

Annex 9

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

APPROVED

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

Supervisory Board Minutes

No. _____
of _____ 200_

Signature of the Chairman of the Supervisory Board

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

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

of the Open Joint Stock Company
«_____»

The city of _____
_____, 200_

Table of Contents

ARTICLE 1. GENERAL PROVISIONS	128
ARTICLE 2. AUTHORITY	129
ARTICLE 3. RIGHTS AND RESPONSIBILITIES	131
ARTICLE 4. ELECTION COMPOSITION, AND DISMISSAL.....	132
ARTICLE 5. MEETING PROCEDURES	132
ARTICLE 6. REMUNERATION	133

Article 1. General Provisions

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

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

Article 2. Authority

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

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

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

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

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

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

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

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

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

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

Article 3. Rights and Responsibilities

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

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

Article 4. Election, Composition, and Dismissal

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

Article 5. Meeting Procedures

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

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

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

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

Article 6. Remuneration

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