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**DECREE
OF THE PRESIDENT OF UKRAINE**

On the Measures to Develop Corporate Governance in Joint Stock Companies

In order to ensure due conditions for functioning of joint stock companies, increase efficiency of their activities, attract investments into the economy of Ukraine, I hereby decree:

1. To recognize as necessary further improvement of legal foundations of corporate governance in joint stock companies, which would provide for the following:

1) efficient protection of rights and lawful interests of shareholders by way of:

- ensuring a possibility of minority shareholders' representation in a supervisory board of a joint stock company by way of introducing cumulative voting procedure during formation of the board;
- establishing specific features of conclusion of agreements by a company, which may have a considerable impact on the company's financial position, as well as preventing conclusion of agreements that conflict with the company's interests;
- regulating the procedure for acquisition of own shares by a company, including determining cases of mandatory redemption by a company from a shareholder of the company's shares belonging to him/her at market price;
- ensuring protection of rights of shareholders and creditors of a company in the process of the company's reorganization;
- introducing mandatory notice of a person's intention to acquire a control block of shares of the relevant company, as well as defining a procedure for such a notice;
- establishing administrative responsibility of a company's officials for violation of shareholder rights;
- providing for participation of shareholders in the process of company bankruptcy proceedings;
- improving procedure for preparing to and holding general shareholder meetings;
- improving the systems of internal controls for a purpose of observing shareholder and company interests in the process of the company's activities;
- introducing a system of monitoring of shareholder rights' violations; and
- increasing governmental control over observance of shareholder rights by joint stock companies and professional stock market participants;

2) improvement of the system of filing, content and structure of information about activities of a joint stock company by way of:

- identifying mandatory scope and ways of information disclosure;
- ensuring equal and not associated with considerable expenditures access to information;
- ensuring completeness and authenticity of information filed;
- setting optimal deadlines for making information public; and
- regulating issues relating to insider information use.

3) regulation of the relations among a joint stock company's management bodies, with a precise identification of competence of each of them, including by way of:

- broadening scope of powers that belong to exclusive competence of a general shareholder meeting and may not be transferred to other management bodies;

- further approving supervisory board as a company management body that represents and exercises protection of shareholder interests; and
 - defining a procedure for delegation of certain powers of general shareholder meetings to other management bodies;
- 4) introduction of generally accepted civilized and fair norms of business relations in the process of carrying out corporate governance.
2. The Cabinet of Ministers of Ukraine shall, until October 1, 2002:
- prepare and submit for consideration of the Verkhovna Rada of Ukraine the draft laws aimed at regulation of issues envisaged by Article 1 of this Decree;
 - resolve the matter with regard to creating a Coordination Council on Corporate Governance Issues in Joint Stock Companies, the main tasks of which should be defined as preparing recommendations with regard to forming a uniform state policy in the area of corporate governance in joint stock companies; and
 - approve measures with regard to realization of the provisions of this Decree and, in accordance with the procedure established, provide for financing thereof.
3. The Securities and Stock Market State Commission, the State Property Fund of Ukraine, the Antimonopoly Committee of Ukraine and law-enforcement bodies shall enhance interaction for the purpose of preventing and eliminating shareholder right violations.
4. The Securities and Stock Market State Commission shall provide for development and implementation of the national principles (code) of corporate governance in joint stock companies.
5. To recommend to the Supreme Court of Ukraine, Highest Commercial Court of Ukraine to summarize court practice of application of the legislation on the issues of corporate governance in joint stock companies.

L.Kuchma

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