**Section VIII**
**SUPERVISORY BOARD OF A JOINT STOCK COMPANY**

**Article 51.**Establishment of a supervisory board of a joint stock company

1. Supervisory board of a joint public company is a collegial body, which conducts protection of rights of the of shareholders of the company and within the competence defined by the statute and this Law, manages the joint stock company, as well as controls and regulates the activities of the executive body..

*{Part one of the Article 51 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n878)*}*

2. In public joint stock companies and banks, the creation of a supervisory board is mandatory.

*{Paragraph one of the part two of the Article 51 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n881)*}*

In private joint stock companies with a number of shareholders of 10 or more, the creation of a supervisory board is mandatory.

*{Paragraph of the part two of the Article 51 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n881)*}*

If in a private joint stock company the number of shareholders is 10 or more persons and all shareholders are affiliated to each other, the creation of a supervisory board is optional.

*{Paragraph of the part two of the Article 51 as amended by the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n881%22%20%5Ct%20%22_blank)}*

In the case of a private joint stock company, in the absence of a supervisory board, its powers are exercised by a general meeting.

*{Paragraph of the part two of the Article 51 as amended by the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n881%22%20%5Ct%20%22_blank)}*

In this case, the powers of the supervisory board for the preparation and holding of the general meeting shall be provided by this Law, unless otherwise provided by the charter of the joint stock company.

3. The modus operandi of the members of the supervisory board and the payment of their remuneration shall be determined by this Law, the charter of the company, the regulation on the supervisory board of the joint stock company, as well as the civil or labor agreement (contract) concluded with the member of the supervisory board. Such an agreement or contract on behalf of the company shall be signed by the chairman of the executive body or by another person authorized by the general meeting under terms and conditions approved by the decision of the general meeting. In the case of concluding of a civil agreement with a member of the Supervisory Board of the company, such agreement may be paid or pro bono.

*{Part three of the Article 51 as amended by the Law* *[№ 2994-VI of 03.02.2011](https://zakon.rada.gov.ua/laws/show/2994-17%22%20%5Ct%20%22_blank); with amendments made according to the Law*[*№ 1255-VII of 13.05.2014*](https://zakon.rada.gov.ua/laws/show/1255-18#n17)*}*

4. A member of the supervisory board must carry out his duties personally and may not delegate his powers to another person.

*{Paragraph one of the part four of the Article 51 as amended by the Law* *[№ 2994-VI of 03.02.2011](https://zakon.rada.gov.ua/laws/show/2994-17%22%20%5Ct%20%22_blank); with amendments made according to the Law* [*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n234)*}*

Supervisory Board members may be remunerated for their activities. The procedure for payment of remuneration to the members of the Supervisory Board shall be established:

*{Paragraph two of the part four of the Article 51 as amended by the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n887%22%20%5Ct%20%22_blank)}*

1) for a public joint stock company and a bank, by the regulation on the remuneration of members of the supervisory board;

*{Paragraph of the part four of the Article 51 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n887)*}*

2) for a private joint stock company – by the charter of such a company or by the regulation on supervisory board, or by the regulation on the remuneration of members of the supervisory board.

*{Paragraph of the part four of the Article 51 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n887)*}*

**Article 51-1.** Transparency of the activity of a supervisory board

1. The supervisory board of a public joint stock company and a bank must prepare an annual report on their work. The report of the supervisory board of a public joint stock company and a bank is a separate part of the annual report of the company and is subject to publication in accordance with the requirements of the legislation provided for the procedure and terms of publishing of the annual report of the company.

The report reflects assessment of performance of a supervisory board. Such assessment shall include:

evaluation of its composition, structure and activity as a collegial body;

assessment of the competence and effectiveness of each member of the board, including information about his / her activity as an official of other legal entities or other activity - paid and pro bono;

assessment of independence of each of the independent members of a supervisory board;

assessment of the competence and effectiveness of each of the committees of the board, including information on the list and personal composition of the committees, their functional powers, the number of meetings held and a description of the main issues addressed by the committees. In doing so, the audit committee of the supervisory board should specifically provide information on its conclusions on the independence of the external audit of the company, in particular the independence of the auditor (audit firm);

assessment of the fulfillment by the supervisory board of set goals set before it.

The report shall include information on the internal structure of the supervisory board, the procedures followed in its decision-making, including an indication of how the activities of the supervisory board have led to changes in the financial and economic activity of the company.

2. The supervisory board of a private joint stock company may prepare a report on its activities in accordance with the requirements of this article.

