



Annex 4

A MODEL COMPANY-LEVEL CORPORATE GOVERNANCE CODE

APPROVED

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

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

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

CORPORATE GOVERNANCE CODE

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_



Table of Contents

PREAMBLE	56
BACKGROUND AND PROFILE.....	57
PART I. COMMITMENT TO CORPORATE GOVERNANCE	57
1. <i>Definition and Principles</i>	57
2. <i>Internal Corporate Documentation</i>	58
3. <i>General Governance Structure</i>	59
4. <i>Compliance with and Adherence to Corporate Governance</i>	60
PART II. GOOD BOARD PRACTICES	60
1. <i>At the Supervisory Board Level</i>	60
2. <i>At the Executive Body Level</i>	64
3. <i>Interaction Between the Supervisory Board and Executive Bodies and the Role of the Corporate Secretary [if established]</i>	66
PART III. SHAREHOLDER RIGHTS	67
1. <i>General Meetings of Shareholders</i>	67
2. <i>(Minority) Shareholder Rights Protection</i>	68
3. <i>Related Party Transactions</i>	69
4. <i>Dividend Policy</i>	69
PART IV. INFORMATION DISCLOSURE AND TRANSPARENCY	69
1. <i>Disclosure Policies and Practices</i>	69
2. <i>Financial Reporting</i>	70
3. <i>Internal Audit and Control</i>	70
4. <i>The External Audit</i>	71
5. <i>Ownership Structure</i>	71

Preamble

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

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

Annex 4. A Model Company-Level Corporate Governance Code

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

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

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

Background and Profile

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

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

The Company is publicly listed on the _____ exchange.

Part I. Commitment to Corporate Governance

1. Definition and Principles

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

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

The Russia Corporate Governance Manual

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

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

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

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

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

2. Internal Corporate Documentation

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

Annex 4. A Model Company-Level Corporate Governance Code

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

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

3. General Governance Structure

The Company has the following governing and other bodies:

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

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

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

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

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

Part II. Good Board Practices

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

1. At the Supervisory Board Level

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

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

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

Annex 4. A Model Company-Level Corporate Governance Code

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

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

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

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

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

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

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

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

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

The Russia Corporate Governance Manual

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

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

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

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

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

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

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

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

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

Annex 4. A Model Company-Level Corporate Governance Code

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

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

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

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

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

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

⁷⁷ Good practice suggests around two weeks.

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

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

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

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

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

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

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

2. At the Executive Body Level

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

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

Annex 4. A Model Company-Level Corporate Governance Code

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

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

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

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

All Executive Board members have the:

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

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

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

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

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

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

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

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

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

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

Annex 4. A Model Company-Level Corporate Governance Code

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

Part III. Shareholder Rights

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

1. General Meetings of Shareholders

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

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

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

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

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

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

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

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

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

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

2. (Minority) Shareholder Rights Protection

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

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

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

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

Annex 4. A Model Company-Level Corporate Governance Code

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

3. Related Party Transactions

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

4. Dividend Policy

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

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

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

Part IV. Information Disclosure and Transparency

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

1. Disclosure Policies and Practices

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

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

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

2. Financial Reporting

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

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

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

3. Internal Audit and Control

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

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

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

Annex 4. A Model Company-Level Corporate Governance Code

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

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

4. The External Audit

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

5. Ownership Structure

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

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