

**TERMS OF REFERENCE  
OF THE BOARD OF DIRECTORS**

**of Open Joint-Stock Company  
Sistema Joint-Stock Financial Corporation**



Moscow  
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## **1. GENERAL PROVISIONS.**

- 2.1.1. These Terms of Reference have been prepared in compliance with Russian law and the Charter of open joint-stock company Sistema Joint-Stock Financial Corporation (hereinafter referred to as "the Company").
- 2.1.2. These Terms of Reference govern the formation procedure, status, composition, functions, goals, and objectives of the Board of Directors, as well as the procedures to apply to its work and interaction with other units and divisions of the Company.
- 2.1.3. These Terms of Reference are subject to approval by the Company's general meeting of shareholders, which is also the only governance body entitled to amend or terminate it.
- 2.1.4. The Board of Directors is a collective governance body of the Company in charge of overall stewardship in all matters except for those falling within the scope of duties of the Company's General Meeting of Shareholders. Activity of the Board of Directors shall be governed by Russian law, the Company's Charter, resolutions passed by general meetings of shareholders, these Terms of Reference, and other internal regulations of the Company.
- 2.1.5. Resolutions passed by the General Meeting of Shareholders shall be binding on the Company's Board of Directors to the extent they fall within its scope of duties.
- 2.1.6. Resolutions passed by the Board of Directors shall be binding on the Company's Executive Bodies.

## **2. GOALS AND OBJECTIVES OF THE BOARD OF DIRECTORS. RIGHTS, OBLIGATIONS, AND RESPONSIBILITIES OF BOARD MEMBERS. COMPOSITION OF THE BOARD OF DIRECTORS.**

### **2.1. Goals and objectives of the Board of Directors.**

- 2.1.1. The Board of Directors shall pursue the following main goals:
  - (1) development and analysis of the general corporate strategy and control of implementation thereof;
  - (2) control and assessment of performance of the Company's executive bodies and senior officials;
  - (3) raising the Company's capitalisation, expansion of its market position, achievement and preservation of the Company's competitiveness;
  - (4) maintaining the Company's financial stability and raising its revenue and profitability;
  - (5) protection of the Company's rights and legal interests.
- 2.1.2. To achieve these comprehensive goals, the Board of Directors shall aim to accomplish the following specific objectives:
  - (1) determining attractive high-priority focus areas for the Company's activities; organising the development of the Company's strategic and general economic policies and controlling implementation thereof; approving the Company's financial plans and budgets;
  - (2) assessing the performance of the Company and its bodies, building an efficient organisational structure and system for governance of the Company; determining criteria for building managerial bodies; controlling the activity of the Company's executive bodies and senior officials; preparing systems and methods for motivation of executive bodies and staff;
  - (3) assessing managerial, financial, political, and other risks influencing the Company's activity and ensuring its financial stability; ensuring an efficient system of internal controls;
  - (4) determining approaches to investing and shareholding in other organisations;

- (5) ensuring observance by the Company of Russian law; ensuring compliance with corporate governance principles; disclosing full, accurate, and fair information about the Company; ensuring an efficient system of internal controls.

2.1.3. The scope of duties of the Board of Directors shall be governed by the Company's Charter.

## **2.2. Powers of the Board and Board members.**

2.2.1. The Board of Directors may:

- (1) hear reports of the Company's officials as far as the Board's responsibilities are concerned;
- (2) require audits of the Company's financial and business affairs to be conducted by the Auditing Commission;
- (3) form committees and commissions to address specific objectives. Such commissions may include both Board of Directors members and third-party experts;
- (4) nominate candidates to be elected to the Board of Directors and the Auditing Commission if the shareholders have nominated no candidates or an insufficient number of candidates; make proposals to the General Meeting of Shareholders with regard to approval of the Company's Auditors;
- (5) perform other actions falling within the scope of their responsibilities;
- (6) set up a Board secretariat or a similar division to support the work of the Board of Directors;
- (7) hire independent experts to review draft resolutions.

2.2.2. Board members may:

- (1) require that the Company's officials and employees provide any information (documents) and clarifications on matters pertaining to the Company's activity. Information requests shall be sent via the Corporate Secretary for the attention of the Board Chairman and shall be signed by the Board members initiating the requests;
- (2) receive remuneration for discharge of their responsibilities and (or) compensation for their expenses related to the discharge of functions of Board members in compliance with the procedure approved by resolution of the General Meeting of Shareholders as per the Policy on Remuneration and Compensations for the Board Members of Sistema JSFC;
- (3) require that their dissenting opinions on any agenda items and resolutions passed be entered in minutes of Board meetings.

## **2.3. Obligations of the Board of Directors.**

2.3.1. The Board of Directors is a governance body that works on a continuous basis. Its work is not confined to participating in Board meetings and passing Board resolutions.

2.3.2. Board members shall:

- (1) be loyal to the Company;
- (2) exercise their rights and discharge their obligations as Board members in a reasonable manner, in good faith, with due care, and in accordance with the goals and objectives of the Board of Directors and the Company;
- (3) initiate Board meetings to address urgent issues;
- (4) attend and take active part in the preparation and discussion of matters under consideration by the Board of Directors;
- (5) participate in Board decision-making by means of voting on Board agenda items;
- (6) make informed decisions and to this end study all the necessary information (materials), conduct investigations, and communicate any and all information related to the decisions to be made to all Board members;
- (7) sit on Board Committees they are members of;
- (8) provide the Company with information about themselves and their affiliates, as well as any other information, data, and documents required for the Company to observe Russian law and accomplish its goals, in compliance with Annex 1 hereto. Should information thus provided cease to be correct, Board members shall notify the Company accordingly;

- (9) notify the Company's Board of Directors, Auditing Commission, and auditor of any transactions they may be recognised related parties to, including:
  - (a) transactions involving legal entities in which they possess (on their own or collectively with their affiliate(s)) 20 or more percent of voting shares (units);
  - (b) transactions involving legal entities on whose governance bodies they sit;
  - (c) current or anticipated transactions they know of where they can be recognised as related parties;
- (10) inform the Board of Directors of their intention to have a shareholding in a rival company or to sit on governance bodies of such companies;
- (11) disclose information with regard to shareholding in the Company as well as sale and (or) acquisition of the Company's securities; and notify the Board Chairman of their intention to enter transactions involving the Company's equity;
- (12) attend the General Meeting of Shareholders and answer questions asked by participants of the meeting; follow the instructions of the Company's Board of Directors; and ensure execution of decisions made by the Company's Board of Directors and General Meeting of Shareholders;
- (13) refrain from disclosing inside information to third parties or using it to their own personal benefit or to the benefit of their families and affiliates, in compliance with the Company's internal regulations on preventing use of information the disclosure of which may have a material effect on market prices of the corporation's securities.