*{The Law was complemented by the Article 51***-1***in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n891)*}*

**Article 52.** Competence of a supervisory board

1. It is within the competence of the supervisory board to resolve the issues stipulated by this Law, the charter.

*{Part one of the Article 52 as amended by the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n903%22%20%5Ct%20%22_blank)}*

2. Exclusive competence of a supervisory board includes:

1) approval of internal regulations governing the activities of the company, except those that according to this Law fall within the exclusive competence of the general meeting, and those that have been passed by the decision of the supervisory board for approval of the executive body;

*{Point 1 of the part two of the Article 52 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n905)*}*

1**-1**) approval of the regulation on the remuneration of the members of the executive body of a joint stock company, the [requirements](https://zakon.rada.gov.ua/laws/show/z1367-18#n17) to which shall be set by the National Securities and Stock Market Commission, except the requirements for the regulation on the remuneration of the members of the executive body of the joint stock company - bank, which shall be established by the National Bank of Ukraine;

*{Part two of the Article 52 was supplemented by the point 1***-1***in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n907)*}*

1**-2**) approval of the report on the remuneration of the members of the executive body of a joint stock company, the requirements to which shall be set by the National Securities and Stock Market Commission, except the requirements for the report on the remuneration of the members of the executive body of the joint stock company - bank, which shall be established by the National Bank of Ukraine;

*{Part two of the Article 52 was supplemented by the point 1***-2***in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n907)*}*

2) preparation of the agenda of the general meeting, deciding on the date of its holding and on inclusion of the proposals in the agenda, convening by the shareholders of the extraordinary general meeting being an exception hereof;

2**-1**) formation of a temporary counting committee in case if a general meeting is convened by the supervisory board, unless otherwise stipulated by the charter of the company;

*{Part two of the Article 52 was supplemented by the point 2***-1***in accordance with the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n907%22%20%5Ct%20%22_blank)}*

2**-2**) approval of the form and text of the ballot paper;

*{Part two of the Article 52 was supplemented by the point 2***-2***in accordance with the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n907%22%20%5Ct%20%22_blank)}*

3) making a decision on holding regular or extraordinary general meetings in accordance with the charter of the company and in the cases stipulated by this Law;

*{Point 3 of the part two of the Article 52 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

4) deciding on the sale of shares previously purchased by the company;

*{Point 4 of the part two of the Article 52 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

5) deciding on the placement by the company of securities other than shares;

6) making a decision on the redemption of securities placed by the company other than shares;

7) approving the market value of the property in the cases stipulated by this Law;

8) election and termination of powers of the chairman and members of the executive body;

*{Point 8 of the part two of the Article 52 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

9) approval of the terms of the contracts to be concluded with the members of the executive body, determination of the amount of their remuneration;

*{Point 9 of the part two of the Article 52 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

10) deciding on the removal of the chairman or a member of the executive body from the exercise of powers and the election of the person who will temporarily exercise the powers of the chairman of the executive body;

*{ Point 9 of the part two of the Article 52 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

11) election and termination of powers of the chairman and members of other bodies of the company;

11**-1**) appointment and dismissal of the Head of Internal Audit Unit (Internal Auditor);

*{Part two of the Article 52 was supplemented by the point 11***-1***in accordance with the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n907%22%20%5Ct%20%22_blank)}*

11**-2**) approval of the terms of employment contracts concluded with employees of the Internal Audit Unit (with the internal auditor), determination of the amount of their remuneration, including incentive and compensation payments;

*{Part two of the Article 52 was supplemented by the point 11***-2***in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n907)*}*

11**-3**) exercising control over the timeliness of providing (publishing) by the company of reliable information about its activities in accordance with the law, publishing by the company of information about the principles (code) of corporate governance of the company;

*{Part two of the Article 52 was supplemented by the point 11***-3** *in accordance with the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n907%22%20%5Ct%20%22_blank)}*

11**-4**) reviewing the report of the executive body and approving measures based on the results of its consideration in the case if the charter refers the issue of appointment and dismissal of the chairman and members of the executive body to the exclusive competence of the supervisory board;

*{Part two of the Article 52 was supplemented by the point 11***-4** *in accordance with the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n907%22%20%5Ct%20%22_blank)}*

12) election of a registration commission, except for cases established by this Law;

13) election of an auditor (audit firm) of a private joint stock company to conduct an audit on the results of the current and / or past (previous) year (s); providing recommendations to the general meeting on the selection, appointment, reassignment and dismissal of an external auditor (audit firm) of a public joint stock company; determining the terms of the contract to be concluded with the auditor (audit firm) of the company, establishing the amount of payment for his (her) services;

*{Point 13 of the part two of the Article 52 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n916)*,*[*№ 132-IX of 20.09.2019*](https://zakon.rada.gov.ua/laws/show/132-20#n157)*}*

13**-1**) approval of recommendations to the general meeting based on the results of consideration of the opinion of the external independent auditor (audit firm) of the company for decision-making on it;

*{Part two of the Article 52 was supplemented by the point 13***-1** *in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n918)*}*

