

# Faculty of Economics Prilep



XIII International Conference Economy, Business  
& Society in Digitalized Environment  
(EBSiDE 2024)

# PROCEEDINGS



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**XIII International Conference on Economy, Business &  
Society in Digitalized Environment**

**PROCEEDINGS**

**20-22 September, 2024 Prilep, North Macedonia**

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**DIGITALIZATION OF SHAREHOLDERS MEETINGS:  
DO MACEDONIAN JOINT-STOCK COMPANIES KEEP  
STEP WITH MODERN COMPANIES?**

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**Abstract**

*Digitalization has become a very important part of everyday living of people, also an immanent part of companies working. This process has fostered the development of every segment of society. Trade companies and Macedonian Law on trade companies are not resistant to the digitalization and use of digital technologies in their operations. The author will make a profound analysis of the Macedonian Law on trade companies and the aspects of digitalization of the operations of joint stock companies in the manner of convening the joint stock company assembly; participation of shareholders on a session of an assembly by electronic means, remote voting etc. The emphasis will be given to the companies whose stocks are listed on the Macedonian stock exchange, companies which in accordance with the Law on Securities have special notification obligations. Macedonian legal framework will be compared with some legal solutions of the countries from the region and some well-developed countries. The analysis also will include the practical implications of digitalization in the operations of Macedonian joint-stock companies, the level of incorporation of distance voting at general meetings of the companies whose shares are components of the MBI10 index before Covid-19 and after Covid-19 pandemic. The research will show how Macedonian MBI10 companies are complying with digitalization in the voting process at general meetings. As a result of the research, will be given some recommendations about greater practical application of digital means by Macedonian joint stock companies and broader implementation of the best trade practices in this field.*

**Keywords:** Digitalization, shareholders general meeting, Law on trade companies, remote voting, MBI10.

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## 1. Introduction

The process of digitalization is an inevitable process in modern society. A few decades ago, it was impossible to imagine that the process of creating some company policies or approving the results of the previous year would be done without physical attendance of the shareholders, but the internet and similar innovations convinced us in the opposite. Digitalization as a contemporary trend did not pass by corporate law. The globalization of the capital, needs of the foreign investors, perspectives and advantages of digital communication contribute for implementation of the digital culture into daily operations of the companies. The advantages such as cost reduction, and possibility to be present and to express your attitudes without traveling were the most significant triggers for implementation and use of digital means in company law and corporate governance. Digitalization in company law now days it is evident in few aspects of the operations of joint stock companies in manner of registration and incorporation of the company; meetings of the management bodies; convening the joint stock company assembly; participation of shareholders on a session of an assembly by electronic means, voting, electronic communications etc.

The need for using a remote voting increased due to the persistence of the Covid-19 pandemic, when all unnecessary physical contacts were reduced to minimum. This trend was confirmed in Italy where overall, 95% of the meetings called in 2021 have been held without the physical attendance by shareholders, who conveyed all their proxy votes to a special delegate attendance to shareholders' meetings (Linciano, et al. 2022). The experience in North Macedonia shows that most of the companies in 2020, to implement the health protocols, hold their annual shareholders' meetings by encouraging the possibility of voting by correspondence (Koevski, et al., 2020).

The author will make a profound analysis of the selected problem; thus, the paper is divided into 6 sections. The first section is an introduction. Section 2 presents the notion of virtual shareholders meeting (VSM), the types of remote voting and Literature Review at the same time. Section 3 is dedicated to comparative normative analysis of participation and voting in the general meetings from distance. In Section 4, the author presents the legal framework of the Republic of North Macedonia. In order to draw a broader conclusion about the holding of virtual shareholders meetings and the trends of digitalization of joint-stock companies after defuse of the Covid-19 pandemic, the analysis of annual meetings and statutory provisions of companies whose shares are components of the MBI10 index will be object of comprehensive research, presented in Section 5. In section 6 are presented the conclusions and recommendations of the research.

## 2. Definition of virtual shareholders meeting (VSM) and literature review

The main aim of the assembly of the companies is shareholders to exercise their rights in the company. Each shareholders registered in the shareholders list shall have, from the day of the entry, the right to participate in the operations of the assembly and the right to vote. The main purpose of a general assembly such

as a form of direct democracy is the opportunity for any shareholders to be involved in the creation of the policies and into the process of adaptation of the main decisions of the company. Annual general meetings provide shareholders with the opportunity to discuss the company's past performance and future strategy with management, to ask questions and to express their views i.e. use their "voice" (Cuñat et al. 2015).