#### **2.4. Responsibilities of the Company's Board members.**

- 2.4.1. The Company's Board members shall bear responsibility towards the Company for losses inflicted on the Company by their wrongdoings (omissions) in compliance with Russian law. Board members who have voted against (or have not voted for) decisions that caused damages to be inflicted on the Company shall bear no responsibility for the consequences of such decisions.
- 2.4.2. Members of the Board of Directors shall refrain from actions that will or may result in a conflict of interest between such Board members and the Company. Should such a conflict occur, they shall disclose the associated information to the Board of Directors.
- 2.4.3. Board members are not entitled to receive gifts or other rewards from parties interested in the Board making a decision working to direct or indirect benefit of such parties.
- 2.4.4. The Company or a shareholder (shareholders) possessing the total of one or more percent of the Company's outstanding ordinary shares or more may file a lawsuit against the Company's Board member seeking compensation for damages inflicted on the Company, to the extent permitted by Russian law.
- 2.4.5. The Company shall insure Board members against liability in respect of legal actions or claims that may be filed against a Director/Directors by third parties or the Company's shareholders in relation to business decisions or other actions of such a Director/Directors performed while on the Board of Directors of the Company or its subsidiaries. The extent of insurance of Board members shall be determined based on the market value of the Company's outstanding shares and the assessed risk of the court ruling in favour of third parties or shareholders in respect of legal actions or claims filed against a Director/Directors in relation to business decisions and other actions of such Director/Directors performed while on the Board of Directors of the Company. The total coverage and other terms of the insurance policy shall be determined by a decision of the Board of Directors.

#### **2.5. Composition of the Board of Directors.**

- 2.5.1. The number of Board members shall be determined in compliance with the Company's Charter.
- 2.5.2. Members of the Company's executive body may not constitute more than 25 percent of the Board of Directors.
- 2.5.3. Should the number of Board members become less than the quorum officially required for Board meetings, the Board of Directors shall decide on convening an extraordinary General

Meeting of Shareholders for election of new members of the Company's Board of Directors. The remaining members of the Company's Board of Directors shall be entitled to make decisions only with regard to convening such an extraordinary General Meeting of Shareholders.

- 2.5.4. Board members shall be deemed to have exited the Board of Directors if they have passed away, have been declared missing, or have been recognised legally incapacitated.
- 2.5.5. The Company's Board of Directors may include independent directors. Such independent directors shall be persons that have sufficient expertise, competence, experience, and independence for formulation of their own positions; that are capable of making objective and conscientious judgments; and that are independent from the Company's governance bodies, particular groups of shareholders, or other interested parties. No person shall be deemed an independent Board of Directors member is he/she:
- (1) is affiliated with the Company, i.e., if he/she has sat on the Company's Board of Directors for a total of more than 7 years, or if he/she or his/her affiliates:
    - (a) is/are or has/have been a member/members of the Company's governance body or an employee/employees of the Company or an organisation controlled by the Company at any time within the last 3 years;
    - (b) has/have received remuneration and (or) other financial benefits from the Company and (or) organisations controlled by the Company, the amount of which exceeds 50% of the annual remuneration payable to such Board of Directors member of the Company, within any of the last 3 years;
    - (c) is/are a holder/holders or a beneficial owner/beneficial owners of more than 1 per cent of the Company's equity or of equity whose market value exceeds the annual remuneration payable to such Board of Directors member by more than 20 times;
    - (d) is/are an employee/employees and (or) a member/members of an executive board/executive boards of an organisation and has/have his/her/their remuneration decided upon (reviewed) by this organisation's remuneration committee, if any member of executive boards and (or) any employee of the Company sits on the remuneration committee of the said organisation;
    - (e) provides/provide counseling services to the Company, a person controlling the Company, or a person controlled by the Company, or is/are a member/members of executive boards of companies providing such services to the Company or such organisations, or is/are an employee/employees of such organisations who directly participate in the provision of such services;
    - (f) provides/provide appraisal, tax counseling, audit or accounting services to the Company, a person controlling the Company, and (or) a person controlled by the Company or has/have provided such services at any time within the last 3 years, or has/have been a member/members of executive boards of organisations providing such services to the Company, a person controlling the Company, a person controlled by the Company, or the Company's rating agency, or an employee/employees of such companies/persons/agencies directly participating in the provision of such services to the Company, at any time within the last 3 years;
  - (2) is affiliated with a substantial shareholder of the Company, including instances when he/she or his/her affiliates:
    - (a) is/are an employee/employees and (or) a member/members of executive boards of a substantial shareholder of the Company;
    - (b) has/have received remuneration and (or) other financial benefits from a substantial shareholder of the Company, the amount of which exceeds 50% of the annual remuneration payable to such Board of Directors member of the Company, within any of the last 3 years;
    - (c) sits/sit on boards of more than two organisations controlled by or controlling a substantial shareholder of the Company;

- (3) is affiliated with a substantial partner or competitor of the Company, including instances when he/she:
  - (a) is an employee and (or) a member of governance bodies of a substantial partner or competitor of the Company;
  - (b) is a holder or beneficial owner of more than 5 percent of equity or voting shares of a substantial partner or competitor of the Company;
- (4) is affiliated with a government or a municipal entity, including instances when he/she:
  - (a) is a government employee, a municipal employee, or an employee of the Bank of Russia or has been such an employee at any time within one year preceding his/her being elected as a member of the Company's Board of Directors;
  - (b) acts as a representative of the Russian Federation, a constituent territory of the Russian Federation, or a municipal entity on the board of any company in which the Russian Federation/such constituent territory/such entity holds a 'golden share';
  - (c) has the obligation to vote on one or several of the Company's Board of Directors matters pursuant to a directive issued by the Russian Federation, a constituent territory of the Russian Federation, or a municipal entity.