14) determination of the date of drawing up of the list of persons entitled to receive dividends, the procedure and terms of payment of dividends within the deadline set by the [part 2](https://zakon.rada.gov.ua/laws/show/514-17#n362)  of the Article 30 of this Law;

15) determination of the date of drawing up of the list of shareholders entitled to be informed on the convening of a general meeting according to the  [part one](https://zakon.rada.gov.ua/laws/show/514-17#n458)  of the Article 35 of this Law and are entitled to take part in the general meeting according to the [Article 34](https://zakon.rada.gov.ua/laws/show/514-17#n449) of this Law;

16) resolving questions about participation of the company in industrial-financial groups and other associations;

*{Point 16 of the part two of the Article 52 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n920)*}*

16**-1**) resolving the issues of creation and / or participation in any legal entities, their reorganization and liquidation;

*{Part two of the Article 52 was supplemented by the point 16***-1** *in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n921)*}*

16**-2**) resolving issues of creation, reorganization and / or liquidation of structural and / or separate units of the company;

*{Part two of the Article 52 was supplemented by the point 16***-2** *in accordance with the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n921%22%20%5Ct%20%22_blank)}*

17) resolving issues, attributed to the competence of the supervisory board by the [section XVI](https://zakon.rada.gov.ua/laws/show/514-17#n1133) of this Law, in case of merger, acquisition, division, separation or transformation of a company;

*{Point 17 of the part two of the Article 52 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

18) taking a decision to consent to a significant transaction or to give a prior consent to such a transaction in the cases provided for in Article 70 of this Law and to give consent to commit a interested party transaction in the cases provided for in [Article 71](https://zakon.rada.gov.ua/laws/show/514-17#n1007) of this Law;

*{Point 18 of the part two of the Article 52 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n924)*}*

19) determining the likelihood of a company being declared insolvent as a result of taking on its obligations or fulfilling them, including as a result of payment of dividends or redemption of shares;

20) deciding on the choice of the appraiser of the property of the company and approving the terms of the contract to be concluded with him, establishing the amount of payment for his services;

21) deciding on the choice (replacement) of a depository institution that provides additional services to a joint stock company, approving the terms of the contract to be concluded with it, establishing the amount of payment for its services;

*{Point 21 of the part two of the Article 52 as amended by the Law*[*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n236)*}*

22) sending the offer to the shareholders according to the [Articles 65-65**-1**](https://zakon.rada.gov.ua/laws/show/514-17#n899) of this Law;

*{Point 22 of the part two of the Article 52 as amended by the Laws*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*,*[*№ 1983-VIII of 23.03.2017*](https://zakon.rada.gov.ua/laws/show/1983-19#n227)*}*

23) resolving other issues within the exclusive competence of the Supervisory Board in accordance with the charter of the company.

Exclusive competence of a supervisory board of a bank includes also the issues stipulated by the [Law of Ukraine](https://zakon.rada.gov.ua/laws/show/2121-14) "On banks and banking";

*{Point 23 of the part two of the Article 52 was supplemented by the paragraph two by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n928)*}*

*{Point 23 of the part two of the Article 52 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*; with amendments according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n927)*}*

3. Issues that fall within the exclusive competence of the supervisory board of a joint stock company may not be resolved by other bodies of the company, except for the general meeting, except in cases established by this Law.

4. Officials of the bodies of a joint stock company shall provide the members of the supervisory board with access to information within the limits stipulated by this Law and the charter of the company.

5. If the number of members of the supervisory board whose powers are valid is half or less than half of its quantitative composition elected in accordance with the law by the general meeting of the company, the supervisory board may not make decisions other than the decisions on convening the general meeting of a joint stock company to elect the remaining members of the supervisory board, and in the case of election of members of the supervisory board of a joint stock company by cumulative voting, to elect the entire composition of the supervisory board, namely issues, specified in the [subpoints 2](https://zakon.rada.gov.ua/laws/show/514-17#n727), [3](https://zakon.rada.gov.ua/laws/show/514-17#n728), [12](https://zakon.rada.gov.ua/laws/show/514-17#n742) and [15](https://zakon.rada.gov.ua/laws/show/514-17#n745) of the part two of this Article.

*{Article 52 was supplemented by the part five in accordance with the Law*[*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n238)*; with amendments made according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n930)*}*

**Article 53.** Election of members of a supervisory board

1. The members of the supervisory board of a joint stock company shall be elected by the shareholders during the general meeting of the company for a term not exceeding three years.

*{Paragraph one of the part one of the Article 53 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n933)*}*

The charter of a private joint stock company may provide for another term of office of the supervisory board, but such term may not exceed three years.

*{Paragraph two of the part one of the Article 53 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n934)*}*

If, within the time limit set by this Law, the general meeting has not taken the decisions provided in the [points 17](https://zakon.rada.gov.ua/laws/show/514-17#n429) and [18](https://zakon.rada.gov.ua/laws/show/514-17#n431) of the part two of the Article 33 of this Law, powers of the members of the supervisory board shall be terminated, except for the authority to prepare, convene and hold the general meeting.

