

**Corporate Governance Code  
Wimm-Bill-Dann Foods OJSC**

## **1. Key Objectives**

Wimm-Bill-Dann Foods OJSC (“Company”) has always been governed by the principles of well thought out and considered corporate governance. The goal of this document is the summation and strengthening of these principles and their application in light of existing legislative norms and standards of admission of securities to capital markets. The Board of Directors acknowledges the important role of this document in the course of representing the interests of the Shareholders of the Company and ensuring management’s ethical and competent fulfillment of its duties. The Board of Directors and the Management Board of the Company believe that responsible attitude to the corporate governance system is a necessary component of management’s execution of its duties and the Board of Director’s carrying out of its role. The Directors, the members of the Management Board and all employees of the Company should be governed by this document in the fulfillment of their duties before the Company and Shareholders. Responsible corporate governance is indispensable part of the culture of a public company that is dedicated to the creation of long-term relationships with Investors. Therefore the Board of Directors has accepted the principles stated below and the executive management is obliged to observe and fulfill these principles.

## **II. Principles of Corporate Governance**

In its work, the Company is guided by the principles of corporate governance developed jointly by the World Economic Forum and Russian Union of Industrialists and Entrepreneurs and underlines its intention to follow these principles with the aim of further improving the system of corporate governance.

### **1. Principle of Effective Management**

The policy of management is oriented over the long term to and directed toward the increase of the Shareholder value of the Company. The management of the Company acts in the interests of all shareholding groups and aims to take into consideration in its activities the needs and expectations of the Company’s employees as well as the development needs of the regional communities where the company operates and of the Russian Federation as whole.

On a regular basis, the Company develops, approves and reviews long-term development strategies for its separate businesses and for the Group as a whole. The Company carries out monitoring of the perception and evaluation of its strategy by its Shareholders. The company is developing a dividend policy. Remuneration awarded to the management is contingent upon management achieving the long-term development goals of the Company, among other factors.

### **2. Principle of Financial Discipline**

The company discloses its consolidated financial accounts, prepared according to US Generally Accepted Accounting Principles (US GAAP), as well as unconsolidated financial accounts, prepared according to Russian Accounting Standards (RAS), which are reviewed by qualified independent auditors, in a timely and complete manner. The management of the Company takes personal responsibility for the thoroughness and reliability of disclosed information. Consolidated financial reporting, compiled according to US GAAP standards, is reviewed and approved on a regular basis by the Audit Committee of the Board of Directors. The company discloses its financial results on a quarterly basis.

The Company's Committee for Information Disclosure has been created with the goal of controlling the collection, evaluation and provision of information in accordance with the Company's obligations regarding the disclosure of information. The Committee meets no less than five times per year: before each disclosure of the financial results of the previous quarter and before the publication of the annual report in 20-F form. An Internal Audit Service exists in the Company, the work of which is defined by the Charter of the Service of the Internal Audit Service.

3. Principle of Transparency of the Ownership Structure

Disclosed information permits the assessment of the degree of control of the main group of Shareholders, including the degree of participation of the real owners in the structure of the shareholding capital. The Company discloses the make-up of its Shareholders annually in annual reports, put together in accordance with Russian and American securities regulation, as well as in quarterly reports, put together in accordance with Russian legislation. In addition, the Company announces changes in the lists of affiliated persons when changes in the shareholding structure occur during periods between the provisions of the above-mentioned reports. The Company announces information about the shares that are controlled by management and members of the Board of Directors and key Shareholders. Information about the owners of American Depositary Receipts (ADR) exists in the public domain, but is not provided by the Company.

4. Principle of Information Openness

The company aims to disclose on a timely basis and in the necessary quantity information about its major results, plans and upcoming activities (see p. 2 regarding the Committee for Information Disclosure) and responds to Investor enquiries. The Company's Department for Communications and Investor Relations is responsible for the provision of information to Shareholders, Investors, securities analysts and other interested parties. The Department regularly conducts meetings with Shareholders, Investors, securities analysts and other interested parties, organizes telephone conference calls on important events and discloses information on the company's current activities via releases and publications in periodical publications.

