



Annex 6

**A MODEL BY-LAW FOR THE SUPERVISORY BOARD**

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

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

No. \_\_\_\_\_  
of \_\_\_\_\_ 200\_

dated this \_\_day of \_\_\_\_\_, 200\_  
[The Company's Seal]

**BY-LAW FOR THE SUPERVISORY BOARD**

of the Open Joint Stock Company  
«\_\_\_\_\_»

The city of \_\_\_\_\_  
\_\_\_\_\_, 200\_



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## Article 1. General Provisions

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

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

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

### Article 2. Authority

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

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

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

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

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

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

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

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- 2.3.18.11. The participation in holding companies, financial and industrial groups, and other groupings of commercial organizations;
- 2.3.18.12. The approval of by-laws for the Supervisory Board, GMS, Executive Bodies, Revision Commission, as well as by-laws regulating the Company's other bodies; and
- 2.3.18.13. The remuneration of Revision Commission members and the External Auditor's fee.
  
- 2.3.19. Issuing a preliminary approval of the annual report of the Company; and
- 2.3.20. Drafting and approving the annual report of the Supervisory Board on the Company's business priorities to be included in the annual report.
  
- 2.4. The authority of the Supervisory Board in the area of securities and assets shall include:
  - 2.4.1. Approving reports on the results of a share buyback by the Company for decreasing the charter capital by retiring such shares;
  - 2.4.2. Deciding on non-convertible bonds issue;
  - 2.4.3. Deciding on purchasing bonds issued by the Company in cases specified by the Charter;
  - 2.4.4. Determining the monetary value of assets, issue price, and redemption price of securities;
  - 2.4.5. Making available to shareholders the list of assets to be used as payment for shares and the report on valuation of such assets if the agenda of the AGM includes an item on placement of additional shares, payment for which is to be made in kind;
  - 2.4.6. Recommending to the GMS the amount and procedures for the payment of dividends;
  - 2.4.7. Deciding on the use of the reserve and other funds of the Company;
  - 2.4.8. Approving extraordinary transactions in cases specified by the Law and the charter of the Company;

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

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

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

### Article 3. Composition

- 3.1. The Supervisory Board shall have \_\_ members.<sup>92</sup>
- 3.2. Only individuals may be eligible to be elected to the Supervisory Board. An individual who is not a shareholder may also be eligible.

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



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

<sup>93</sup> Not more than five directorships may be considered as best practice.

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

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

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

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

### Article 4. Term of Office

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

### Article 5. Nomination

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

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

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

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<sup>98</sup> FCSM Code, Chapter 3, Section 2.3.1 recommends a five-year period.

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

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### Article 6. Election and Dismissal

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

<sup>99</sup> FCSM Code, Chapter 3, Section 2.3.1.

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

### Article 7. The Chairman

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

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

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

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<sup>101</sup> Good practice indicates between ten and 15 days.

### Article 8. Meetings

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

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

<sup>103</sup> FCSM Code, Chapter 3, Section 4.13.



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

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

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

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

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

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

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

### Article 9. Minutes and Verbatim Reports

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

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

### Article 10. Committees

- 10.1. The Supervisory Board may establish *ad hoc* or permanent committees for preliminary review and consideration of the most important issues within the authority of the Supervisory Board.
- 10.2. The Company shall establish the following Supervisory Board committees<sup>105</sup>:
  - 10.2.1. \_\_\_\_\_;
  - 10.2.2. \_\_\_\_\_; and
  - 10.2.3. \_\_\_\_\_.
- 10.3. Only directors may become committee members.

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

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

### Article 11. Duties and Liability

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

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

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



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

### Article 12. Remuneration

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

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

### **Article 13. Evaluation**

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