2.5.6. The Company's Board of Directors may include Non-Executive Directors, i.e., Board members not being members of the Company's executive bodies.

2.5.7. The Board of Directors shall determine the status of each member of the Company's Board of Directors (independent, non-executive, executive) at the first Board meeting held after the General Meeting of Shareholders at which such Board of Directors was elected.

## **2.6. Election of Board members and termination of authority of Board members.**

2.6.1. The Company's Board of Directors shall be elected by the general meeting of shareholders in accordance with the procedure provided for by the Company's Charter, these Terms of Reference, and the Terms of Reference of the General Meeting of Shareholders, and shall remain in authority until the next annual General Meeting of Shareholders. Should the annual meeting of shareholders fail to be conducted within the period stipulated in cl.1 of art.47 of the Federal Law *On Joint-Stock Companies*, the authority of the Board of Directors (with the exception of that with respect to preparation, convocation, and conduct of the annual General Meeting of Shareholders) shall be deemed terminated. Authority of all Board members may be terminated early at an extraordinary General Meeting of Shareholders.

2.6.2. Any individual proposed by a shareholder or other parties or governance bodies entitled to nominate candidates to the Board of Directors in compliance with Russian law and the Company's Charter and duly elected by the General Meeting of Shareholders. Nominees to the Board of Directors shall meet the requirements set out in Annex 2 hereto.

2.6.3. Persons elected to the Company's Board of Directors may be re-elected for an unlimited number of terms.

2.6.4. Board members may not be members of the Company's Auditing Commission.

2.6.5. Board members may not be members of the Company's teller committee.

2.6.6. Company shares belonging to the Company's Board members may not be used for voting when electing the Company's Auditing Commission.

2.6.7. Nominations to the Board of Directors shall be made in compliance with the procedure provided for by the Company's Charter and the Terms of Reference of the Company's General Meeting of Shareholders. It is recommended that nominees to the Board of Directors should not have given their consent to election to more than 5 Boards of Directors that year.

2.6.8. The Board committee whose powers include preliminary review of candidates to be elected to the Board of Directors (hereinafter referred to as "the Committee") shall perform preliminary assessment of such nominees. For these purposes the shareholders nominating candidates to the Company's Board of Directors shall provide the Company with information about such

candidates in the form of the Questionnaire provided in Annex 3 hereto within 65 days after the end of the financial year and shall ensure that such candidates are interviewed by members of the Committee.

- 2.6.9. The Committee shall review such candidates and make known their final judgment within 14 days. If requested by any shareholder, such a judgment may be sent to him/her/it by e-mail or registered mail.
- 2.6.10. When nominating candidates to the Board, shareholders shall provide the Company with the following information on the candidates (by means of annexes to proposals on nomination of Board candidates to be voted on by the general meeting of shareholders or by other means):
- (1) first, patronymic, and family name; passport data; contacts;
  - (2) age;
  - (3) education and academic degrees;
  - (4) jobs the candidate has held in the last 5 years and his/her membership in governance bodies of companies over the last 5 years;
  - (5) nominations of the candidate to Boards of Directors (and/or Board committees) of other organisations;
  - (6) the person nominating the candidate;
  - (7) the candidate's shareholding in the Company (including the number of shares held);
  - (8) the nature of the candidate's relations with the Company (whether or not the candidate is a member of the Company's governance body or controlling body, i.e., the CEO, a member of the Board of Directors, Management Board, Auditing Commission, a Board Committee, or holds any other position in the Company; whether or not he/she receives fees for sitting on the Company's governance and controlling bodies, a Board committee, etc.);
  - (9) the candidate's written consent to be elected to the Company's Board of Directors, the Questionnaire, consent to personal data processing, undertaking of non-disclosure of confidential information and compliance with regulatory requirements (to be drawn up in accordance with the forms provided in Annexes 3-6 hereto) signed by the candidate;
  - (10) (for shareholders that are legal entities) resolution of the organisation's governance body on nomination of the candidate;
  - (11) assessment of the candidate to be elected to the Board of Directors performed by the shareholder(s) nominating such candidate;
  - (12) assessment of the candidate to be elected to the Board of Directors performed by the Committee in charge of preview of nominees of the Company's Board of Directors.
- 2.6.11. Failure of shareholders to provide the Company (by means of annexes to proposals on nomination of Board candidates to be voted on by the general meeting of shareholders or by other means) with any information about their nominees to the Company's Board of Directors as required by Russian law and the Company's internal regulations may serve as grounds for rejection of shareholders' nominees to the Company's Board of Directors.
- 2.6.12. Board members shall be elected by the General Meeting of Shareholders by cumulative voting.
- 2.6.13. Authority of the Board of Directors shall be deemed terminated upon the general meeting of shareholders deciding on termination of authority of the Board of Directors.
- 2.6.14. Authority of all members of the Board of Directors may be simultaneously terminated early at any time prior to expiry of the term of the Board of Directors.

### **3. ORGANISATION OF WORK OF THE BOARD OF DIRECTORS.**

#### **3.1. Chairman and Deputy Chairmen of the Board of Directors.**

- 3.1.1. The Chairman of the Board of Directors shall be elected by members of the Board of Directors out of such members. The Chairman of the Board of Directors shall be elected by open voting.

The Chairman shall be deemed elected if a majority of the total number of members of the Company's Board have voted for him/her.

3.1.2. The CEO of the Company may not at the same time be its Board Chairman.

3.1.3. The Board of Directors is entitled to re-elect the Chairman of the Board of Directors at any time.

3.1.4. Members of the Board of Directors are entitled to elect deputy chairmen of the Board of Directors to act as the Chairman of the Board of Directors when the Board Chairman is absent.