*{Paragraph of the part one of the Article 53 as amended by the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n934%22%20%5Ct%20%22_blank)}*

Persons elected as the members of the supervisory board may be re-elected indefinitely.

2. Only a natural person can be a member of the supervisory board of a joint stock company. A member of the supervisory board may not simultaneously be a member of the executive body and / or a member of the audit committee (auditor) of that company.

3. Persons who can be elected as the members of the Supervisory Board are shareholders or persons representing their interests (hereinafter referred to as shareholders' representatives) and / or independent directors.

4. Supervisory Board of a public joint stock company and a joint stock company, whose authorized capital is owned more than 50 percent by the state, as well as a joint stock company, 50 or more percent of the shares of which are in the authorized capital of economic entities, owned 100% by the state, must be comprised at least one-third of the independent directors, and the number of independent directors may not be less than two persons.

*{Paragraph one of the part for of the Article 53 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n939)*}*

Provisions of the first paragraph of this part shall not apply to banks. The requirements for the composition of the Bank's supervisory board are determined by the [Law of Ukraine](https://zakon.rada.gov.ua/laws/show/2121-14) "On banks and banking".

*{Part four of the Article 53 is supplemented by the paragraph two according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n940)*}*

5. When electing the members of the supervisory board, together with information about each candidate (name, surname, patronymic (name) of the shareholder, the size of the shareholding he owns) the cumulative ballot paper shall include information on whether or not such candidate is a shareholder, a representative of a shareholder or a group of shareholders (indicating information about that shareholder or shareholders), or whether he is an independent director.

6. Powers of a member of a supervisory board elected by cumulative voting may be prematurely terminated only by the decision of the general meeting, provided that the powers of the entire composition of the supervisory board are simultaneously terminated. In such a case, the decision to terminate the powers of the members of the supervisory board shall be taken by the general meeting of shareholders by a simple majority of the votes of the shareholders who have registered for the meeting and are the owners of shares which are voting on the respective issue. The provisions of this part shall not apply to the right of a shareholder (s) whose representative (s) is elected to the supervisory board to replace such representative as a member of the supervisory board.

*{Paragraph one of the part six of the Article 53 with amendments according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n942)*}*

A member of the supervisory board elected as a representative of a shareholder or group of shareholders in accordance with paragraph five of this Article may be replaced at any time by such shareholder or group of shareholders.

7. Powers of a member of the supervisory board shall be valid from the moment of his election by the general meeting. In case of replacement of a member of the supervisory board - representative of the shareholder, the powers of the recalled member of the supervisory board are terminated, and the new member of the supervisory board acquires the authority from the moment when the joint stock company receives a written notification from the shareholder (shareholders), whose representative is the corresponding member of the supervisory board.

Notice of replacement of a member of the supervisory board - the shareholder's representative must contain information about the new member of the supervisory board, who is appointed to replace the recalled one (surname, name, patronymic (name) of the shareholder (shareholders), the size of the block of shares that he owns or collectively belongs to them).

The procedure for notifying the replacement of a member of the supervisory board - the shareholder's representative may be determined by the company's supervisory board. Such written notice shall be posted by the public joint stock company on its own website within one business day of its receipt by the company.

*{Paragraph three of the part seven of the Article 53 with amendments according to the Law* *[№ 2210-VIII of 16.11.2017](https://zakon.rada.gov.ua/laws/show/2210-19%22%20%5Cl%20%22n943%22%20%5Ct%20%22_blank)}*

Shareholder (shareholders), the represantive of whom is elected as a member of the supervisory board, can limit powers of his representative as a member of a supervisory board.

8. The shareholders and the member of the supervisory board, which is their representative, are jointly and severally liable to compensate the losses incurred by the joint stock company because of such supervisory board member.

9. Shareholders of a company under a procedure established by the [part two](https://zakon.rada.gov.ua/laws/show/514-17#n1124) of the Article 78 of this Law, are entitled to be acquainted with the written messages specified in the part 6 of this Article.

10. The election of members of the supervisory board of a public joint-stock company and the bank is carried out exclusively by cumulative voting.

*{Paragraph one of the part ten of the Article 53 with amendments in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n944)*}*

The election of members of the supervisory board of a private joint stock company is carried out by cumulative voting, unless otherwise established by the charter of the joint stock company.

11. The quantitative composition of the supervisory board is established by the charter of the joint stock company. The minimum number of members of the supervisory board of a public joint stock company may not be less than 5 persons.

12. If the number of members of the supervisory board whose powers are valid is less than half of its quantitative composition, elected in accordance with the law by the general meeting of the joint stock company, the company must convene an extraordinary general meeting within three months for the election of the other members of the supervisory board, and in the case of the election of the members of the supervisory board by cumulative voting - to elect the entire composition of the supervisory board of a joint stock company.