5. Principle of Guaranteed Rights of the Shareholders

The Company guarantees to all Shareholders the ability to exercise their rights. In particular, the Company guarantees the realization of the rights to participate in the work of the management body of the Company in accordance with their shareholding. The Company also guarantees the observance of the principle of 'one share – one vote' to the owners of voting shares. The Company uses the services of an independent registrar. In the event that the company receives any complaints from minority Shareholders, the Company is obligated to immediately review them and present a report of the results of the review to the minority Shareholders.

6. Principle of Effective Control

The Board of Directors reports to the General Meeting of the Shareholders. The Board of Directors includes dependent and independent directors. The following Committees exist on the Board of Directors: The Audit Committee, the Investment and Strategic Planning Committee and Personnel and Remuneration Committee. The Audit Commission, elected by the Annual General Meeting of Shareholders, carries out its activities in accordance with requirements of the legislation of the Russian Federation.

#### 7. Principle of Fair Remuneration

The Company has a system for evaluating the work and remuneration of directors and management that provides incentives for work in the interests of all groups of Shareholders. The Company may create a share option plan for management with the aim of increasing the level of motivation of personnel. The Company has introduced bonus cards for key management, on which are calculated the sum of bonuses on the basis of a series of indicators established for the given manager. The cards are completed in the process of regular meetings (at least twice a year) with the manager's direct superior. The remuneration amounts for the Chief Executive Officer and members of the joint executive body (Management) are approved by the Board of Directors.

#### 8 Principle of Legality and Ethical Conduct

The Company acts in strict accordance with the laws of the jurisdictions where it carries out activities, as well as with business ethics and internal documents. The internal documents of the Company are developed on the basis of legislative requirements and norms of corporate and business ethics. The Company may retain independent legal consultants to consult on issues of overseas and Russian law. The company makes every effort to avoid conflicts with other companies.

#### 9. Principle of Taking an Active Role

The Company is an active participant in legislative initiatives and dialogue with the government on issues of strengthening corporate governance. The Company actively undertakes discussions regarding changes in existing legislation in the area of corporate governance. The Company takes an active role in public activities related to issues of corporate governance and aims to participate in organizations involved with these issues. The Company periodically initiates research of the practice of corporate governance as practiced in the company with the aim of developing recommendations for its improvement.

Besides the principles of WEF / Russian Union of Industrialists and Entrepreneurs the Company elaborated and accepted the Principle of corporate social responsibility.

#### 10. Principle of corporate social responsibility

The Company maintains major principles of joint social responsibility of the business and contributes to the steady economic development and the improvement of life of Russian people. In its social-economic activity the Company focuses on the following priority areas: production quality and consumer relations; employee relations; ecological security; participation in local community development. On a regular basis the Company compiles an internal social report in accordance with internationally accepted procedures and may publish it wholly and in its entirety.

### **III. Shareholders**

The Shareholders of the Company possess a range of rights in relation to the Company. The Board of Directors and Management of the Company are required to ensure the observance and defense of these rights:

1. Shareholders have the right to the protection of their right of ownership of shares from any violation. The Company enables the preservation of this right through the registration of the rights of ownership and the introduction and maintenance of the register of Shareholders, which is carried out by an independent registrar, having the

appropriate technological means and systems of control, as well as an unblemished reputation in the securities markets.

2. Shareholders have the right to the free disposal of their shares according to their own discretion and to undertake any activity which does not contradict the law and which does not violate the rights of other parties that are protected by law.

3. Shareholders have the right to regular and timely receipt of information about the activity of the Company in sufficient quantity to permit them to undertake considered and sound decisions about the disposal of their shares. The Company, with a view to the appropriate observance and defense of the above-mentioned right, guarantees the disclosure of information according to the requirements established by legislation.

The Company carries out financial reporting on a quarterly basis in accordance with the requirements of the legislation of the Russian Federation and information disclosure requirements of the US Securities and Exchange Commission (SEC)

4. Owners of voting shares have the right to participate in the Annual General Meeting of Shareholders with the right to vote on all issues within their purview.

The Company, with a view to the appropriate observance and defense of the above-mentioned right, organizes the undertaking of a General Meeting of Shareholders in such a manner so that the participation of Shareholders will not entail major material or time expenditure and an equal relationship with all Shareholders is ensured.