### **3.2. Functions of the Board Chairman**

3.2.1. The Chairman of the Board of Directors shall:

- (1) represent the Board of Directors and act on its behalf in relations with the Company's executive bodies, shareholders, and third parties;
- (2) plan and organise the work of the Board of Directors;
- (3) convene and chair meetings of the Board of Directors;
- (4) determine the form of meetings;
- (5) formulate agendas of meetings;
- (6) organise minute keeping at meetings;
- (7) ensure that Board members are provided with information on agendas of scheduled meetings;
- (8) ensure that matters under review are discussed openly and that the opinions of all Board members are taken into account when formulating resolutions; summarise the discussion; and formulate resolutions to be passed;
- (9) announce proposals and opinions of Board members provided to the Board Chairman to the extent they fall within the scope of duties of the Board of Directors, including those with regard to formation and composition of Board committees;
- (10) sign letters and other documents to be issued by the Board of Directors, including excerpts from Board minutes;
- (11) sign contracts on behalf of the Company with the President or managing company, as well as members of the Company's Management Board;
- (12) chair the General Meeting of Shareholders;
- (13) be personally responsible to the General Meeting for organisation of activity of the Company's Board of Directors.

3.2.2. In the event of absence of the Company's Board Chairman and his/her deputies his/her functions shall be performed by one of the members of the Board of Directors as decided by the Board of Directors.

### **3.3. Secretariat of the Board of Directors**

3.3.1. The Company's Corporate Secretary shall head the Secretariat of the Board of Directors and shall report directly to the Chairman of the Company's Board of Directors.

3.3.2. The Board of Directors shall appoint the Company's Corporate Secretary as recommended by the Board Chairman. The Board of Directors shall pass the decision by a simple majority of votes to be given by participants of the relevant meeting.

3.3.3. The Corporate Secretary is an official of the Company. The Board of Directors is entitled to re-elect the person acting as the Corporate Secretary at any time.

3.3.4. The Company's Corporate Secretary shall meet the following criteria:

- (1) higher education;
- (2) at least 3 years of work experience in corporate governance;
- (3) knowledge of Russian corporate law;
- (4) knowledge of law related to securities, including rules for disclosure of information by issuers to securities markets and work procedures applying to professional participants of the securities market (the Company's registrars, stock exchanges, etc);

- (5) knowledge of regulatory documents reflecting best Russian and international corporate governance practices;
- (6) computer skills;
- (7) negotiating skills;
- (8) personal qualities and skills: independence of judgment, ability to defend one's opinion;
- (9) no criminal record or record of disqualification as per the Administrative Offences Code of the Russian Federation.

3.3.5. The Corporate Secretary's functions are set out in the Terms of Reference of the Corporate Secretary of the Company and include:

- (1) development and updates of the Company's internal regulations governing the Company's corporate governance system; development of the Company's corporate governance practices;
- (2) control of compliance with standards and requirements of Russian corporate law and the Company's internal regulations governing the Company's corporate governance system;
- (3) organisation of general meetings of shareholders and support of such meetings;
- (4) organisation of preparation and planning of activities of the Board of Directors and Board committees;
- (5) safekeeping of documents and disclosure of information about the Company; preparation of excerpts from minutes of General Shareholder Meetings and Board meetings, as well as the Company's other documents;
- (6) organisation of interactions between the Company and its shareholders;
- (7) organisation of interactions between the Company and its special registrar.

### **3.4. Secretary of the Board of Directors**

3.4.1. Responsibility for organisation of preparation for Board meetings and minute-keeping at Board meetings rests with the Secretary of the Board of Directors. The Board of Directors is entitled to re-elect the person acting as the Secretary of the Board of Directors at any time.

3.4.2. The Company's Secretary of the Board of Directors shall meet the following criteria:

- (1) higher education;
- (2) at least 2 years of work experience in corporate governance;
- (3) basic knowledge of Russian corporate law;
- (4) basic knowledge of corporate governance principles;
- (5) computer skills;
- (6) sound personal qualities and experience in organising top-level talks and meetings;
- (7) no criminal record or record of disqualification as per the Offences Code of Russia.

3.4.3. The Secretary of the Board of Directors shall provide all-round organisational support to Board meetings. For this purpose the Secretary of the Board of Directors shall:

- (1) notify the Board of Directors and invitees of forthcoming Board meetings;
- (2) circulate materials pertaining to agendas of Board of Directors meetings to Board of Directors members;
- (3) perform attendance counts and notify present members of the Board of Directors of written opinions of absent members of the Board of Directors with regard to particular agenda items;
- (4) keep minutes of Board meetings;
- (5) maintain the Board archive;
- (6) provide the Company's Board members, shareholders, and officials with access to Board minutes at request; prepare copies of and excerpts from Board minutes;
- (7) (in case of letter ballot voting of the Board of Directors) prepare voting ballots, mail out such ballots, and summarise the results of letter ballot voting on agendas;
- (8) maintain the database of questionnaires of Board of Directors members;
- (9) maintain the database of assignments issued by the Board of Directors;
- (10) prepare excerpts from minutes of the Board of Directors;

(11) assist the Board Chairman in conducting Board meetings.

3.4.4. In pursuance of his/her duties, the Secretary of the Board of Directors may:

- (1) request information, documents, and clarifications required for the discharge of his/her duties from the Company's officials and heads of divisions and obtain such information, documents, and clarifications;
- (2) request information required for control of execution of assignments issued by the Board of Directors and obtain such information.

3.4.5. The Secretary of the Board of Directors shall:

- (1) serve the interests of the Company when exercising his/her rights and discharging his/her duties, acting reasonably and in good faith;
- (2) strictly observe the requirements of Russian law and the Company's internal regulations;
- (3) keep confidential information that has become available to him/her during discharge of his/her duties;
- (4) not use inside information to his/her personal benefit, not disclose it to third parties, and not close any deals using inside information;
- (5) read the Company's internal regulations in due time and observe the requirements set out in such regulations;
- (6) carry out assignments of the Chairman of the Board of Directors;
- (7) report to the head of the Secretariat of the Board of Directors.

3.4.6. The Secretary of the Board of Directors shall be liable to the Company for any direct actual damage inflicted to the Company. The extent of such liability shall be equal to the value of the direct actual damage inflicted, if no other extent of liability is prescribed by federal law.

The Secretary of the Board of Directors shall be liable for disclosure of any information constituting a trade secret as per the Company's internal regulations.

The Secretary of the Board of Directors shall be liable for use of inside (restricted) information about the Company available to him/her to his/her personal benefit.

