The voting results have been announced (if the company decides to announce results immediately).

An AGM may not be closed if a quorum does not exist on outstanding agenda items by the end of the registration.²¹⁷

Best Practices: The company should close the AGM on the same day to avoid unnecessary (extra) expenses for shareholders. If the AGM cannot be completed within one day, the company should continue the Meeting on the next day.²¹⁸

15. Archiving Voting Ballots

After the AGM, the Counting Commission must ensure that the voting ballots are sealed and transferred to the archives.²¹⁹

16. Preparing the Annual General Meeting of Shareholders Minutes

The company must prepare the AGM minutes within 15 days of its closure.²²⁰ The AGM Chairman and Secretary must each sign two original copies of the minutes.

²¹⁶ FCSM Code, Chapter 2, Section 2.4.3.

²¹⁷ FCSM Regulation No. 17/ps, Section 4.11.

²¹⁸ FCSM Code, Chapter 2, Section 2.4.1.

²¹⁹ LJSC, Article 62, Clause 2.

²²⁰ LJSC, Article 63, Clause 1.

The AGM minutes must include specific information.²²¹

→ *For more information on the information that must be contained in the AGM minutes, see Section C.18 of this Chapter.*

The AGM minutes are inserted in the minute book. The company must provide a copy of the AGM minutes to shareholders upon request.²²² Shareholders may be asked to reimburse the company for reasonable copying costs.²²³

The following documents must be attached to the AGM minutes:²²⁴

- The Counting Commission minutes on the voting results; and
- Documents approved by the AGM.

17. Notifying Shareholders of Voting Results and Decisions (After the Annual General Meeting of Shareholder)

If the voting results are not announced during the AGM, shareholders should receive a report detailing the results no later than 10 days after the minutes on the voting results are drafted.²²⁵ The report on the voting results should contain the information specified in Section C.18 below, and should be signed by the Chairman and Secretary of the AGM.²²⁶ The company should follow the same procedure as required for notifying shareholders of the AGM.

18. Documents of the Annual General Meeting of Shareholder

Table 4 presents a summary of information that must be included in the Counting Commission minutes on the voting results, as well as the AGM minutes (regardless of whether the results are announced during or after the AGM). It also covers the information required in the report on the voting results that must be furnished to shareholders in the event that decisions are not announced during the AGM.

²²¹ LJSC, Article 63, Clause 2; FCSM Regulation No. 17/ps, Section 5.1.

²²² LJSC, Article 91, Clause 1.

²²³ LJSC, Article 52, Clause 3, Article 91, Clause 2.

²²⁴ LJSC, Article 62, Clause 3; FCSM Regulation No. 17/ps, Section 5.2.

²²⁵ LJSC, Article 62, Clause 4.

²²⁶ FCSM Regulation No. 17/ps, Section 5.6.

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Table 4: Information Related to the Results of the AGM			
Information	Must Be Included in:		
	The Minutes on the Voting Results	The AGM Minutes	The Report on the Voting Results
Full name and location of the company	✓	✓	✓
AGM address, i.e. location where it was held	✓	✓	✓
Date of the AGM	✓	✓	✓
Number of votes cast on each agenda item	✓	✓	✓
Number of votes on each agenda item and the required quorum	✓	✓	✓
Agenda	✓	✓	✓
Voting results (number of votes “for,” “against,” and “abstained” on each agenda item with a quorum)	✓	✓	✓
Type of GMS (AGM or EGM)	✓	✓	✓
Form of AGM (by physical attendance or written consent)	✓	✓	✓
Time when registration of participants started and ended	✓	✓	
Number of votes on each agenda item that were not counted because they were invalid	✓		
Names of Counting Commission members	✓		✓
Full name and location of the External Registrar or of persons authorized by the Registrar to act as the Counting Commission	✓	✓	✓
Date of writing the Counting Commission minutes on the voting results of the AGM	✓		
Name of the AGM Chairman and Secretary		✓	✓

Table 4: Information Related to the Results of the AGM			
Information	Must Be Included in:		
	The Minutes on the Voting Results	The AGM Minutes	The Report on the Voting Results
Text of approved decisions		✓	✓
Summary of speeches and discussions		✓	
Time when the AGM was opened and closed		✓	
Time when the calculation of votes started, if the decisions approved by the AGM and the voting results were announced during the Meeting		✓	
Mailing address of the company to which the completed voting ballots were submitted by shareholders, if the company distributed ballots prior to the AGM		✓	
Date when the AGM minutes were prepared		✓	