The Company provides the Shareholders with the information on all the items of the General Meeting of Shareholders agenda in such volume and in such terms, which let the Shareholders taking well-founded decisions.

For every issue on the agenda of the General Meeting of Shareholders, the Board of Directors of the Company prepares for Shareholders objective and well-founded recommendations. In the instance of elections to the Board of Directors, the Company will provide Shareholders with biographical information on each candidate in the quantity accepted by international practice.

Information concerning the General Meeting is disclosed on the Company's site on the Internet.

5. Shareholders of the Company bear the burden of responsibility to each other, to the company and to other interested persons for the maintenance of stability and profitability of the Company. In this regard, the Shareholders should not exert pressure on the Board of Directors or Management Board to advance the interests of certain Shareholders at the expense of other Shareholders.

#### Confidential Voting

All ballots for voting, which identify Shareholders, are strictly confidential. After the completion of the protocol of the results of voting and signing of the protocol of the General Meeting of Shareholders the voting ballots are sealed by the accounting commission and placed in the company's archive for safe-keeping.

## IV. Board of Directors

### Role and Responsibilities of the Board of Directors

The role of the Board is to define the fundamental directions of the development of the Company, including the strategy of the Company, directed toward the increase in its value, to evaluate on a regular basis results already achieved and to take decisions falling under its areas of responsibility.

### Function of the Board of Directors

The Board of Directors (directly or through its committees) within the limits of its purview performs the range of special functions:

- **Maximize Shareholder Return:** Representing the interests of the Company's Shareholders by maximizing the Company's long-term Shareholder value.
- **Strategic Planning:** Review and approval of management's strategic and business plans, and monitoring their implementation.
- **CEO Selection and Succession:** Selecting, evaluating and compensating the Chief Executive Officer (CEO), control over the process of CEO succession and establishment of policies and procedures for CEO succession.
- **Management Remuneration and Development:** Active participation and oversight over the process of the selection, evaluation, professional development and remuneration of senior management.
- **Annual Financial Plans:** Study, review, approval and monitoring of the implementation of the Company's annual financial plans prepared by management.
- **Controls:** Reviewing and assessing the processes and policies of the Company in the context of providing the market as a whole, the customers and suppliers, as well as the personnel, with an adequate information on financial statement of the Company and its compliance with the law and ethics.
- **Risk Management:** Reviewing and assessing management boards's processes and policies to assess the major risks level facing the Company, and management's assessment of these major risks and the options for their mitigation.

The Board of Directors is elected by cumulative voting. The Board of Directors conducts no fewer than five regularly scheduled meetings per year and other meetings as required. It is desirable for members of the Board of Directors to personally attend meetings of the Board of Directors and to review in advance the documents for the meeting. Although the Board should exercise vigorous and diligent oversight over the Company's affairs, it should not perform or duplicate the role of the Management Board.

The vote of each of the members of the Board of Directors in each resolution voted upon by the board will be recorded in the minutes. If a member of the Board of Directors does not participate in a meeting, or abstains from voting, this shall be noted in the minutes as well.

Members of the Board of Directors of Company will have access to all necessary information needed to carry out their work in a timely and effective manner.

Members of the Board of Directors are required to refrain from activities, which would lead to or could potentially lead to conflicts between their own interests and the interests of the Company, and should such a conflict arise, they are required to disclose to the Board of Directors information about this conflict of interests and abstain from voting on issues involving this conflict of interests. Members of the Board of Directors are required to inform in the Board of Directors of their intention to conduct deals with securities of the joint-stock company or its subsidiaries and also disclose information about deals they have carried out with such securities.

## **Director Qualification Standards**

### **1. Independence**

The Board has a majority of independent directors. The definition of independence is derived from applicable law and stock exchange listing standards (See “The Regulation on Trading Procedures” approved by Resolution No. 03-54/ps of the Commission, dated 26 December 2003, and published on 12 and 13 March 2004). The Board affirmatively determines, after considering all relevant facts and circumstances, that the director has no material relationship with the Company (either directly or as a partner, Shareholder or officer of an organization that has a relationship with the Company).

