



Annex 14

**A MODEL EMPLOYMENT CONTRACT
WITH THE GENERAL DIRECTOR**

EMPLOYMENT CONTRACT

WITH THE GENERAL DIRECTOR

of the Open Joint Stock Company

« _____ »

City _____ this “ ____ ” day of _____, 200_.

The Open Joint Stock Company « _____ » (hereinafter the Company), represented by the Chairman of the Supervisory Board, _____, acting in accordance with the Company’s charter,

and

_____ [*full name*], (hereinafter the General Director),

collectively referred to hereinafter as “the Parties,” do hereby agree on the following:

Pursuant to the decision of the Supervisory Board as of _____ 200_ regarding the election of _____ [*full name*] for the position of General Director of the Company, and as confirmed by the minutes of meeting № _____ of _____ [*date*], _____ [*full name*] is appointed to the position of General Director [and Chairman of the Executive Board] according to the following terms and conditions:



Article 1. The Subject-Matter of This Contract

- 1.1. This Contract shall be an employment contract for a limited and fixed period of time, the term of which shall commence from the date of execution hereof for a term of _____ [number of months, years or other],¹³¹ and shall regulate and define all matters related to the General Director's employment, and any other matters between the Company and the General Director regarding the performance by the latter of his duties and responsibilities as General Director.
- 1.2. The General Director shall act as a single-member executive body on the basis of the legislation of the Russian Federation (hereinafter the Law), the charter, by-laws, and other internal documents of the Company, any applicable decisions of the General Meeting of Shareholders (hereinafter GMS) and the Supervisory Board, the provisions of this Contract, and the Company's terms of reference for the General Director.
- 1.3. The General Director shall be responsible for executing the decisions of the GMS and the Supervisory Board. Further, the General Director shall manage the day-to-day financial and business operations of the Company, and perform organizational and administrative functions. [Additionally, the General Director shall act as the Chairman of the Executive Board of the Company, ensuring that the Executive Board acts in accordance with its authorities as set forth by the Law, the charter, by-laws, and other internal documents of the Company].
- 1.4. The Company's premises shall be the principal workplace of the General Director.
- 1.5. The General Director's office shall be located within the Company's premises in _____ [city], the Russian Federation, and/or in any other location within the Russian Federation or abroad as so designated from time to time by the Company.

Article 2. The Rights of the General Director

- 2.1. The General Director shall have the following rights:
 - 2.1.1. Act on behalf of the Company without a power of attorney, including representing the interests of the Company both within the

¹³¹ The term of office of the General Director is determined by the company's charter in accordance with the Law. Good practice suggests an initial one year term, followed by three year term.

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- Russian Federation and abroad, and grant a power of attorney for performing legal actions on the Company's behalf;
- 2.1.2. Within the scope of his authority, manage and guide the performance of the Company's employees;
 - 2.1.3. [Direct the work and activities of the Executive Board, and convene, set the agenda for, and chair Executive Board meetings;]
 - 2.1.4. Represent the viewpoints and positions of the executive bodies of the Company at the GMS and meetings of the Supervisory Board;
 - 2.1.5. Make decisions regarding the filing of claims and suits against legal entities and individuals on behalf of the Company;
 - 2.1.6. Approve staffing structures, sign and terminate employment contracts with the employees of the Company, offer incentives to and take disciplinary actions against employees of the Company, and enforce the Company's right to compensation from employees if they are liable for losses pursuant to the Law;
 - 2.1.7. Use and dispose of the Company's assets, and enter into transactions and sign contracts if and as prescribed by the Law, the Company's charter and by-laws, and open bank accounts on behalf of the Company;
 - 2.1.8. Make requests and proposals to the governing bodies of the Company;
 - 2.1.9. Subject to the Law, define the nature and scope of information which constitutes a business or trade secret of the Company, and establish procedures for protecting such confidential information;
 - 2.1.10. Appoint a [member of the Executive Board as his] Deputy Director, to whom the General Director may delegate all or a portion of his authority while temporarily absent. Such appointment shall, however, be subject to the prior approval of the candidate by the Company's Supervisory Board;
 - 2.1.11. Receive a suitable office and place of work, which meets the conditions required of companies and organizations for safety in the workplace according to government standards, and receive full and accurate information regarding such working conditions and the requirements of the Company's security;
 - 2.1.12. Use of office space, telecommunications equipment, and facilities, the Company's vehicles, and any other property which may be

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- provided to him by the Company, to perform his functions as General Director;
- 2.1.13. Receive time off for official holidays, and in addition, receive paid annual vacations;
 - 2.1.14. Receive full and timely remuneration as specified in this Contract;
 - 2.1.15. _____;
 - 2.1.16. _____;
 - 2.1.17. Possess such other rights as may be provided for by the Law, the Company's charter, by-laws, and internal documents of the Company, as well as this Contract.
- 2.2. The General Director has the right to disclose information about the Company only in a manner consistent with the internal documents of the Company, and only to those persons who have the right to such information.