D. An Overview of the Extraordinary General Meeting of Shareholders

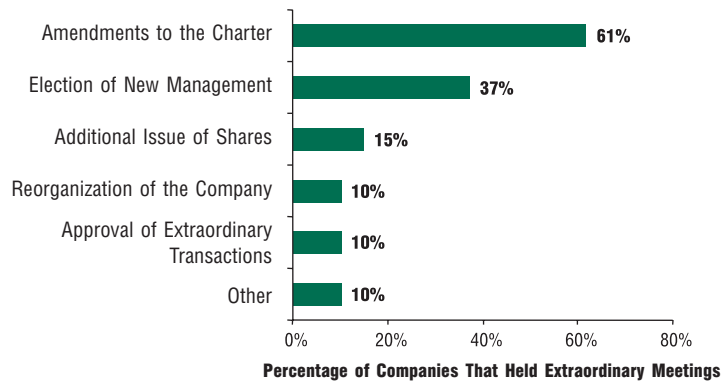
An EGM may be convened for the company to make important decisions between two AGM. The organization of an EGM resembles that of the AGM. The particularities of the organization of an EGM are the focus of this section.

Company Practices in Russia: 38% of companies in Russia's regions conducted an EGM during 2001 and 2002.²²⁷ As depicted in Figure 12, the two most frequent reasons for calling an EGM are: (1) changes to the company charter (61%) and (2) the election of new management (37%). In 70% of the

²²⁷ IFC Survey on Corporate Governance Practices in Russia's regions, Section 2.3.1, page 34, August 2003 (see www.ifc.org/rcgp).

companies holding an EGM, the Supervisory Board called the Meeting. Shareholders called an EGM in only 6% of companies. In only one case did a Revision Commission initiate an EGM.

Figure 12: Reasons for Calling an EGM



Source: IFC, Regional Survey on Corporate Governance Practices, August 2003.

1. When to Conduct an Extraordinary General Meeting of Shareholders

An EGM may be called under a number of different circumstances:

a) When Required by Law

The Supervisory Board is required by law to conduct an EGM when:

- The Supervisory Board is unable to perform its duties due to the lack of a quorum, i.e. when the number of serving members becomes less than the quorum as specified by the charter;²²⁸ or
- The executive bodies are suspended or unable to perform their duties as shown in Table 5.

²²⁸ LJSC, Article 68, Clause 2.

Table 5: When the Supervisory Board is Required to Conduct an EGM²²⁹	
Circumstances	Agenda Items
The Supervisory Board suspends the authority of the General Director and appoints an interim General Director ²³⁰	The election of a new General Director
The Supervisory Board appoints an interim General Director because he cannot perform his duties due to illness, death, resignation, etc. ²³¹	The election of a new General Director
The Supervisory Board suspends the authority of the External Manager and appoints an interim General Director ²³²	The approval of the External Manager/General Director
The Supervisory Board appoints an interim General Director because the External Manager cannot perform the duties of the General Director due to illness, death, resignation, or the liquidation and bankruptcy of the Managing Organization	The approval of the External Manager/General Director
The number of serving Executive Board members becomes less than the quorum as specified by the charter ²³³	The election of a new Executive Board

b) Who May Request an Extraordinary General Meeting of Shareholders

A number of parties have the right to request an EGM, including:²³⁴

- The Revision Commission;
- The External Auditor; and

²²⁹ LJSC, Article 69, Clause 4, Paragraphs 3 and 4; Article 70, Clause 2, Paragraph 1.

²³⁰ The Supervisory Board has this authority when the establishment of executive bodies falls within the authority of the GMS, and the charter provides that the Supervisory Board has the authority to suspend the powers of the General Director and to appoint an interim General Director.

²³¹ The Supervisory Board has this authority when the establishment of executive bodies falls within the authority of the GMS.

²³² The Supervisory Board has this authority when the charter provides that the Supervisory Board has the right to suspend the powers of the external manager and to appoint an interim General Director.

²³³ The Supervisory Board has this authority when the establishment of the Executive Board falls within the authority of the GMS.

²³⁴ LJSC, Article 55, Clause 1, Paragraph 1.

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- A shareholder (or a group of shareholders) owning at least 10% of voting shares.

The power to request an EGM is an important shareholder right. Though rarely exercised in practice, it allows the controlling bodies of the company to convene an EGM when they deem it necessary and appropriate.