Independent director must meet the following requirements:

- Have not been an officer or employee of the Company at the time of election or during the three years preceding election;
- Are not an officer of another company, in which any of the other officers of the Company are members of the Board of Director’s Committee for Personnel and Remuneration;
- Are not the spouse, parent, child or sibling of an officer of the Company;
- Are not affiliated parties of the Company and its affiliated parties except of the sign of affiliation- membership in the Board of Directors;
- Are not creditors of the Company under influence of which they could obtain property (receive monies), the value of which is 10 percent or more of the annual income of the indicated person before receipt of remuneration for their activities as member of the Board of Directors of the Company;
- Are not representatives of the state;

### **2. Other Standards**

In addition to the above mentioned criteria of independence for candidates for membership of the Board of Directors, candidates should also be chosen on the basis of the following principles, including: their business and professional experience, their conscientiousness and common sense, , ability to devote the enough time to the Company, diverse qualifications and experience that they may bring to the work of the Company and outstanding leadership abilities. Directors should represent the interests of all Shareholders and not a particular group with special interests or constituency.

### Candidate Selection Process

Shareholders may put forward a candidate for the Board of Directors, following the procedures established in the Charter. In the event that there is an absence or lack of sufficient candidates proposed to Shareholders, the Board of Directors has the right to add candidates to the list for their review. The Board of Director's Personnel and Remuneration Committee can recommend candidates to the Board of Directors composition.

### Director cooperation with the Management and Independent Advisors

Directors have the right to cooperate with the Management, including but not limited to in-house counsel and internal audit and financial human resources, as well as to the independent auditors. The Board and its committees may, in appropriate circumstances and at Company's expense, hire independent advisors, including counsel.

### Director Remuneration

By decision of the General Meeting of Shareholders, members of the Board of Directors are remunerated for the period during which they carry out their duties (participation in the meetings of the Board of Directors and the work of Board of Directors Committees) and are compensated for expenses incurred during the execution of their functions as members of the Board of Directors.

Their remuneration should be sufficient so as to attract candidates with the required qualifications. The Company does not have pension plans for directors. The Board of Directors has the right to recommend reviewing director remuneration.

### Changes in Professional Activity

Non-employee directors who undergo a significant change in their business or professional careers may volunteer to resign from the Board and the Board can accept or reject such tendered resignations. The authority of the member of the Board of Directors remains until his re-election at the General Meeting of Shareholders.

### Attendance by Members of Management at Meetings of the Board of Directors

Certain managers, who are not directors, may be present at meetings of the Board of Directors with the permission of the Chairman of the Board of Directors.

### Size of the Board of Directors

The Board of Directors believes that a membership size of 7 to 11 directors is optimal.

### Interaction with Outside Parties

Individual Directors may, from time to time at the request of the Management Board, speak to outside parties; but any time that comments from the Board are appropriate, the Chairman should make these comments.



## **V. Committees of the Board of Directors**

The Committees of the Board of Directors exist to provide a preliminary review of the most important issues and for the preparation of recommendations for the Board of Directors. The activity of the Committees is regulated according to the corresponding regulations. The Company has Board of Directors Committees for audit, investment and strategic planning, as well as for human resources and remuneration. All Board of Directors Committees, include at least one independent director. Board of Directors supports the idea that each Committee is headed by the independent director, if there are independent directors whose terms of reference cover the activity of the Committee. The rules for the creation and work, rights and obligations of the Committees is defined by formal regulations which are in accordance with existing legislation and standards of access of securities to securities markets. Committees conduct an analysis of the work at least once a year to evaluate their effectiveness, which include a review of their adherence to existing regulations. In addition, Committees conduct an analysis of the regulations at least once a year to see if they require amendments that are then confirmed by the Board of Directors. The Board of Directors may also create other permanent or temporary committees.

### **Audit Committee**

The Audit Committee includes three directors, each of whom is independent. The Audit Committee assists the Board of Directors in the fulfillment of its oversight duties in the following areas:

- Financial reporting of the Company and its preparation;
- Systems of internal accounting and financial control;
- Monitoring of key risks;
- The work of the Internal Audit Service and independent auditors;
- Qualification and independence of independent auditors;
- Observance of legislative and other normative acts requirements.

Then the Audit Committee will bear direct responsibility for the appointment, retention and removal of independent auditors and approve any major non-audit interactions with the independent auditors. The Committee regularly conducts meetings with independent auditors, management and the internal audit service.