*{Article 53 with amendments according to the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*; as revised by the Law*[*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n240)*}*

13. In case if a member of the supervisory board of a joint stock company elects a person who previously was the chairman or a member of the executive body of that company, such person shall not have the right to submit proposals for nominations of the auditor of the company within three years from the termination of his / her authority as a chairman or member of the executive body and cannot vote on the election of a company auditor.

*{Article 53 was supplemented by the part thirteen in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n945)*}*

**Article 53-1.** Independent member of the supervisory board

1. Independent member of a supervisory board (independent director) - a member of a supervisory board who is not influenced by other persons in the decision-making process in the performance of the duties of the independent director. In particular, a person cannot be considered an independent director if he:

1) has been a member of the governing bodies of the company and / or its affiliates within the previous five years;

2) receive and / or received from this company or its affiliates during the preceding three years an additional remuneration in excess of 5 percent of such person's total annual income for each of such years;

3) owns (directly or indirectly) 5% or more of the authorized capital of a legal entity or is an official or a person exercising managerial functions in such a legal entity, or is a private entrepreneur, who during the preceding year had significant business relations with the company and / or legal entities affiliated with it;

4) is and / or has been an independent auditor of this company and / or its affiliated entities for the previous three years;

5) is and / or has been, during the previous three years, an employee of an audit firm that has provided auditing services to that company and / or its affiliated legal entities for the previous three years;

6) has been and / or has been an employee of this company and / or its affiliates during the previous three years;

7) is a shareholder - the owner of the controlling stake and / or is the representative of the shareholder - the owner of the controlling stake of this company in any civil relations;

8) was for a total of more than 12 years a member of the supervisory board of this company;

9) is a close person of the persons mentioned in paragraphs 1-8 of this part;

10) does not meet the additional criteria established by the charter or other internal documents of the company.

The points of paragraphs 1, 2 and 6 of this part do not apply to the cases of holding the position of independent director of the company and the related relations.

2. If the shareholder considers that the independent director does not meet the requirements of this article, such shareholder may apply to the court for recognition of the person such that he cannot be considered an independent director. In such a case, the person being sued shall continue to perform the functions of an independent director until a court decision enters into force.

3. For the purposes of this Article, a close person is a cohabitant who has a shared life and has mutual rights and obligations with the person referred to in point 9 of part one of this Article (except for persons whose mutual rights and obligations with the person cannot be characterized as family relations), including persons who live together but are not married, and (regardless of these conditions) husband, wife, father, mother, stepfather, stepmother, son, daughter, stepson, stepdaughter, sister, brother, grandfather, grandmother, great-grandfather, great-grandmother, grandson, granddaughter, great-grandson, great-granddaughter, son-in-law, daughter-in-law, father-in-law, mother-in-law, adoptive parent or adopted, guardian or trustee, a person who is in the custody or care of the specified person.

For the purposes of point 3 of part one of this Article, a business relationship shall be deemed to be the supply of goods to the company and / or its affiliates or the provision of services (including financial, legal, advisory), or the consumption of the goods by the company and / or its affiliates.

For the purposes of this Article, the significance of a business relationship established by point 3 of part one of this Article shall be determined by the charter or regulation on the supervisory board of the company.

*{The Law was supplemented by the Article 53***-1***according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n947)*}*

**Article 54.** Chairman of supervisory board

1. Chairman of a supervisory board of a joint stock company shall be elected by the members of the supervisory board from among them by a simple majority of votes from the quantitative composition of the supervisory board, unless otherwise provided by the company’s charter.

*{Paragraph one of the part one of the Article 54 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

A member of the supervisory board who, during the previous year, was the chairman of the collegial executive body (the person who exercised the powers of a single executive) may not be elected as a chairman of a supervisory board of a joint stock company.

*{Part one of the Article 54 was supplemented by the new paragraph according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n965)*}*

The supervisory board has the right to re-elect the chairman of the supervisory board at any time.

2. Chairman of the supervisory board organises its work, convenes the meetings of the supervisory board and chairs them, opens the general meeting, organises the election of the secretary of the general meeting, unless otherwise provided by the charter of the joint stock company, exercises other powers stipulated by the charter and the regulation on the supervisory board.

3. In the event that the chairman of the supervisory board is unable to exercise his powers, one of the members of the supervisory board shall exercise his powers, unless otherwise provided by the charter or the regulation on the supervisory board of a joint stock company.

**Article 55.** Meetings of a supervisory board

1. Meetings of the Supervisory Board are convened on the initiative of the chairman of the supervisory board or at the request of a member of the supervisory board.

Meetings of the supervisory board are also convened at the request of the Audit Committee, the executive body or its member, other persons, determined by the charter of the joint stock company, who participate in the meeting of the supervisory board.