The right to ask questions and voice their opinions at annual general meetings represents one of the few avenues for shareholders to communicate directly and publicly with the firm's management. (Auzepy, Bannier, and Martin, 2023) Thus, it is very important for the joint stock companies to be more open and collaborative with their shareholders. The approach that companies should make a commitment to support the participation of shareholders can be found in the Belgian Code on Corporate Governance Code where: "The company should encourage the shareholders to participate in the general shareholders' meeting. The general shareholders' meeting should be used to communicate with shareholders. Those shareholders who are not present should be able to vote in absentia, such as by proxy voting." (Van der Elst, 2011, pg.3)

According to Chia and Lee depending on the type of the presence of the shareholders there are three types of Annual Meetings: In-Person, Virtual and Hybrid Meetings (2021).

Virtual general assembly is the meeting in which the shareholder or his representative, in other words, the right holder, can attend the general assembly meeting by using technical means, not physical" (Malkoç & Badak, 2022). That means that shareholders may express their will legitimately from anywhere if they use the internet and the proper link, platform or email to vote for all of the items that are on the agenda of the general meeting, to ask a question, to raise some problem etc.

The theory makes some distinctions on the forms of remote voting depending on if any of the shareholders is present physically at the meeting and the forms of voting by using some electronic means. Virtual shareholder meetings (VSMs) are defined as a meeting of shareholders where no shareholder is present at the usual meeting location, but all shareholders participate formally by digital means. VSMs need to be distinguished from: (1) hybrid where some of the shareholders participate in person, while others exercise their rights as if they were present by digital means (legally termed as "electronic participation"); (2) online voting forms where the digital exercise of voting rights is enabled by legal tools while company law still requires an in-person meeting and (3) voting-by-mail where the votes are sent to the company by those not attending the in-person meeting (Zetsche et al., 2020, pg.12-13). Also, the VMS need to be distinguished from *In person with live internet streaming meetings* where the meeting has live internet streaming for non-attendees or non-shareholders but these shareholders are not counted towards a quorum, have no right to vote etc. (Chia and Lee, 2021).

Zetsche in his study makes a distinction on the types of electronic voting such as: a) Electronic Proxy Voting, b) Electronic Direct Voting and c) Virtual Shareholder Meetings (VSM) (Zetsche, 2007).

Gao, Huang and Zhang, stress out the positive effect of annual shareholder meetings conducted online in a way of significantly increasing the participation of shareholders, especially minority shareholders. This finding is more evident when the cost of physically attending the annual meeting is higher, and when the firm's ownership is more dispersed (Gao et al., 2019).

As a disadvantage of virtual general meetings some authors emphasized that if any technical problem occurs during the voting, the chances for annulment of the decisions adopted on the VSM may increase (Ararat & Eroglu, 2012). Beside technical issues and problems, cost and fear of excessive questions are also mentioned as a disadvantage. Costs of the company that involves installing and maintaining a secure electronic system may be immoderate resource demanding. Fear of excessive questions covers worries among companies that electronic participation may lead to excessive questioning because shareholders may act less restrained in a digital setting (ICLEG, 2022). An analysis of the current legal framework and practices in the European Union (EU) as regards the use of digital solutions in the interaction between companies and shareholders was profoundly made into the Study of European Commission entitled: "Identification and assessment of legal and practical impediments for the use of digital tools for interaction between companies and their shareholders", published in 2018. The survey also assesses legal and practical impediments and risks to the use of digital solutions and any possible solutions which have been found to overcome these impediments and risks. According to the results the types of impediments that respondents usually face in the use of digital solutions for participating in and voting at general meetings without physical attendance are: 1) the risk that possible technology failure could affect the validity of the resolutions, acts, or of the general meeting, 2) risks linked to uncertainty of the legal framework, 3) the explicit interdictions of restriction, 4) the need to provide for equal access to all shareholders and the difficulty in verifying the identity of the shareholder (European Commission, 2018. p.179).

On the soil of the Republic of North Macedonia, a pioneer in the research dedicated to virtual only annual shareholders meeting are Koevski, Tushevsk-Gavrilovik and Spasevski (2020). In their research they are focused on the experiences arising from the application of this model in 2020. Unfortunately there are missing researches about VSMS after defuse of Covid-19 pandemic in the Republic of North Macedonia.