### **The Committee for Investment and Strategic Planning**

The Committee for investment and strategic planning assists the Board of Directors in the fulfillment of its duties in the following areas:

- Major investment programs (more than US\$5 million dollars)
- Mergers and acquisitions;
- Key strategic goals of the business segments of the Company and the Company as a whole for the next financial year, as well as changes and deviation from these goals;
- Three-year strategic plan of the Company;
- Mission and strategic vision of the Company;
- Conception and programmatic announcements of the Company;
- Control of compliance with key business parameters for the current financial year and deviations in achievement of such parameters by the Company;

- Identification of potential new products and strategy of development of production of new types of food products and drinks; application of new technologies, packaging material as well as control of the quality and safety of raw materials and finished products.

### **Committee for Personnel and Remuneration**

The Committee for Personnel and Remuneration assists the Board of Directors in developing criteria for the selection of candidates for membership of the Board of Directors, in the selection and preparation of recommendations for the Board of Directors of candidates for the Board of Directors for presentation at the next General Meeting of Shareholders; in developing and preparation and recommendations for the Board of Directors for the improvement of corporate governance. The Committee for Personnel and Remuneration assists the management in the following:

- The creation and implementation of a single human resources policy for all enterprises in the Company;
- The creation of policies and standards for the hiring, evaluation, rotation, dismissal, education and development of staff and administrative resources;
- The creation of policies covering wages as well as motivational programs and remuneration of personnel (option plans, pension plans and social programs);
- The creation of policies for corporate culture and communications.

Management succession planning is one of the main goals of the Board of Directors. The Committee for Personnel and Remuneration, together with the Board of Directors reviews the succession plans of management at least once a year. They also regularly review the policy and procedures for selection and review of the effectiveness of the work of the CEO as well as the policy of succession due to an emergency or removal of the CEO.

## **VI. Corporate Secretary**

The main goal of the Corporate Secretary of the Company is to cooperate with the bodies and responsible officers inside the Company of procedural requirements, which guarantee the rights and interests of Shareholders.

The Corporate Secretary enables the improvement of the efficiency of the work of the Board of Directors, the improvement of the level of transparency of the Company and the efficiency of the interaction of the Company and Shareholders and other participants in corporate relations.

The Corporate Secretary is appointed and removed by a resolution of the Board of Directors.

### **The Corporate Secretary's functions are:**

- The cooperation of the Company, its executive and other bodies with the Board of Directors and individual members of the Board of Directors;
- Preparation of the draft agenda for the meeting of the Board of Directors and the rules for its conduct;
- Timely notification of members of the Board of Directors and other invitees of the convocation of a meeting of the Board of Directors as well as provision of the necessary materials related to items on the agenda;

- Oversight over the execution of resolutions of the Board of Directors by divisions and officers of the Company;
- Support and coordination of the activity of the Committees of the Board of Directors;
- Ensuring appropriate review by the Company of enquiries from Shareholders and resolution of conflicts, connected with other violations of the rights of Shareholders;
- Informing the Chairman of the Board of Directors of all factors impeding the observation of procedures, which are part of the duties of the Corporate Secretary;
- Providing required support for the Directors entering into service.

## **VII. Management Board**

### Overview

The Board of Directors appoints the Management Board of the Company to undertake the operational management of the Company.

The Management Board of the Company reports to the Board of Directors. It carries out its activities in adherence to the rules established by the Board of Directors and regularly reports on its activities to the Board of Directors.

In order to ensure the efficient management of the company, the Management Board is given a high degree of independence. The Board of Directors and Shareholders of the company cannot interfere without just cause in the day-to-day activities of the Management Board or limit its ability to deal with issues affecting the activity of the Company.

The Management Board recognizes its responsibility to the Shareholders. Its primary aim is the development of proposals in relation to the long-term development plans, discussion of these plans with the Board of Directors and the conscientious and competent exercise of its duties in the day-to-day management of the Company to ensure the long-term profitability of the Company.

The Management Board takes responsibility for the organization, state and reliability of the Company's financial accounts, the timely provision of the yearly report and other financial reporting to the responsible authorities as well as information about the activities of the company, which are provided to Shareholders, creditors and the media.