At the request of the supervisory board, members of the executive body and other persons designated by it, in accordance with the procedure established by the regulation on the supervisory board, shall participate in its meeting or in the consideration of particular issues of the agenda.

Meetings of the supervisory board shall be held as necessary with the frequency prescribed by the charter, but at least once every quarter.

The charter of a joint stock company may provide for the procedure for the decision of the supervisory board to be taken by means of absentee voting (poll).

*{Paragraph five of the part one of the Article 55 as amended in accordance with the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

By invitation of the supervisory board, a representative of a trade union or of another body authorized by the work community[[1]](#footnote-1) which has signed a collective agreement on behalf of the work community, may attend the meeting of the supervisory board with the right to an advisory vote[[2]](#footnote-2).

2. A meeting of a supervisory board is authorized if more than half of its membership is present.

In the event of early termination of the powers of one or more members of the supervisory board and before the election of the entire composition of the supervisory board, the meetings of the supervisory board shall be athorized to resolve issues within its competence, provided that the number of supervisory board members whose powers are valid is more than half of its composition.

*{Part two of the Article 55 is supplemented by the paragraph two in accordance with the Law*[*№ 272-VIII of 19.03.2015*](https://zakon.rada.gov.ua/laws/show/272-19#n17)*}*

*{ Part two of the Article 55 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*; with amendments in accordance with the Law*[*№ 272-VIII of 19.03.2015*](https://zakon.rada.gov.ua/laws/show/272-19#n16)*}*

3. At the request of the supervisory board, members of the executive body participate in its meeting.

4. The decision of the supervisory board shall be taken by a simple majority of the members of the supervisory board who attend the meeting and have the right to vote, unless a larger number of votes are required for the decision-making by the charter of the joint stock company.

*{Part four of the Article 55 as amended in accordance with the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

5. At the supervisory board meeting, each member of the supervisory board has one vote.

The charter of a company may provide for a deciding vote of the chairman of the supervisory board in case of equal distribution of votes of the members of the supervisory board during decision making.

*{Paragraph two of the part five of the Article 55 as amended in accordance with the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

6. The minutes of the subervisory board meeting shall be drawn up within five days after the meeting.

*{Part six of the Article 55 as amended in accordance with the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

7. Meeting of the Supervisory Board or the consideration of a particular issue upon its decision may be fixed by technical means.

**Article 56.** Supervisory board committees. Corporate secretary

1. The supervisory board of a joint stock company may form permanent or temporary committees from among its members for preliminary study and preparation for consideration at the meeting of the issues that fall within the competence of the supervisory board. Requirements for the formation of committees of the supervisory board of a bank, their functioning and composition are determined by this Law, taking into account  [Law of Ukraine](https://zakon.rada.gov.ua/laws/show/2121-14%22%20%5Ct%20%22_blank) "On banks and banking".

*{Paragraph one of the part one of Article 54 as amended by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n970)*}*

In a public joint stock company and a joint stock company, in the authorized capital of which owned more than 50 percent by the state, as well as a joint stock company, 50 or more percent of the shares of which are in the authorized capital of economic entities, owned 100% by the state, are required to create an audit committee, a committee on determining remuneration for company officials (hereinafter referred to as a "remuneration committee") and a appointment committee. In doing so, the remuneration committee and the appointment committee can be combined. The audit committee, the remuneration committee and the appointment committee are chaired by members of the company's supervisory board, who are independent directors. Majority of the members of these committees must be independent directors.

*{Paragraph two of the Article 56 as amended by the Law*[*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n261)*; with amendments in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n972)*}*

The supervisory board of a public joint stock company shall decide on issues previously prepared by the committee solely on the basis and within the limits of the proposals of such committee, drawn up by the respective draft decision of the supervisory board. The supervisory board's reasoned decision rejecting the committee's proposal is provided by the supervisory board for re-drafting of the proposal by the committee.

*{Paragraph of the Article 56 as amended by the Laws*[*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n261)*,*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n973)*}*

In the absence of proposals from the committee, the supervisory board is not entitled to decide on the issues that are prepared by the committees for consideration by the supervisory board.

*{Part one of the Article 54 is supplemented by the new paragraph in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n975)*}*

In order to ensure the activities of the audit committee, the supervisory board may decide on the establishment of an internal auditor in the company (setting up an internal audit service). The internal auditor (internal audit service) is appointed by the supervisory board and reports directly to the member of the supervisory board - the chairman of the audit committee.

The procedure for the formation and operation of committees shall be established by the charter and / or regulation on the supervisory board of the company, as well as by the regulations on the committees of the supervisory board approved by the supervisory board of the company.

*{Paragraph six of the part one of the Article 54 as amended in accordance by the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n978)*}*

Funding of the activities of the committees of the supervisory board, including the involvement of lawyers, financial and other experts for professional consultations, is carried out by the company in the manner specified by the charter, the relevant provision and / or the decision of the general meeting.