2. Preparatory Procedures

An EGM and AGM have some procedural differences. These differences relate to the drafting of the agenda, timing requirements for notifying shareholders, and providing access to documents (information).

a) Initiating Preparation

The Supervisory Board initiates preparations if required by the Company Law or at its own discretion. When the request to convene an EGM comes from another party, the Company Law prescribes the following procedure:

- The Supervisory Board must review the request within five days;²³⁵
- The Supervisory Board decides to hold the EGM. The decision of when to hold the EGM will differ, in part, according to whether or not the agenda involves cumulative voting for directors;²³⁶ and
- The Supervisory Board must notify the requesting party within three days of the decision.²³⁷

The Supervisory Board has the right to reject the request when:²³⁸

- The request to conduct the EGM is inconsistent with the requirements of the Company Law;
- A shareholder (or a group of shareholders) does not own at least 10% of voting shares; or
- The proposed agenda items do not fall within the authority of the EGM and/or the proposal is inconsistent with legal requirements.

Rejection may be appealed to the courts.²³⁹

²³⁵ LJSC, Article 55, Clause 6, Paragraph 1.

²³⁶ LJSC, Article 55, Clause 2, Paragraphs 1 and 2.

²³⁷ LJSC, Article 55, Clause 7, Paragraph 1.

²³⁸ LJSC, Article 55, Clause 6, Paragraph 2.

²³⁹ LJSC, Article 55, Clause 7, Paragraph 2.

When the Supervisory Board makes no decision or decides to reject conducting an EGM, the requesting party has the right to conduct the EGM without the Supervisory Board's consent. In this case, the requesting party has the same rights and obligations as the Supervisory Board with respect to preparing and conducting the EGM.²⁴⁰ The company may be required to reimburse the expenses of the requesting party by a decision of the EGM.²⁴¹

b) Drafting the Agenda

The initiating party, i.e. the Supervisory Board or the requesting party, drafts the agenda of the EGM.

The agenda may include different items, including the election of directors. However, in the event that the number of directors becomes less than the quorum as specified by the charter, the agenda of the EGM may only include a single item, that to elect the new Supervisory Board. For another mandatory EGM, the agenda may include additional items.

c) Specific Requirements Depending on the Agenda Item

Different time periods exist for different procedural steps, depending on whether the election of Supervisory Board members, which must be conducted by cumulative voting, is on the agenda. These differences are summarized in Table 6.

	Cumulative Voting	Standard Voting or Other Agenda Items
Maximum period between the decision to conduct a mandatory EGM and the Meeting	70 days	40 days
Maximum period between the request to conduct a voluntary EGM and the Meeting	70 days	40 days
The record date is not earlier than (and no later than)	65 days (45 days)	50 days (45 days)
The notification of shareholders is not later than	50 days	20 days (30 days in case of reorganization)

²⁴⁰ LJSC, Article 55, Clause 8, Paragraph 1.

²⁴¹ LJSC, Article 55, Clause 8, Paragraph 2.

3. Conducting the Extraordinary General Meeting of Shareholders by Written Consent

The EGM may be held by written consent.²⁴² The EGM is held by written consent when shareholders do not have the opportunity to attend the EGM, and discuss and vote on agenda items. This is mainly useful when the EGM must make decisions on administrative matters, for example, increasing the number of Counting Commission members.

The section below describes the specific Company Law requirements in relation to an EGM conducted by written consent.

a) Decision-Making Powers of an Extraordinary General Meeting of Shareholders Held by Written Consent

An EGM held by written consent may decide all issues that fall within the GMS authority except for:²⁴³

- The election of Supervisory Board members (mandatory and voluntary);
- The election of Revision Commission members;
- The approval of the External Auditor; and
- The approval of the annual report, financial statements, the distribution of profits, and the payment of dividends.

An EGM by written consent may not be held in place of an AGM that is rescheduled because of the lack of a quorum.

b) Additional Information

Certain information, in addition to that available at an AGM, must be provided to shareholders in the notification, the voting ballot, and the EGM minutes, such as the deadline for accepting voting ballots and the mailing address to which completed ballots should be sent.²⁴⁴

²⁴² LJSC, Article 50, Clause 1.

²⁴³ LJSC, Article 50, Clause 2.

²⁴⁴ LJSC, Article 52, Clause 2; Article 60, Clause 4, Paragraph 1; FCSM Regulation No. 17/ps, Section 5.1.

c) The Date and Quorum of an Extraordinary General Meeting of Shareholders Held by Written Consent

The date on which an EGM is held by written consent is also the deadline for accepting voting ballots.²⁴⁵

An EGM by written consent is valid if the owners of more than 50% of voting shares participate. The shareholders who participate are those whose completed ballots have been received by the deadline.²⁴⁶

E. Decisions of the General Meeting of Shareholders

It is important to follow procedures for preparing and conducting the GMS to ensure the validity and lawfulness of decisions reached by this governing body.