Article 3. The Duties and Responsibilities of the General Director

- 3.1. When performing his duties and responsibilities, the General Director should act reasonably and in good faith, and in the best interests of the Company and its shareholders.
- 3.2. The duties of the General Director shall be determined by the charter, the By-law for the Executive Bodies, as well as the Law.
- 3.3. The General Director shall:
 - 3.3.1. Manage the day-to-day business and financial operations of the Company with the purpose of increasing shareholder value;
 - 3.3.2. Ensure that the decisions of the GMS and the Supervisory Board of the Company are properly executed, and bear full responsibility for the consequences of his decisions;
 - 3.3.3. Protect and efficiently utilize the assets of the Company, including immovable property, for the purpose of achieving the business and commercial goals of the Company in accordance with the Law, the Company's charter, and internal documents;
 - 3.3.4. Manage the efficient operations of the Company, and coordinate effective interaction between the Company's various structural divisions and departments, ensuring for the proper development and improvement of their performance;

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- 3.3.5. Work to improve the Company's performance, growth of sales and profit, quality and competitiveness of the Company's products, product compliance with world standards, growth of domestic [and world] market share, and satisfying customer demands;
- 3.3.6. Be responsible for implementing the Company's information disclosure policy, specifically, for the organization, conditions, accuracy, and timeliness of the disclosure of information, and the Company's reporting to the appropriate state authorities, and additionally, be responsible for presenting accurate information about the Company to its shareholders, creditors, regulators, markets, the mass media, and any other interested parties;
- 3.3.7. Be responsible for the organization, procedures, and accuracy of keeping the accounting records of the Company, and certify that the financial statements and other financial documents of the Company are accurate and complete by signing these documents;
- 3.3.8. Provide all necessary documents and information about the Company's activities and operations to its executive bodies, the GMS, the Supervisory Board, the Revision Commission, the Internal Auditor, and the External Auditor of the Company within ___ working days after the receipt of a written request for such information or documents;
- 3.3.9. Ensure that the Company meets all its obligations to federal and regional governmental bodies, tax authorities, state non-budgetary social funds, suppliers, customers, and creditors, including banks, as well as meeting any obligations pursuant to commercial and labor contracts, and business plans;
- 3.3.10. Manage production and business operations utilizing state-of-the-art technology and progressive forms of management performance systems. Further, the General Director should manage financial, labor, and material costs, keep abreast of market research and the practices of leading domestic and foreign companies in order to achieve the highest possible improvement in the standards and quality of products and services, and achieve economic efficiency of operations, the rational use of production facilities, and the most efficient use of all types of resources;
- 3.3.11. Take measures to recruit and retain qualified staff, ensure the rational use and development of their professional skills and experience,

- ensure favorable and safe labor conditions, and ensure compliance with applicable labor, social and environmental regulations;
- 3.3.12. Ensure a balanced combination of an individualized and collective approach to decision-making, the use of pecuniary and moral incentives for improved performance, ensure proper motivation and responsibility at all levels of the Company, and ensure the timely payment of salaries;
 - 3.3.13. Together with the employees and trade union organizations, ensure the development and enforcement of collective bargaining agreements based on principles of social partnership,¹³² maintain labor and operations discipline, facilitate the motivation, initiative, and active participation of the employees in the development of the Company;
 - 3.3.14. Make financial, economic, and business decisions on behalf of the Company within the scope of his authority, as set forth in the Law, the Company charter, relevant by-laws, and this Contract;
 - 3.3.15. Act in compliance with the requirements of the Law, the Charter, and relevant by-laws and other internal documents of the Company;
 - 3.3.16. Ensure that the Company acts in compliance with the Law, and ensure that the Company utilizes legal methods of financial management and operation in the market economy, strengthens contractual and financial discipline, follows regulations regarding social and labor relations, and ensure the investment attractiveness of the Company in order to maintain and expand its business;
 - 3.3.17. Protect the interests of the Company in courts of law, arbitration proceedings, and in dealings with governmental authorities;
 - 3.3.18. Inform the Executive Board, the Supervisory Board, the Revision Commission, and the External Auditor of the Company in writing of any personal interest in any transaction, deal, contract, and project of the Company in those cases specifically provided for in the Law, and additionally, divulge any positions held in legal entities competing with the Company, or as to any participation in such legal entities, all on a timely basis;
 - 3.3.19. Not receive any gifts, services or other benefits from individuals given as compensation, or that may be regarded as compensation, for decisions or actions taken in his capacity as General Director;

¹³² In those cases where a collective labor agreement is required by the Law or by-laws of the company.