### **3.5. Formation and work of Board committees**

3.5.1. The Board of Directors shall set up Board committees (that shall include Board members) for thorough and expedite preliminary review of reports to be delivered to the Board of Directors and for improving the efficiency of interactions with the Company's management in discharge of their duties and control of decisions made. The list of Board committees to be set up shall be determined by the Board of Directors. Obligatory committees include: the Strategy Committee; Nomination, Remuneration, and Corporate Governance Committee; Audit Committee; and Corporate Conduct Committee.

3.5.2. The Audit Committee and the Nomination, Remuneration, and Corporate Governance Committee shall include independent directors only. If this is impossible for objective reasons, these committees shall include independent and non-executive directors only, with independent directors making up at least 50% of the total committee headcount.

3.5.3. The Company's employees, representatives of shareholders, and other specialists may take part in the work of Committees.

3.5.4. Board Committees shall act in compliance with Terms of Reference subject to approval by the Board and work plans subject to approval by the Board and relevant Committees.

3.5.5. Matters falling within the scope of duties of a relevant Committee shall be previewed by such Committee before being reported to the Company's Board of Directors. Should the relevant Committee fail to pass a resolution on a matter, the related agenda item may be removed from the agenda if so decided by the Chairman of the Company's Board of Directors.

- 3.5.6. Committee resolutions shall have the status of recommendations issued to the Company's Board of Directors. Committees shall not be deemed to be the Company's governance bodies.

#### **4. BOARD MEETINGS AND DECISION-MAKING PROCEDURE.**

##### **4.1. Procedure for convening meetings of the Company's Board of Directors**

- 4.1.1. Board meetings shall be held as per schedule. Work plans shall be drawn up annually. The Board's work plans are subject to revision (amendment) at intervals deemed necessary, but at least once every six months. The work of the Board of Directors shall be planned as per the Procedures of the Board of Directors of the Company.
- 4.1.2. Board meetings shall be convened by the Chairman of the Board of Directors at his/her own initiative; or at the request of Board members, the Auditing Commission, the Auditor, or any other persons entitled to convene Board meetings pursuant to the Federal Law On Joint-Stock Companies and the Company's Charter.
- 4.1.3. Written requests to convene Board meetings shall contain:
- (1) the name of the person initiating the meeting or inclusion of an item in the agenda of a regular meeting;
  - (2) a description of the agenda item and relevant resolution;
  - (3) substantiation for the need to consider such agenda item;
  - (4) supporting materials.
- 4.1.4. The request should be signed by the person initiating an extraordinary meeting of the Board of Directors.
- 4.1.5. An extraordinary meeting shall be held within 15 days from receipt of request for such meeting.
- 4.1.6. The Chairman of the Board of Directors may refuse to hold an extraordinary meeting or include the proposed item into the agenda of a regular meeting if:
- (1) the request for an extraordinary meeting or for inclusion of an item into an agenda was submitted by an person who does not have the authority to do so;
  - (2) the item does not fall within the remit of the Board of Directors;
  - (3) the request to include an additional item into the agenda of a regular meeting was received after circulation of the agenda and materials for the forthcoming meeting to the members of the Board of Directors.
- 4.1.7. The notice of the meeting and materials attached thereto shall be forwarded to each member of the Board of Directors at least 8 days before the meeting, in the form and in line with the procedure described in the Terms of Reference of the Board of Directors. For voting by ballot the notice should enclose, along with the materials, the voting ballots (Annex 4).
- 4.1.8. The first meeting of the Board of Directors shall be held on the day of the General Meeting of Shareholders where the Board of Directors was elected. If such meeting was not held on the day of the General Meeting of Shareholders, then the first meeting of the Board of Directors shall be held on the initiative of the most senior member of the Board of Directors. The latter shall summon a meeting within one week from the General Meeting of Shareholders where the Board of Directors was elected.
- 4.1.9. At the first meeting, the Board of Directors shall consider the following matters: election of the Chairman of the Board of Directors, appointment of the Secretary of the Board of Directors (and/or the Company's Corporate Secretary), forming the Committees of the Board of Directors, determining the status of the members of the Board of Directors.
- ##### **4.2. Procedure for conducting meetings of the Board of Directors**
- 4.2.1. Subject to a decision of the Chairman of the Board of Directors the meetings can be held in praesentia (in physical form) or in absentia (by letter ballot).

- 4.2.2. A Board meeting in praesentia is quorate if at least half of the elected Board members are present (except for situations where the law, the charter or these Terms of Reference require a bigger quorum). Before each meeting, the Secretary of the Board of Directors registered the Board members who arrived at the meeting. A meeting of the Board of Directors held in praesentia can be attended by a Board member in person, or by means of electronic (telephone) communication. In the latter case, the Secretary of the Board of Directors shall organise magnetic (and digital) recording of the meeting.
- 4.2.3. At the meeting, the Board of Directors shall consider the items included in the meeting's agenda.
- 4.2.4. Invitees are allowed to join the meeting of the Board of Directors subject to approval by the Chairman of the Board of Directors.
- 4.2.5. A meeting of the Board of Directors held in absentia is entitled to make decisions if at least half of the elected members of the Board of Directors take part in it (unless a bigger quorum is required by law or the Company's Charter). The Secretary of the Board of Directors shall keep count of ballots received by the Company before each meeting.
- 4.2.6. The Board of Directors shall refrain from voting by ballot when making the following decisions:
- (1) identifying the Company's priority spheres of business;
  - (2) convening the Annual General Meeting of Shareholders;
  - (3) increasing the Company's authorised capital;
  - (4) preliminary approval of the Company's Annual Report;
  - (5) appointment of the President of the Company and approval of the terms of his/her employment agreement.