1. Decisions Requiring a Simple Majority Vote

Most decisions of the GMS can be approved by a simple majority vote of participating shareholders, as depicted in Table 7.²⁴⁷

Table 7: Decisions that Require a Simple Majority Vote	
Decisions Related to the Governance of the Company	Reference
Approve the by-laws for the company's Supervisory Board, and executive bodies	LJSC, Article 48, Clause 1, Section 19
Approve the by-law for the Revision Commission	LJSC, Article 85, Clause 2, Paragraph 2
Determine the list of additional documents that must be kept by the company	LJSC, Article 89.
Related to the Supervisory Board, General Director, and Executive Board	
Approve the remuneration of Supervisory Board members	LJSC, Article 64, Clause 2
Appoint and dismiss the General Director and Executive Board members	LJSC, Article 48, Clause 1, Section 8

²⁴⁵ FCSM Regulation No. 17/ps, Section 4.19.

²⁴⁶ LJSC, Article 58, Clause 1, Paragraph 2.

²⁴⁷ LJSC, Article 49, Clause 2, Paragraph 1.

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Table 7: Decisions that Require a Simple Majority Vote	
Transfer (and terminate the transfer) of the General Director's authority to the External Manager	LJSC, Article 69, Clause 1, Paragraph 3
Related to the Audit Function	
Request an extraordinary inspection of the financial and economic activities of the company by the Revision Commission	LJSC, Article 85, Clause 3, Paragraph 1
Elect and dismiss Revision Commission members or the individual performing the functions of the Revision Commission	LJSC, Article 48, Clause 1, Section 9
Approve the terms of compensation and reimbursement of Revision Commission members	LJSC, Article 85, Clause 1, Paragraph 2
Appoint the External Auditor	LJSC, Article 48, Clause 1, Section 10
Approve annual reports, annual financial statements, including profit and loss statements, the distribution of profits and losses, and the payment of dividends	LJSC, Article 48, Clause 1, Section 11
Related to Shareholder Rights	
Declare and pay dividends	LJSC, Article 48, Clause 1, Section 10.1
Establish procedures for the organization of the GMS if this is provided by the charter or by-laws	LJSC, Article 48, Clause 1, Section 12
Elect and dismiss Counting Commission members	LJSC, Article 48, Clause 1, Section 13
Determine the number of Counting Commission members	LJSC, Article 56, Clause 1
Approve the reimbursement of expenses if the EGM is conducted by parties other than the Supervisory Board	LJSC, Article 55, Clause 8
Increase the charter capital by increasing the nominal value of issued shares	LJSC, Article 48, Clause 1, Section 6
Increase the charter capital by issuing additional shares (if this power has not been delegated to the Supervisory Board by the charter)	LJSC, Article 48, Clause 1, Section 6; Article 39, Clause 4

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Table 7: Decisions that Require a Simple Majority Vote	
Reduce the charter capital by decreasing the nominal value of placed shares or by reducing the number of placed shares by retiring treasury shares	LJSC, Article 48, Clause 1, Section 7
Decrease or increase the nominal value of shares (split or consolidate shares)	LJSC, Article 48, Clause 1, Section 14
Approve related party transactions in cases specified by the Company Law (only by shareholders who are not interested parties in a transaction)	LJSC, Article 48, Clause 1, Section 15
Approve extraordinary transactions involving 50% or less of the book value of company assets	LJSC, Article 48, Clause 1, Section 16
Waive the obligation of the controlling shareholders to make a mandatory bid in case of control transactions	LJSC, Article 80, Clause 2, Paragraph 2
Issue bonds or other convertible securities through open subscription if these bonds and other securities may be converted into 25% or less of already issued common shares (if this power has not been delegated to the Supervisory Board by the charter)	LJSC, Article 33, Clause 2, Paragraph 2
Participate in holding companies, financial industrial groups, associations, or other groupings of commercial entities	LJSC, Article 48, Clause 1, Section 18

2. Decisions Requiring a Supermajority Vote

a) Per the Company Law

Table 8 summarizes decisions that must be approved by a $\frac{3}{4}$ -majority vote of participating shareholders.²⁴⁸

Table 8: Decisions Requiring a $\frac{3}{4}$-Majority Vote	
Decisions	References
Amend the charter or approve a new version of the charter	LJSC, Article 48, Clause 1, Section 1
Reorganize the company	LJSC, Article 48, Clause 1, Section 2

²⁴⁸ LJSC, Article 49, Clause 4.