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- 3.3.20. Not disclose any confidential or insider information, or any information which constitutes a trade or commercial secret of the Company that became known to him in the course of performing his official duties during the term of this Contract and for the period of ____ years after its termination;
- 3.3.21. Sign a written confidentiality agreement;
- 3.3.22. Ensure that the next day following the termination of this Contract, all official affairs of the General Director can be transferred to the newly appointed General Director or such other person as may be appointed by the Company, including the transfer of all relevant documents, the Company's seal and stamps, staff ID card, keys to safes and offices, as well as any assets and equipment provided by the Company for official use. The transfer of documents, assets, and equipment shall be confirmed by executing an appropriate certificate referencing the Company's acceptance of such transfer;
- 3.3.23. _____; and
- 3.3.24. _____.

Article 4. The Rights of the Company

- 4.1. The Company shall have the following rights:
 - 4.1.1. Demand that the General Director act in compliance with the terms and conditions of this Contract, the charter, relevant by-laws, and other internal documents of the Company;
 - 4.1.2. Disclose information about the General Director as provided by the Law, the charter, relevant by-laws, and other internal documents of the Company both within the Company and to third parties, subject, however, to the requirements of Article 86 of the Labor Code of the Russian Federation, whose provisions guarantee protection of employees' personal information;
 - 4.1.3. _____;
 - 4.1.4. _____; and
 - 4.1.5. Possess such other rights as may be provided for by the Law, the Company's charter, by-laws, and other internal documents of the Company.

Article 5. The Obligations of the Company

- 5.1. The Company shall:
- 5.1.1. Pay the General Director's remuneration on a timely and full basis as set forth by the terms of this Contract, the Company's charter, by-laws, and other internal documents;
 - 5.1.2. Provide mandatory social security for the General Director in the manner set forth in the Law;
 - 5.1.3. Provide the General Director with liability, health, and life insurance;
 - 5.1.4. Provide working conditions for the General Director which are conducive and essential for the efficient performance of his duties and responsibilities, including:
 - 5.1.4.1. Separate, personal office space equipped with all the necessary means of communication such as a telephone, fax, and _____, office equipment such as a personal computer and printer, and _____, and the following items of furniture: _____;
 - 5.1.4.2. [Premises for holding Executive Board meetings;]
 - 5.1.4.3. A car (type _____, plate number _____); and
 - 5.1.4.4. Other assets/equipment _____.
 - 5.1.5. Inform the General Director on a timely basis of decisions made by the governing bodies of the Company;
 - 5.1.6. _____;
 - 5.1.7. _____; and
 - 5.1.8. Perform any other duties and responsibilities set forth in the Law, the Company's charter, by-laws, and other internal documents of the Company.

Article 6. Job Description and Remuneration

- 6.1. The General Director has, at the beginning of his term of office pursuant to this Contract, been duly informed of the scope of his official duties and relevant regulations established in the Company.
- 6.2. The General Director's normal work schedule shall be 40-hours per week. However, the specific number of work hours per day shall not be provided

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herein. All of the General Director's time and efforts during working hours shall be devoted to the Company's business and activities.

- 6.3. The General Director shall organize his schedule and workday at his own discretion.
- 6.4. Compensation for work performed in addition to a normal workday is included in the General Director's monthly amount of remuneration as provided herein.
- 6.5. The remuneration of the General Director shall be linked to the overall long-term performance of the Company and his personal input and shall consist of a:
 - 6.5.1. A fixed annual salary of RUR _____, which shall be paid out twice per month;¹³³
 - 6.5.2. A variable annual bonus, which shall cover a 12-month period coinciding with the financial year, and be based on:¹³⁴
 - 6.5.2.1. _____;
 - 6.5.2.2. _____; and
 - 6.5.2.3. _____.
 - 6.5.3. A long-term incentive system of _____ years, which shall consist of:¹³⁵
 - 6.5.3.1. _____;
 - 6.5.3.2. _____; and
 - 6.5.3.3. _____.

¹³³ The period for payment shall not be later than the [20–25th] of the current month (advances), and final payment, taking into account calculations for actual time worked, shall be paid no later than the [6th–10th] of the month following that month for which such payment is due.

¹³⁴ The variable part of the General Directors and Executive Board members' compensation shall be linked to key performance indicators that will vary by industry but should be linked to the company's long-term success. Commonly used key financial performance indicators include operating profit, return on capital employed, return on equity, and economic value added (EVA). Non-financial performance indicators can be organized around customers (for example customer satisfaction levels, retention rates and customer loyalty and acquisition), operational processes (quality measures, cycle time measures, cost measures, after sales service, etc.), and internal growth/knowledge management (training, employee satisfaction rates, employee absenteeism, employee turnover, etc.).