### **3. Comparative legislative framework**

The G20/OECD Principles of Corporate Governance are the leading international standard for corporate governance. The reviewed principles, adopted in 2023 are structured in 6 Chapters, dedicated to ensuring the basis for an effective corporate governance framework, equitable treatment of shareholders, facilitating and supporting institutional investors, stock markets and other intermediaries, disclosure and transparency, the responsibilities of the board, sustainability and resilience. These principles reflect a strong desire and

commitments of all OECD and G20 Members for better corporate governance. The II.C.3. principle prescribes that:” General shareholder meetings allowing for remote shareholder participation should be permitted by jurisdictions as a means to facilitate and reduce the costs to shareholders of participation and engagement. Such meetings should be conducted in a manner that ensures equal access to information and opportunities for participation of all shareholders.” In this manner the company reduces time and costs of shareholders participation at General shareholders meetings especially for foreign shareholders. The same conclusion is for minority shareholders. Some research shows that online shareholder meetings provide minority shareholders a cost-effective way to participate in governance issues (Gao et al., 2019).

On European legislative soil, Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies and the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, allows Member States to permit companies to offer to their shareholders any form of participation in the general meeting by electronic means. Regarding article 8 of the Directive, companies from EU member states may use the following forms of participation:

real-time transmission of the general meeting; real-time two-way communication enabling shareholders to address the general meeting from a remote location; a mechanism for casting votes, whether before or during the general meeting, without the need to appoint a proxy holder who is physically present at the meeting. The process of transposition of the Directive into member states legislative was till 3 of August 2009.

Comparative analysis of the legal-framework of some European Members shows that there are two types of legislation approaches about participation and voting in the general meetings from distance without physical attendance. The first group that is more numerous is the group of countries where participation and voting in the general meetings from distance without physical attendance is allowed. European Member countries that allow voting without physical attendance are: Austria, Belgium, Croatia, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden. The regulation varies and laws contain different details and prerequisites. Some legislators prescribe the possible forms of distance participation; some countries strictly prescribe that companies beside the legal allowance need to precise the procedure in their Statutes; some countries determine the conditions and prerequisites for distance participation etc. The second group of member countries is smaller and it contains only a few countries where this issue is not expressly regulated such as: Czech Republic and Ireland. (European Commission, 2018).

Turkey also allows participation and voting in the general meetings from distance without physical attendance is allowed. According to Turkish commercial code art. 1527/5 (amended by Code No. 6335) electronic participation

and electronic voting in joint-stock companies shall bear the same legal consequences as physical participation and voting (Hamamcioğlu, 2016, p.196).

The Covid-19 crisis has become a gamechanger. For a instance, only few countries allowed VSMs already before the crisis of Covid-19, such as Delaware, Canada, Hong Kong, Luxembourg etc. (Zetzsche, Anker-Sørensen, Consiglio & Yeboah-Smith, 2021). The situation was similar with EU member countries prior to the pandemic, when Member States had regularly implemented distance voting options, but only a few Member States had provided an opportunity for listed companies with a broad shareholder base to hold a virtual-only shareholder meeting (BETTER FINANCE – DSW, 2020).

By numbers it looks like this: the statistics in USA shows that number of virtual only shareholders meetings from 266 in 2018, has increased to 318 in 2019 and up to 2367 in 2020 (Rutgers Center for Corporate Law and Governance Council of Institutional Investors Society for Corporate Governance, 2020).

The ILEG (The Informal Company Law Expert Group, 2022) in the Report on virtual shareholders meetings and efficient shareholders communications points out that some European member states apply the same rules to all sorts of companies, which means that purely virtual meetings in unlisted or private companies are possible in Denmark, Ireland and Spain, and are possible but not uncontroversial in Italy. One of the recommendation of the report is adopting a broader approach by the legislator and making a electronic participation and virtual meetings available to all types of limited liability companies, including non-listed and private companies.

#### **4. Macedonian normative framework about digitalization of shareholders meetings**

The assembly is a company's body where the shareholders can exercise their rights that are correlated with the decision-making process of the companies' policies, also with their individual rights and benefits of being part or investor in a joint stock company.

The process of digitalization in joint stock companies' operations is more and more evident nowadays in diverse segments of their operation. Thirty years ago, it was unreal and maybe only someone's fantasy that general assembly meetings in the Republic of North Macedonia may be conducted without physical presence, by using some electronic means.