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Decisions	References
Liquidate the company and appoint Liquidation Committee members	LJSC, Article 48, Clause 1, Section 3
Approve the interim and final liquidation balance sheets	LJSC, Article 48, Clause 1, Section 3
Determine the number, nominal value, types, and classes of authorized shares	LJSC, Article 48, Clause 1, Section 5
Approve extraordinary transactions involving more than 50% of the book value of company assets	LJSC, Article 79, Clause 3
Approve the buy-back by the company of its issued shares	LJSC, Article 48, Clause 1, Section 17

b) Per the Charter

Some GMS decisions must be approved by a supermajority vote if specified in the charter, as depicted in Table 9.

Decision	Percentage of Votes	Reference
Amend the charter that limit the rights of preferred shareholders	<ul style="list-style-type: none"> • A $\frac{3}{4}$-majority vote of preferred shareholders of a specified class whose rights will be affected as a result of charter amendments (if the charter does not require a higher percentage of votes); and • A separate $\frac{3}{4}$-majority vote of all other shareholders with voting rights participating in the GMS (if the charter does not require a higher percentage of votes). 	LJSC, Article 32, Clause 4
Issue additional shares through closed subscription	A $\frac{3}{4}$ -majority vote of shareholders participating in the GMS (if the charter does not require a higher percentage of votes).	LJSC, Article 39, Clause 3

Table 9: Decisions Requiring a Supermajority Vote as Per the Charter		
Decision	Percentage of Votes	Reference
Issue convertible securities through closed subscription	A $\frac{3}{4}$ -majority vote of shareholders participating in the GMS (if the charter does not require a higher percentage of votes).	LJSC, Article 39, Clause 3
Issue additional shares through an open subscription that are more than 25% of the outstanding common shares	A $\frac{3}{4}$ -majority vote of shareholders participating in the GMS (if the charter does not require a higher percentage of votes).	LJSC, Article 39, Clause 4
Issue bonds or other convertible securities through open subscription if such bonds and other securities may be converted into more than 25% of the outstanding common shares	A $\frac{3}{4}$ -majority vote of shareholders participating in the GMS (if the charter does not require a higher percentage of votes).	LJSC, Article 39, Clause 4

3. Decisions Requiring a Unanimous Vote

The decision to reorganize the company into a non-commercial partnership must be approved by a unanimous vote of all shareholders.²⁴⁹

4. Appealing Decisions

Under certain circumstances, GMS decisions may be appealed to (and potentially invalidated by) the courts. Decisions may be appealed when legal and/or charter requirements have not been met.²⁵⁰ GMS decisions may be appealed by:

- A shareholder (or a group of shareholders) who did not participate in the GMS that approved the decision that is being appealed; or
- A shareholder (or a group of shareholders) who voted against the approval of the decision that is being appealed; if
- The decision violates his rights and lawful interests.

A decision of the GMS may be appealed within six months from the date the shareholder knew (or should have known) about the decision.

²⁴⁹ LJSC, Article 20, Clause 1, Paragraph 2.

²⁵⁰ LJSC, Article 49, Clause 7.

The court may leave the contested decision intact when the:

- Vote of the claimant would not have changed the outcome; and
- Violation of the legal and/or the charter requirements are not significant; and
- Decision caused no losses to the claimant.

The following violations are significant enough to revoke a decision taken by the GMS:²⁵¹

- Failure to provide timely notice of the GMS to all shareholders;
- Depriving the shareholder of the opportunity to familiarize himself with the materials for the GMS; or
- Failure to distribute voting ballots on a timely basis.

Even if a shareholder did not file a claim, the court can still invalidate a decision of the GMS, under the following conditions:²⁵²

- Parties in another court proceeding base their arguments on a particular decisions of the GMS; and
- The court learns that the decision has been approved in violation of the GMS' authority; or
- The GMS lacked a quorum; or
- The issue in question was not included in the agenda.

F. The General Meeting of Shareholders in Companies with a Single Shareholder

When the company has only one shareholder who possesses all of the voting rights, this shareholder may make all decisions that fall within the authority of the GMS. All decisions must be approved in writing by the single shareholder.²⁵³ The procedures established by the Company Law for preparing and conducting the GMS do not apply to a company with a single shareholder, except for the requirement that the AGM must be held no earlier than two months and no later than six months after the end of the fiscal year.

²⁵¹ Resolution No. 19 of the Plenum of the Supreme Arbitration Court, on Certain Issues of Application of the Law on Joint Stock Companies (Resolution No. 19), 18 November 2003, Section 24.

²⁵² Resolution No. 19, Section 26.

²⁵³ LJSC, Article 47, Clause 3.