#### **4.3. The decision-making procedure of the Board of Directors**

- 4.3.1. A resolution is deemed to be passed if voted for by more than half of the members of the Board of Directors present at the meeting (unless a bigger number of votes is not required by law or the Company's Charter). In the event of a tie vote of the members of the Company's Board of Directors the Chairman of the Board of Directors shall have the casting vote.
- 4.3.2. The quorum and results of voting on agenda items of a meeting of the Board of Directors held in praesentia shall include written opinions of members of the Company's Board of Directors absent at the meeting of the Company's Board of Directors. The ballot shall contain a signature and the full name of the Board member.
- 4.3.3. A written opinion of a member of the Board of Directors can contain the absent BoD member's opinion on all or some items of the agenda. A written opinion shall clearly state the Board member's position on the agenda item ("for", "against", or "abstained"). The Board member's written opinion shall be taken into account only for determining whether is quorum is present, and for counting the votes on the agenda item(s) covered in such opinion.
- 4.3.4. If a copy of a Board member's written opinion was not included in the materials forwarded to the Board members for the meeting, the person chairing the meeting shall voice the written opinion of the Board member absent at such meeting of the Board of Directors before commencing the voting on the agenda item to which such opinion referred.
- 4.3.5. Resolutions of the Board of Directors shall come into effect upon the signature of the minutes of the Board meeting.

#### **4.4. Minutes of Board meetings**

- 4.4.1. The Company's Board meetings shall be minuted. The minutes of the Company's Board meetings shall be drawn up within 3 days from such meetings.
- 4.4.2. The minutes of the meetings shall include the following:
- (1) time and venue of the meeting;
  - (2) attendees of the meeting;
  - (3) meeting agenda;

- (4) issues put to vote and voting results;
- (5) decisions made.

4.4.3. The minutes of the Company's Board meeting shall be signed by the person chairing such meeting who shall bear responsibility for the accurateness of the minutes.

4.4.4. Upon a written request of shareholders, Board members and top executives of the Company, the Secretary of the Board of Directors shall prepare and provide copies of the minutes countersigned by the Board Chairman and excerpts from minutes of Board meetings.

#### **4.5. Procedures of the Board of Directors**

4.5.1. In the Procedures of the Board of Directors, the Board of Directors shall set more detailed requirements to the procedure of planning, convening and conducting the meetings, informing Board members about the Company's operations, drawing up minutes of Board minutes, control over execution of Board resolutions.

### **5. PERFORMANCE APPRAISAL AND REMUNERATION PAYABLE TO BOARD MEMBERS**

#### **5.1. Remuneration and compensation payable to Board members**

5.1.1. The amounts of and the procedures for paying remuneration and compensations to the Board members are set out in these Terms of Reference and in the Policy on remuneration and compensations for the Board members to be approved by a resolution of the General Meeting of Shareholders.

5.1.2. The Company shall compensate each Board member for his/her litigation costs and other expenses and losses related to lawsuits; claims; civil law, administrative, or criminal proceedings; or regulatory or any other official investigations (hereinafter referred to as "Claims") that may be initiated against Board members in respect of their acts or omissions during discharge of their functions and obligations as members of the Company's Board of Directors and/or members of governance bodies of any of the Company's subsidiaries and affiliates (hereinafter referred to as "S/As") and/or any capacity in the Company and/or S/As (including that of a CEO) performed simultaneously with that of the Company's Board member and/or member of a governance bodies of S/As, including possible fines, taxes, and other expenses associated with the settlement of claims or enforcement of judgments that any of the Board members may have to proceed with as a result of the Claim(s) filed against him/her. The total compensation that may be paid to Board members under individual agreements signed as per cl.5.1.5 hereof shall not exceed two percent of the book value of the Company's assets as of the last reporting date preceding the date of signature of such agreements.

5.1.3. The compensation shall be paid subject to availability of documented proof of litigation costs and other expenses or losses of the Board member that he/she has suffered or is sure to suffer, including those in case of obligations of Board members to pay fees to legal counsels, experts, witnesses, translators and other participants of the process in relation to defence against a Claim and/or in the event the Board of Directors is recognised liable for the requirements related to the Claim by virtue of a writ of execution (or another instrument, in any jurisdiction, having the force identical to that of a writ of execution) for the enforcement of a court decision regarding the Claim.

5.1.4. No compensation shall be paid if an act or omission of the Board of Directors serving as grounds for the Claim is determined by the competent court to be in instance of gross negligence or willful breach of official duties and/or recognised as actions intended for wrongful attainment of personal benefit or premeditated infliction of damage to the Company or another S/A.

5.1.5. The above provisions of cl.5.1.2. -5.1.4., as well as the corresponding provisions of the Policy on Remuneration and Compensations for Members of the Board of Directors of Sistema JSFC, shall be documented in individual agreements to be signed between the Company and Board

members and shall remain in force for 6 (six) consecutive years after vacation by the Board member of this position or any other position in the governance bodies of the Company or any S/A (whichever is vacated latest).

**5.2. Assessment of the work of the Board of Directors**

- 5.2.1. The Board of Directors shall assess the performance of work of the Board of Directors and Board Committees.

**Information about Board members' relations with the Company's affiliates and substantial counterparties**

1. Kinship relationships with incumbent members of the Company's Board, Management Board, or Auditing Commission, and with the Company's CEO
2. Relations with legal entities in which the Company has a shareholding (unit holding) and is entitled to dispose of more than 20% of total voting shares (units)
3. Relations with parties entitled to dispose of more than 20% of total votes allocated to the Company's voting shares
4. Relations with persons belonging to the same group of persons as the one the Company belongs to
5. Relations with the Company's substantial counterparties

Date \_\_\_\_\_

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(print name)

\_\_\_\_\_

Annex 2  
to the Terms of Reference  
of the Board of Directors  
of Sistema JSFC

**Requirements as to nominees to the Board of Directors of Sistema JSFC**

1. Age: min. 25 years
2. Uninterrupted work experience: at least 5 years as of the date of nomination.
3. No economic criminal record.
4. No ban on serving in executive capacity.
5. Nominees shall not be members of governance and audit bodies of the companies that are competitors of Sistema JSFC and shall not be affiliates of such companies.

**CONSENT TO NOMINATION  
TO THE BOARD OF DIRECTORS OF SISTEMA JSFC**

I, \_\_\_\_\_, Passport No. \_\_\_\_\_, issued  
by \_\_\_\_\_

\_\_\_\_\_ on  
\_\_\_\_\_, residing at

\_\_\_\_\_, herewith  
confirm my consent to be nominated to the Board of Directors in \_\_\_\_\_ (year). I have  
read and understood Sistema JSFC's internal regulations and undertake to observe of the  
rules set out therein.