When the Chairman of the Management Board, Deputy Chairman or any other member of the Management Board assumes his/her post for the first time, they are to sign a letter of declaration, the content of which is defined by Russian legislation for declaring information to regulatory bodies, as well as the requirements for revealing information in financial accounts prepared according to Russian and international standards, which declares all transactions with affiliated parties. Subsequently, such letters of declaration must be signed as of December 31 of each year by the acting Head.

The Management Board bears responsibility for the timely presentation of all required information and provision of regular information to Board of Directors of the Company.

The Board of Directors has the right to establish limits regarding the scale of the remuneration of the CEO and members of the Management Board. The Board of Directors has the right to confirm the conditions of contracts with the CEO. When confirming the conditions of contracts with the CEO, the votes of members of the Board of Directors, who are the CEO or members of the Management Board, are not counted.

#### Chairman of the Management Board (CEO)

The Management Board is headed and managed by its Chairman, who is appointed by the Board of Directors of the Company.

The CEO of the Company is responsible before the Shareholders and Board of Directors for the realization of the strategy for the development of the Company and the financial results of its activities.

The CEO is responsible for the organization of the work of the Management Board. The CEO is thus required to undertake the running of the Management Board as a whole, so as to ensure the long-term profitability of the company. The CEO shall present at least once per quarter an overview of the operations of the Company including a short report of meetings of the Management Board.

### **VIII. Internal Audit**

The Company's has an Internal Audit Service with full-time in-house staff. The main functions of the Internal Audit Service are:

- Assessment of risk management effectiveness;
- Ongoing improvement of internal control system in the Company and organizations directly or indirectly controlled by the Company and at separate enterprises and subdivisions, meeting the development goals of the Company and legislative requirements;
- Maintenance of company-wide procedures for the evaluation of systems of internal control;
- Organization and carrying out of regular reviews of the activity of structural subdivisions of the Company.

### **IX. Other Regulations**

#### Code of Ethics

The Company is working up a Code of Ethics that is applied to directors, employees and officers of the Company. This code supports the honest and ethical conduct of business, the adequate disclosure of information as well as the observance of legislation. The Code of Ethics, among its basic principals and policies, also outlines the principles governing the resolution of conflicts of interest, confidentiality, protection and use of Company assets as intended, abiding by the law, rules and regulations (including the application of legislation counteracting trading using insider information) and provision of reporting regarding any sort of illegal or unethical behavior. This documents includes not only the standards that regulate the honest and ethical conduct of business, but also the standards that regulate information in periodical and special reports.

The Code of Ethics also outlines procedures that enable employees of the Company to carry out the Code in practice. In relation to cases of illegal or unethical behavior, every employee is provided with a contact, which he or she can contact regarding any case or incident, including those cases involving accounting and audit areas. An employee, who is acting in the best interests of the Company and in this connection provides information on an incident and provides in good conscience corroborating documentation of these concerns may not be subject to punitive measures, including dismissal, demotion, harassment, discrimination and so forth.

#### Integrity of Financial Disclosures

The Company has a strong track record of disclosing complete financial information in a timely way, as well as information, connected with business activities. Executive Heads recognize their duties in that area. Accordingly, the CEO and Chief Financial Officer (CFO) present all necessary certificates regarding the disclosure of information by the Company, including the reporting form 20F. The Company has a Committee for Information Disclosure, which was created by the order of the CEO.

The Committee functions in accordance with the Regulations and is under the direct supervision of the CEO and is headed by the CFO. According to the corresponding Regulations, the purpose of the Committee is to oversee the collection, evaluation and provision of information relating to the disclosure obligations of the Company as well as the evaluation of limits and procedures for the preparation and disclosure of written confirmations, which relate to the Company's compliance with the principles and rules of information disclosure.

#### Appointment of Investment Banks

The Corporation endeavors to hire investment bankers that provide assurances with respect to the separation of their banking and analyst functions.

#### Compliance with New York Stock Exchange Listing Standards

The CEO certifies each year to the New York Stock Exchange that he or she is not aware of any violation by the Corporation of the Exchange's corporate governance listing standards.

Such certification is included in the Corporation's annual report form 20-F provided to the Shareholders.