These days, according to the Law on trade companies, digitalization is present in a few segments. The number of these activities is not *numerus clausus*, that means that operations which may be conducted by electronic means are not explicitly enumerated. But our main interest in this research is the digitalization in general assembly meetings. The scope of the digitalization in convening of the assembly is broader when a company whose shares are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligations operates. The Law on Securities defines the companies which have special notification obligation as a company that publicly

announced recording of the stocks or has basic capital of 1 million euros in denar counter value and more than 50 shareholders.

The digitalization in operations of Joint stock general assembly according to the Law on trade companies appears in following segments:

1. *Electronic publication of the public announcement regarding the convening of the assembly:* The public announcement regarding the convening of the assembly shall be published on a half spread in at least one daily newspaper, printed on the territory of the Republic of North Macedonia. The company whose stock are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligation also shall have to publish the content of the public announcement on the front page of their official web page, and when their stocks are listed on the stock exchange to submit it for publication on the internet page of the Macedonian Stock Exchange.

2. *Electronically available information and materials about company's assembly on its web page:* 1) the content of the public announcement, that is the invitation for convening a session of the company's assembly 2) the total number of shares and the total number of voting rights arising from the shares with voting rights on the day of publication of the public announcement, that is the day of sending the invitation, including the total number of each type and class; 3) documents and materials that are to be reviewed on the session of the company's assembly; 4) proposed decision that are to be adopted or when such decisions are not proposed, opinions from an authorized body or a company's body on each point from the proposed agenda of the session of the company's assembly; 5) proposed decisions of the shareholders of the company that need to be published by the company immediately upon their receiving, and 6) the forms for voting via representative or the forms for voting via correspondence prepared for electronic take over by the shareholders.

3. *Participation of shareholders on a session of an assembly by electronic mean at a company whose shares are listed on the stock exchange, that is the company which in accordance with the Law on Securities has special notification obligations:* according to Article 391-a (1) of the Macedonian Law on trade companies, "company whose shares are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligations can enable the shareholders to participate on a session of the meeting by using at least one of the following electronic means: 1) direct broadcast of the meeting; 2) two-way audio and video communication in live, enabling the shareholders to address the meeting from any remote location, and 3) electronic means for voting, before or during the meeting without a need to authorize a representative who would attend the session. According to the law, legislator prescribes some prerequisites that companies should fulfill such as an established system of electronic registration and recording of the shareholders for the purpose of their identification and preservation of electronic security during the participation of the shareholders at an assembly. The legislator also prohibits companies to require the shareholders to submit documents verified by a notary or verified by another domestic or foreign authorized authority. That means that electronic voting and participation in meetings by using some electronic means

provides the same effect such as physical presence at the meeting. According to the Law on amending the Law on trade companies (Official Gazeta No. 42/2010), the provisions that enable shareholders to use some of the options for electronic means entered into force on 1 January 2011. These possibilities are not still allowed to companies whose shares are not listed on the stock exchange. This article is proposed to be completely the same in new Draft of Law on trade companies.

4. *Obligation for publishing shareholders' questions and answers:* The company whose shares are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligation shall be obliged to answer the raised questions of the session of the company's assembly to publish on its web page in the format of a question and an answer.

5. *Voting via correspondence:* The company can enable the shareholders to vote via correspondence before the day of holding the assembly. Prior to enabling the shareholders to vote via correspondence, the company can require from them to confirm their personal identity by submitting original personal identification document or a copy from the original chosen by the shareholders without an obligation to be verified by a notary or confirmed by a domestic or foreign competent body. The company that has an established system of internal recording and registration of the shareholders being available to all, can be used as a means for identification of the shareholders.

## **5. Practical implementation by MBI10 companies**

For the purpose of quantification and statistical observation, the Macedonian Stock Exchange Commission started to calculate the MBI index, price, non-weighted index, whose function is to quantify the stock exchange movements. The Stock Exchange Index Commission has decided that the first ten shares-components of MBI10 are: Alkaloid AD Skopje, Stopanska banka AD Skopje, Granit AD Skopje, Komercijalna banka AD Skopje, Makpetrol AD Skopje, TTK banka AD Skopje, Makedonijaturist AD Skopje, Makedonski telekom AD Skopje, NLB banka AD Skopje and UNI banka AD Skopje (Macedonian stock exchange, Structure of index MBI10 (mse.mk).