Date \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(signature)

(print name)

## QUESTIONNAIRE FOR MEMBERS OF THE BOARD OF DIRECTORS

1. Name\_\_\_\_\_

2. Date and place of birth\_\_\_\_\_

3. Number of Sistema shares owned (absolute number and percentage of the total voting shares):

\_\_\_\_\_

4. Number of shares in other companies belonging to the Sistema Group (absolute number and percentage of the total voting shares)

Company	Total number of shares owned	Percentage of total voting shares

### 5. Education

Educational institution (name and location)	Year of graduation	Qualification/degree received

### 6. Places of employment

Employer (name, address, line of business)	Start of employment date	Termination of employment date	Position


7. Companies in whose boards your or your immediate family sit (or sat at any time within the last 5 years) or for whose boards you or your immediate family are nominated (or were nominated at any time within the last 5 years)

Company (name, address)	Line of business	Name of immediate family member, degree of kinship	Date of election	Date of termination of membership

8. Companies in which you or your immediate family are (or were at any time within the last 5 years) the CEO, another sole executive, management board member, or another executive

Company (name, address)	Line of business	Name of immediate family member, degree of kinship	Date of election / appointment	Date of termination of membership	Position


9. Companies in which you own 20% shares or more

Company (name, address)	Line of business	Equity stake held

10. Other companies you are affiliated with through your family or otherwise

Company (name, address)	Line of business	Affiliation grounds

Date \_\_\_\_\_

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(signature)

(print name)



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**CONSENT OF A BOARD MEMBER (NOMINEE) TO PERSONAL DATA  
PROCESSING**

I, \_\_\_\_\_ passport  
No. \_\_\_\_\_, issued by \_\_\_\_\_  
\_\_\_\_\_, on  
\_\_\_\_\_, residing  
at \_\_\_\_\_,

herewith grant to the open joint-stock company Sistema JSFC (hereinafter referred to as "the Company"), address: 17/8/9 Prechistenka St., bldg.1, 119034 Moscow, my consent to processing of my personal data in relation to the preparation for election to the Board of Directors, the procedure for election to the Board of Directors, functioning of the Board of Directors, performance of necessary transactions and other corporate actions carried out by the Company, and disclosure of information about Sistema JSFC's governance bodies in compliance with applicable law and the company's documents. I herewith grant my consent to processing, including aggregation, systematisation, accumulation, storage, updates (amendment, modification), use, distribution (including transfer), depersonalisation, blocking, and destruction of the following personal data:

- Full name
- Passport details
- Place of residence
- Date and year of birth
- Key biography milestones
- Education
- Personal photo
- Professional experience and activity
- Information about me being a member of professional and other organisations
- Family status
- Information on my being a member of governance bodies of legal entities and organisations
- Information on my shareholding in Sistema JSFC and its affiliates
- Information on my shareholding in other organisations

The above personal data may be processed by any method whatsoever, provided that the Company shall use necessary organisational and technical measures to protect personal data from unlawful or accidental access, destruction, modification, blocking, copying, distribution, and other unlawful actions. Among other things, the Company shall use cryptographic tools for computerised personal data processing and safety lockers (lockable cabinets) for storage of documents containing personal data.

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**SISTEMA**  
JOINT-STOCK FINANCIAL CORPORATION



**BOARD OF DIRECTORS**

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This consent shall come into effect upon signature and shall remain in force for 5 years after termination of my membership in the Board of Directors or, in the event of my not being elected to the Company's Board of Directors, until execution of the minutes of the General Meeting of Shareholders electing members of the Board. Any requests to withdraw this Consent shall be sent to the Chairman of the Board of Directors and shall specify the reasons for such withdrawal.

Date \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(signature)

(print name)



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**UNDERTAKING OF NON-DISCLOSURE  
OF CONFIDENTIAL INFORMATION AND COMPLIANCE WITH  
REGULATORY REQUIREMENTS**

I \_\_\_\_\_, passport \_\_\_\_\_ No. \_\_\_\_\_,  
issued by \_\_\_\_\_ (when) \_\_\_\_\_,  
residing \_\_\_\_\_ at  
\_\_\_\_\_ in

connection with my consent to be nominated to the Board of Directors of OJSC Sistema Joint-Stock Financial Corporation, an open joint-stock company (hereinafter the "Company") registered at 13/1 Mokhovaya St., 125009 Moscow, Russia, hereby undertake (i) not to disclose confidential information and data being commercial secret of the Company and its subsidiaries and affiliated companies (hereinafter the "S/As"), (ii) to protect personal data of the employees of the Company and its S/As, (iii) to protect inside information of the Company and its S/As, (iv) to comply with the requirements of the applicable anti-corruption legislation.

This Undertaking shall come into effect upon signature for the duration of my membership in the Board of Directors of the Company or any of its S/As and for 5 years thereafter. If I am not elected to the Board of Directors, this Undertaking shall be effective upon signature until the date of the minutes of the General Meeting of the Company's shareholders at which I am not elected to the Board of Directors. Any requests to withdraw this Undertaking shall be sent in writing to the Chairman of the Board of Directors and shall specify the reasons for such withdrawal.

Undertaking of non-disclosure of confidential information and data constituting commercial secret of the Company and its S/As:

- (1) I shall take necessary organisational and technical measures to protect confidential information of the Company and its S/As from unauthorised copying, disclosure and distribution and from other unlawful actions.
- (2) I shall rule out the opportunity for third parties to learn confidential information of the Company and its S/As. I shall furnish and/or disclose confidential information of the Company and its S/As to third parties only provided that there is a preliminary written consent thereto from the Company.
- (3) I shall inform the Company if information is received or any suspicions arise regarding facts of illegal disclosure (distribution) of confidential information, and render assistance to minimise damage from such violations.
- (4) I shall immediately inform the Company in writing of any request or demand (received from competent government bodies) of disclosure of confidential information or provision of documents containing such information.
- (5) I shall not use confidential information of the Company or its S/As for personal purposes.

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**BOARD OF DIRECTORS**

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(6) I shall not use confidential information of the Company and its S/As in correspondence with third parties or public speeches, or make references to it in mass media.

(7) I shall not transfer confidential information of the Company and its S/As via telephone, facsimile, or online communication channels if such networks use no information protection.