*{Part one of the Article 54 is supplemented by the paragraph seven in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n980)*}*

2. Decisions on the establishment of a committee and on the list of matters referred to it for study and preparation (hereinafter referred to as the committee's competence) shall be taken by a simple majority of the members of the supervisory board, unless the charter provides for a greater number of votes necessary for such a decision.

*{Part two of the Article 56[[3]](#footnote-3) as amended in accordance with the Laws*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*,*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n982)*}*

3. The opinions of the committees shall be considered by the supervisory board in accordance with the procedure prescribed by this Law for adoption by the supervisory board.

4. The committees of the supervisory board must be composed of at least three members, unless otherwise provided by the internal documents of the company.

*{Article 54 is supplemented by the new part in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n983)*}*

5. Members of the executive body of the company, experts and other persons designated by the committee may attend meetings only at the invitation of the committee.

*{Article 54 is supplemented by the new part in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n983)*}*

6. The committees of the supervisory board carry out their responsibilities in accordance with their competence and report to the supervisory board at least once a year, except for the audit committee, which must report at least once every six months.

The reports on the committees' activities should include information on the staff of the committees, the number of committee meetings and their main activities. The report of the audit committee should also include information on the existence of comments on the independence of the external audit.

Such information shall be published on the company's website within three working days of their approval by the supervisory board.

*{Article 54 is supplemented by the new part in accordance with the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n983)*}*

7. The supervisory board, upon the proposal of the chairman of the supervisory board, has the right to elect a corporate secretary in due course. Corporate secretary is the person responsible for the interaction of a joint stock company with shareholders and / or investors.

*{Paragraph two of the part of the Article 56 is removed in accordance with the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

**Article 56-1. Appointment committee of a supervisory board**

1. Competence of the appointment committee includes:

1) designing and periodically reviewing the policy (internal regulations) of the company as regards appointments;

2) determining and recommending for the approval by the supervisory board of candidates for the replacement of vacant positions at the executive body, and in the cases stipulated by the charter or internal documents of the company, other vacant positions;

3) periodical evaluation of the structure, size, composition and operation of the executive body and advising the supervisory board on any changes;

4) periodic evaluation of the members of the executive body as regards compliance with the qualification requirements and reporting on the matter to the supervisory board of the company;

5) development of a succession plan for the positions of the chairman and members of the supervisory board, submission, if provided by the internal documents of the company, proposals to the shareholders regarding the candidates for the positions of the members of the supervisory board;

6) development of a succession plan for the positions of the executive body of a joint stock company, ensuring that the executive body has a proper succession plan for other persons performing managerial functions in the joint stock company;

7) making recommendations to the supervisory board regarding the staff of each of its committees, as well as periodic rotation of members of the supervisory board between committees;

8) development and provision for approval of the supervisory board of rules (code) of ethical behavior of officials of joint stock company bodies, which, in particular, regulates issues of conflict of interest, confidentiality, fair dealing, protection and proper use of company assets, compliance with applicable legislation and internal regulations, as well as the need to provide the supervisory board with information on any known facts of breaches of legal or ethical requirements;

9) providing guidance and training programs for the members of the supervisory board and the executive body needed to effectively fulfill their responsibilities in the corporate governance model that is being implemented in the joint stock company.

The issues referred to in point 8 of this part may be referred to the competence of the ethics committee (in case of its establishment).

2. The appointment committee must also examine the policies of the executive body of the company regarding the selection and appointment of persons exercising managerial functions in the company.

Any proposals for the appointment of officers of the company, the appointment of which falls within the competence of the supervisory board in accordance with the law or provided for by the company’s charter, must be subject to prior approval of the appointing committee.

The chairman of the executive body of the company, when appointing people in management, must agree on the candidate with the appointment committee.

*{The Law was supplemented with the Article 56***-1***in accordance with the Law* [*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n990)*}*

**Article 56-2.**Remuneration committee of a supervisory board

1. Competence of the remuneration committee includes:

1) development and periodic revision of the company's internal remuneration policy;

2) submission, if this is provided by internal documents of the company, of proposals to the shareholders regarding the remuneration of the members of the supervisory board;

3) submitting proposals to the supervisory board regarding the remuneration of members of the executive body;

4) submitting proposals to the supervisory board regarding the remuneration of members of the executive body. Such proposals should address any form of compensation, including, in particular, fixed remuneration, performance rewards, retirement arrangements and compensation for dismissal. Proposals for performance schemes should be accompanied by recommendations on the relevant objectives and evaluation criteria;

5) submitting proposals to the supervisory board for individual remuneration granted to a member of the executive body, ensuring that they are compatible with the remuneration policy adopted by the company and that they are consistent with the performance evaluation of those members;

6) submitting proposals to the supervisory board regarding the forms and essential terms of contracts and contracts for members of the executive body;

7) submitting proposals to the supervisory board on key performance indicators and organizing procedures for periodic evaluation of their execution by members of the company's executive body;

8) providing general guidance to the executive body on the level and structure of remuneration for those exercising managerial functions;

9) control of the level and structure of remuneration for persons exercising managerial functions, based on reliable information provided by the executive body.