According to the data publicly available in annual reports for the operations of MBI10 companies listed on MSE, minutes of the annual general meetings conducted in 2019, 2023 and in 2024 and a Statutory provision of these 10 companies, the author will provide an analysis on the situation in the practices; is it any statutory provision for distance voting, and how were the previous 3 meetings conducted. The annual meeting in 2019 is chosen because these general meetings were conducted before the expansion of Covid-19 pandemic and before Security and Exchange Commission of the Republic of North Macedonia in March 2020 issued press releases where companies were encouraged to hold a virtual meeting or to conduct a voting by correspondence.

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**Table1.** Types of remote voting on Annual general meeting of MBI10 companies in 2019, 2023 and 2024 and Statutory provisions about remote voting

Company	Statutory provisions	Shareholders meetings in 2019	Shareholders meetings in 2023	Shareholders meetings in 2024
<b>Komercijalna banka AD Skopje</b>	electronic means for voting, before the meeting without a need to authorize a representative who would attend the session and correspondence before the meeting	correspondence before the meeting	electronic means for voting, before the meeting without a need to authorize a representative who would attend the session and correspondence before the meeting	electronic means for voting, before the meeting without a need to authorize a representative who would attend the session and correspondence before the meeting
<b>Makpetrol AD Skopje</b>	participation of shareholders via correspondence	participation of shareholders via correspondence	participation of shareholders via correspondence	participation of shareholders via correspondence
<b>Granit Skopje AD</b>	participation of shareholders via correspondence	No Only in-person voting or by proxy voting	participation of shareholders via correspondence	participation of shareholders via correspondence
<b>Alkaloid AD Skopje</b>	1) direct broadcast of the meeting; 2) two-way audio and video communication in live, enabling the shareholders to address the meeting from any remote location, and 3) electronic means for voting, before or during the meeting without a need to authorize a representative who would attend the session, participation of shareholders via correspondence	No Only in-person voting or by proxy voting	participation of shareholders via correspondence	participation of shareholders via correspondence