(8) I shall not use confidential information of the Company and its S/As when being engaged in other activities, including work at other organisations as well as scientific and educational activities.

(9) I shall know the Company's internal regulations governing the protection of confidential information and fulfill the requirements contained therein.

I hereby agree and acknowledge that my election to the Board of Directors or the delivery of confidential information to me shall constitute no transfer of any rights relating to trade secrets, copyright, or other rights of the owner of confidential information from the Company or its S/As.

Undertaking of protection of personal data of the employees of the Company and its S/As:

(1) I shall take all necessary measures to protect personal data from illegal copying, disclosure, distribution, and other unlawful actions.

(2) I shall abide by confidentiality provisions relating to personal data of individuals that have become known to me in the course of discharge of my professional duties.

(3) I shall abide by the requirements of the Federal Law *On Personal Data* No.152-FZ dated 27 July 2006 when processing such personal data.

(4) Without preliminary consent of the Company, the S/A or the relevant individual, I shall not distribute or disclose any personal data of employees, members of the Board of Directors of the Company or its S/As, their representatives or other individuals, including their full names, years, months, dates and places of birth, addresses and any other information about such individuals that may become available or known to me from confidential information, except for confidential disclosure of such personal data on the need-to-know basis for the discharge of professional duties as per professional powers.

(5) I shall warn persons receiving personal data of employees of the Company and its S/As that these data may only be used confidentially and only for the purposes for which they have been furnished, and shall request from such persons a confirmation that this rule has been followed.

Undertaking of protection of inside information of the Company and its S/As:

(1) I shall ensure protection of inside information of the Company and its S/As and accord confidential treatment to inside information of the Company and its S/As. I shall not disclose, comment on or hand over such information to third parties with no preliminary written consent of the Company and its S/As thereto.

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**BOARD OF DIRECTORS**

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(2) I shall not effect transactions with securities of the Company and its S/As on the basis of inside information and shall not use such information to personal advantage.

(3) I shall only use inside information to carry out official or professional duties (on the need-to-know basis).

(4) I shall only deliver inside information to external consultants and other persons for them to carry out their professional duties, and only provided that they are parties to a confidentiality agreement.

(5) I shall give no recommendations or advice to other persons or organisations regarding transactions involving securities of the Company or its S/As on the basis of material non-public (inside) information I may have about them.

(6) I shall effect no transactions involving securities of any other companies if I obtain inside information about them while discharging my professional duties.

(7) I shall effect no transactions involving securities of the Company during the moratoria on deals involving the Company's securities:

- Annual moratorium:

start: 60 (sixty) days immediately preceding the date of the Company's annual financial report;

end: 48 (forty-eight) hours after the date of the Company's annual financial report.

- Quarterly moratorium:

start: 30 (sixty) days immediately preceding the date of the Company's quarterly financial reports;

end: 48 (forty-eight) hours after the date of the Company's quarterly financial report.

(8) I shall get the Company's preliminary permit before effecting transactions involving the Company's securities (personally or via affiliates).

(9) I shall observe the relevant requirements of applicable law if I receive a notification of the Company or its S/A being included in the list of persons having access to inside information.

(10) I shall inform the Company and regulators about any transactions involving the Company's securities I may perform (personally or via affiliates) within four business days after the date of such transaction.

Inside information is fact-based data that is not generally available, is reliable by nature, and is directly or indirectly related to the Corporation or its subsidiaries and affiliates, including data pertaining to their economic operations, financial performance, business, strategy, substantial acquisitions, loan liabilities, changes in the capital structure or values of their securities and/or transactions involving them, that, in the event of public disclosure, can reasonably exert material influence on market values of the Corporation's securities and/or related investments and would be taken into account by a reasonable investor when making investment decisions.

Undertaking of compliance with the requirements of applicable anti-corruption legislation

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**BOARD OF DIRECTORS**

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(1) I shall perform no acts (omissions) in violation of Russian anticorruption law, the UK Bribery Act 2010, and international laws on fighting corruption and legalisation of profits gained by illegal means (money laundering). In particular, I shall not:

- offer, give, promise, extort, agree to receive and receive bribes;
- make payments for facilitation of administrative, bureaucratic and other formalities in any form, including money, valuables, services or other benefits, to any persons and from any persons or organisations, including commercial organisations, governmental and self-government bodies, government officials, private companies, and their representatives.

Date \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(print name)

OPEN JOINT-STOCK COMPANY  
**SISTEMA**  
JOINT-STOCK FINANCIAL CORPORATION



**BOARD OF DIRECTORS**

Annex 7  
to the Terms of Reference  
of the Board of Directors  
of Sistema JSFC

**ANNEX 7**

**VOTING BALLOT  
FOR BOARD MEMBERS:**

**I. IVANOV**

Date of the meeting (final date for submitting polling forms): **22 September 2007**  
Form of the meeting: letter ballot  
Address for mailing letter ballots: 17/8/9 Prechistenka St., bldg.1, 119034 Moscow, Russia  
Additional information: Igor Petrov (Tel./Fax: +7 (495) 730-60-89, petrov@sistema.ru)

**AGENDA ITEM:** **1. ...**

**ITEM CATEGORY:**  
☐ Strategy ☐ Finance ☐ Corporate governance ☐ HR  
☐ Internal regulations ☐ Securities ☒ Transactions ☐ Subsidiaries

**ITEM PREPARATION:** I. Ivanov, Vice President of Sistema JSFC

**DRAFT RESOLUTION:**

...

**FOR**

**AGAINST**

**ABSTAINED**

(strike out two of the voting options leaving that of your choice one only)

.....  
(signature of the Board member)

**AGENDA ITEM:** **2. ...**

**ITEM CATEGORY:**  
☐ Strategy ☐ Finance ☐ Corporate governance ☐ HR  
☐ Internal regulations ☐ Securities ☒ Transactions ☐ Subsidiaries

**ITEM PREPARATION:** I. Ivanov, Vice President of Sistema JSFC

**DRAFT RESOLUTION:**

...

**FOR**

**AGAINST**

**ABSTAINED**

(strike out two of the voting options leaving that of your choice one only)

.....  
(signature of the Board member)