2. If a joint-stock company applies incentive mechanisms for persons exercising managerial functions and other employees of the company associated with participation in the share capital of such persons, the following shall also fall within the competence of the committee:

1) to propose to the supervisory board the general policy for the use of such schemes;

2) defining the amount of information related to this issue to be provided in the annual report;

3) providing proposals to the supervisory board on the mechanisms for such incentives, with the reasoning of such proposals.

*{The Law was supplemented by the Article 56***-2***according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n990)*}*

**Article 56-3.**Audit committee of a supervisory board

1. Competence of the audit committee as regards the internal audit includes:

1) monitoring the integrity of the financial information provided by the company, including reviewing the compliance and consistency of the accounting methods used by the company and the entities under the control of the company;

2) reviewing at least once a year the effectiveness of internal audit and risk management systems;

3) providing guidance on the selection, appointment, reassignment and dismissal of the head of internal auditing and budgeting unit, or of any other department responsible for the budgeting issues;

4) drawing up the draft budget of the supervisory board of the company and submitting it for approval.

2. Competence of the audit committee as regards the external auditor (audit firm) engaged buy the company, includes:

1) providing advice to the supervisory board on the selection, appointment, reassignment and dismissal of an external auditor (audit firm) and the terms of the agreement with him/it;

2) control of the independence and objectivity of the external auditor (audit firm) in accordance with International standards on quality control, audit, review, other assurance and related services;

3) establishment and application of a formal policy definition, non-audit services that are excluded or permitted after committee review or admissible without the committee's recommendation;

4) reviewing the effectiveness of the external audit process and the speed of management's response to recommendations made in writing by an external auditor (audit firm);

5) researching the issues that could be the basis for any dismissal of an external auditor (audit firm) and providing guidance on any necessary action.

3. The members of the committee have unlimited access to full information on the accounting of the company (including the primary accounting documents), its financial activities, as well as all information related to the external audit.

In the event that a member of the committee receives information to which access is restricted, such person is obliged to ensure that the statutory regime of use and disclosure of such information is complied with.

*{The Law is supplemented by the Article 56***-3***according to the Law*[*№ 2210-VIII of 16.11.2017*](https://zakon.rada.gov.ua/laws/show/2210-19#n990)*}*

**Article 57.** Early termination of powers of the supervisory board members

1. A general meeting of a joint stock company may decide to terminate the powers of the members of the supervisory board early and simultaneously elect new members.

*{Paragraph one of the part one of the Article 57 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

Powers of a member of a supervisory board terminate without decision of a general meeting:

*{Paragraph two of the part one of the Article 57 as amended by the Law*[*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

1) at his request, subject to two weeks' written notice thereof;

2) in the event of failure to perform the duties of a member of the supervisory board for health reasons;

3) in the case of the entry into force of a decision of a court sentencing him to punishment, which excludes the possibility of performing the duties of a member of the supervisory board;

4) in the case of death, recognition of him as incapacitated, with limited capacity, missing, deceased;

5) in case of receipt by the joint-stock company of a written notice of replacement of the member of the supervisory board, who is the representative of the shareholder.

*{Part one of the Article 57 was supplemented by a new paragraph in accordance with the Law*[*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n265)*}*

If the independent director during the period of his term of office ceases to meet the requirements specified in the [point 10**-1**](https://zakon.rada.gov.ua/laws/show/514-17#n42) of the Article 2 of this Law, he is obliged to to resign its authority ahead of time by giving the relevant written notice to the company.

*{Part one of the Article was supplemented by a new paragraph in accordance with the Law*[*№ 289-VIII of 07.04.2015*](https://zakon.rada.gov.ua/laws/show/289-19#n265)*}*

The company’s charter may provide additional grounds for termination of powers of a member of the supervisory board.

With the termination of the powers of a member of the supervisory board, the agreement (contract) concluded with him shall be terminated simultaneously.

*{Part one of the Article was supplemented by a paragraph in accordance with the Law* [*№ 2994-VI of 03.02.2011*](https://zakon.rada.gov.ua/laws/show/2994-17)*}*

2. If the election of members of the supervisory board was made by cumulative voting, the decision of the general meeting on early termination of powers may be taken only in respect of all members of the supervisory board.

1. All the employees of the company [↑](#footnote-ref-1)
2. To advise actually, this vote does not have legal force [↑](#footnote-ref-2)
3. Misprint in the law [↑](#footnote-ref-3)