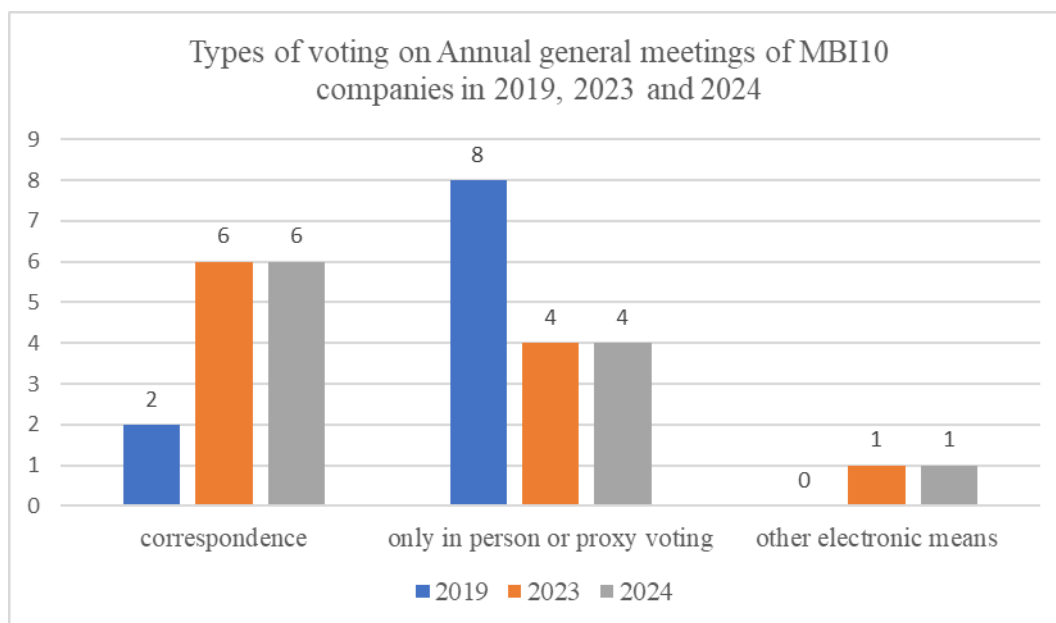


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<b>Makedonski Telekom AD Skopje</b>	Missing provisions for any kind of remote voting	No Only in-person voting or by proxy voting	No Only in-person voting or by proxy voting	No Only in-person voting or by proxy voting
<b>NLB Banka AD Skopje</b>	participation of shareholders via correspondence	No Only in-person voting or by proxy voting	No Only in-person voting or by proxy voting	No Only in-person voting or by proxy voting
<b>TTK Banka AD Skopje</b>	Voting by telephone or other electronic mean that is a part of public communication network and participation of shareholders via correspondence	No Only in-person voting or by proxy voting	participation of shareholders via correspondence	participation of shareholders via correspondence
<b>UNI Banka AD Skopje</b>	Missing provisions for any kind of remote voting. Authorization of Proxy by using electronic system	No Only in-person voting or by proxy voting	No Only in-person voting or by proxy voting	No Only in-person voting or by proxy voting
<b>Stopanska Banka AD Skopje</b>	Missing provisions for any kind of remote voting	No Only in-person voting or by proxy voting	participation of shareholders via correspondence	participation of shareholders via correspondence
<b>Makedonija turist AD Skopje</b>	N/A	No Only in-person voting or by proxy voting	participation of shareholders via correspondence	participation of shareholders via correspondence

Source: Own research based on reports published on MSC, SEInet or companies' web pages.

The results of the research for the general meetings conducted in 2019, 2023 and 2024 graphically are shown in the chart below.



**Figure 1:** Types of voting on Annual general meetings of MBI10 companies in 2019, 2023 and 2024

The analysis shows that the number of companies that allow voting via correspondence has increased in 2023 and 2024, and the number of companies that allow only in person or proxy voting has decreased in the last 2 years. These change may be the result not only from the increasing process of digitalization but also as a result of people's behavioural changes after pandemic Covid-19. Only one company allows voting by other electronic means. Komercijalna Banka AD Skopje in 2023 and 2024 allowed the shareholders to vote by electronic means or via correspondence. None of MBI10 companies in the analyzed period have conducted annual general meetings by videoconference or other type of virtual only shareholders meeting.

The analysis of the statutory provisions unfortunately shows that only one MBI10 company's Statute consist provisions that enable the shareholders to participate on a session of the meeting by using at least one of the following electronic means: 1) direct broadcast of the meeting; 2) two-way audio and video communication in live, enabling the shareholders to address the meeting from any remote location, and 3) electronic means for voting, before or during the meeting without a need to authorize a representative who would attend the session and only one MBI10 company's Statute consist provisions that enable the shareholders to participate by using electronic means for voting, before or during the meeting without a need to authorize a representative who would attend the session.

None of leading joint stock companies whose shares are components of MBI10 index have conducted their annual meetings via virtual meetings and only one of them has a statutory provision for the possibility of conducting virtual meetings. The most common type of remote voting is voting via correspondence. It seems that Macedonian companies whose shares consist MBI10 index are not

still prepared to conduct virtual only shareholders meetings. The same conclusion can not be made when we are talking about management bodies meetings.

## 6. Conclusion

The digitalization process with all its advantages and disadvantages is present in every segment of our life. Covid-19 pandemic as a catalysator enforced management of the companies to adjust their operations into the new reality. But a few years after the pandemic, the society needs to use the advantages of digitalization. The benefits of conducting virtual general shareholders meetings such as time and cost reduction are the main reasons why shareholders and companies should comply with.

The legislative framework in the Republic of North Macedonia allows companies whose shares are listed on the stock exchange and the companies which in accordance with the Law on Securities have special notification obligations to use the process of digitalization broader. The results of analyzed general meetings of MBI10 companies conducted in 2019, 2023 and 2024 shows that no one of the meetings is conducted virtually and the most common type of remote voting is voting via correspondence. The analysis of the Statutes of the same companies shows that except one company, the rest of the companies have no normative prerequisites for conducting virtual general shareholders meetings. In line with the worldwide accepted process of digitalization as a recommendation the legislator could take a broader approach and try to make electronic participation and virtual meetings available to all types of limited liability companies, including non-listed and private companies. It is obvious that the transition into the digitalized world at MBI10 companies is not completed yet. It may be done a lot in this field but it depends on some circumstances. Composition of shareholders base (e.g. foreign shareholders, digital educated shareholders) are some of the circumstances that have important influence on process of digitalization of companies. The circumstances such as: precise normative and statutory framework, stable technical support and well-developed electronical platform or network, will of the management of the companies and openness and proper education of the corporate lawyers, have a directly proportional influence on the level of digitalization of the companies including digitalization of shareholders meetings and unfortunately these circumstances show that in our country there is a lot of room for its improvement.

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