¹³⁵ Long-term incentive systems range from three to ten years and may include stock options, stock appreciation rights, restricted stock, and phantom stock.

- 6.5.4. Benefits plan, which shall consist of:¹³⁶
- 6.5.4.1. _____;
 - 6.5.4.2. _____; and
 - 6.5.4.3. _____.
- 6.5.5. Other perquisites, which shall consist of:¹³⁷
- 6.5.5.1. _____;
 - 6.5.5.2. _____; and
 - 6.5.5.3. _____.
- 6.6. The Company shall make any necessary deductions from the General Director's remuneration for social insurance, pension funds, and other funds of the Russian Federation as applicable, as well as those social deductions that the Company is required to deduct and pay pursuant to the Law. In addition, the Company shall also be responsible for deducting and transferring taxes to the appropriate tax authorities in accordance with the Law.
- 6.7. The Company shall grant the General Director a paid vacation for the period of ____ days annually.
- 6.8. If, during the term of this Contract, the General Director is temporarily unable to perform his duties and responsibilities due to illness, injury, or accident, the General Director shall provide a medical certificate confirming such temporary disability. Upon presentation of such certificate, the General Director shall be paid disability benefits in accordance with the Law and this Contract.
- 6.9. The General Director shall be reimbursed for any necessary and customary expenses incurred while traveling for and on behalf of the Company according to the rates set forth in the Law, internal documents of the Company, or decisions of the Supervisory Board.
- 6.10. Pursuant to a decision of the Supervisory Board, the General Director may be reimbursed for expenses incurred for medical treatment in a health resort or health center.

¹³⁶ The Company's benefits plan may include a pension plan, medical and dental plans, savings plans, life insurance plans, and a disability plan.

¹³⁷ Other perquisites may include club membership, use of a company car, chauffeurs, etc.

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- 6.11. In case of the General Director's death during the term of this Contract, his family shall be paid a one-time survivor's benefit in the amount of RUR _____.

¹³⁸

Article 7. The Term of the Contract and the Liability of the Parties

- 7.1. This Contract shall become effective from the date it is signed by the Parties and shall stay effective until the date of signing of the minutes of the Supervisory Board meeting dismissing the General Director or appointing a new General Director.
- 7.2. The Company may terminate this Contract at any time on the grounds specified by Clause 7.3. hereof, or without cause.
- 7.3. The Company may terminate this Contract on the following grounds:¹³⁹
- 7.3.1. The failure to perform or improper performance of the General Director's duties and obligations as specified in Article 3 hereof;
 - 7.3.2. Causing any real and direct damages to the Company;
 - 7.3.3. _____; and
 - 7.3.4. _____.
- 7.4. If the Director's powers are terminated without any cause as specified in Clause 7.3. hereof, the Director may request the payment of compensation by the Company of RUR _____.
- 7.5. This Contract may be unilaterally terminated by the General Director subject to a written notice to the Company not less than _____ month(s) prior to termination of the Contract.
- 7.6. The General Director shall bear civil liability to the Company for losses incurred through his willful neglect or failure to act.
- 7.7. In case of disclosure of confidential information that resulted in losses to the Company, the General Director shall reimburse the Company for such losses in accordance with the requirements of the Law.

¹³⁸ Or a percentage of the General Director's base salary.

¹³⁹ In addition to the general grounds for firing an employee by the employer according to the Labor Code, Articles 81, Clauses 4, 9, 10, 13, 14; Article 77; Article 278, Clause 2; Article 75.

Article 8. Final Provisions

- 8.1. This Contract is made in two originals, one for each of the Parties.
- 8.2. All disputes arising from this Contract shall be resolved in accordance with the Law.
- 8.3. All issues that are not covered by this Contract shall be regulated by the Law, the charter, by-laws, and other internal documents of the Company.
- 8.4. During the term of this Contract the Parties shall have the right to make changes and amendments thereto for the following reasons:
 - 8.4.1. Valid request of one of the Parties;
 - 8.4.2. Significant changes in the type of business of the Company;
 - 8.4.3. Changes in the charter and/or by-laws of the Company affecting the rights and interests of the General Director;
 - 8.4.4. Changes in the Law materially affecting and interests of the Parties; and
 - 8.4.5. Other reasons deemed by the Parties to be sufficient ground for making changes and amendments to this Contract.
- 8.5. All the aforementioned changes and amendments shall be made in writing and signed by the Parties and shall be an integral part of this Contract.

Article 9. Requisites and Signatures of the Parties

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