

Approved

by the Board of Directors
of Sistema JSFC
on December 13, 2014

Minutes No 10-14
dtd December 17, 2014

**TERMS OF REFERENCE OF THE ETHICS AND CONTROL
COMMITTEE OF THE BOARD OF DIRECTORS**
of open joint-stock company Sistema Joint-Stock Financial Corporation



Moscow, 2014

1. GENERAL PROVISIONS

- 1.1. These Terms of Reference were developed in accordance with the applicable legislation, the Charter of Sistema JSFC (hereinafter "the company"), the Code of Corporate Conduct and other internal regulations of the Company.
- 1.2. These Terms of Reference determine the status, procedure for appointing members, scope, functions, working procedures and decision-making procedures of the Ethics and Control Committee (hereinafter the "Committee") of the Board of Directors of open joint-stock company Sistema Joint-Stock Financial Corporation (hereinafter "Sistema JSFC" or the "Company").
- 1.3. The Committee is a body reporting to the Company's Board of Directors and serving to facilitate the establishment of an efficient system for economic security, internal control, and prevention of fraud and other types of misconduct involving violations of law.
- 1.4. The Committee shall not be considered a body of the Company, and the Company shall assume no civil rights or obligations via the Committee.
- 1.5. The Committee's work shall be governed by Russian law, the Company's Charter, the Code of Corporate Conduct, the Ethics Code, and other internal regulations of the Company.

2. FUNCTIONS OF THE COMMITTEE

- 2.1. Key functions of the Ethics and Control Committee of the Board of Directors of Sistema JSFC:
 - a) providing support for the development of the Company's internal control and audit function and analysing results in this field jointly with the Audit, Finance and Risk Committee;
 - б) contributing to the development of the Company's security function and analysing results of related activities;
 - в) analysing the correctness and efficiency of the Company's internal control and audit system;
 - г) analysing the correctness and efficiency of the Company's security system, including information security systems;
 - д) approving internal audit plans in association with the Audit, Finance and Risk Committee;
 - е) studying findings of audits conducted by the internal control and audit team at the Company and its subsidiaries;
 - ж) reviewing annual and semi-annual reports on the performance of the unit in charge of internal control and audit in association with the Audit, Finance and Risk Committee;
 - з) appraising the performance of the unit in charge of internal control and audit in association with the Audit, Finance and Risk Committee;
 - и) reviewing fraud incidents and material violations of law in the Sistema Group;
 - к) monitoring compliance with the requirements of the Company's Ethics Code;
 - л) reviewing the plans for elimination of deficiencies identified by the Company's unit in charge of internal control and audit and controlling fulfillment thereof;
 - м) facilitating the operation of the corruption prevention systems existing in the Corporation and the Sistema Group companies;
 - н) participating in the development and pre-approval of action plans in compliance with applicable anti-corruption laws;
 - о) following proposals from the President of the Company, pre-approving candidates for the positions of heads of (i) the unit responsible for the security function, and (ii) the unit responsible for organising internal control and audit, and approving their KPIs annually

- to be further submitted for consideration by the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors of the Company.
- п) controlling the efficiency of the whistleblowing system of Sistema JSFC in respect of potential breaches in the operations of Sistema JSFC, including fraudulent actions of employees of Sistema JSFC and third parties;
 - р) controlling execution of measures undertaken by Sistema executives on the basis of Sistema's whistleblowing system.
- 2.2. The Committee's decisions shall be non-binding guidelines for the Company's Board of Directors.
- 2.3. The Committee is entitled to give instructions to the Company's management acting within its scope of authority.

3. MEMBERS OF THE COMMITTEE

- 3.1. Members of the Committee shall be determined at the first meeting of the Company's Board of Directors following the annual general meeting of the Company's shareholders.
- 3.2. The powers of Committee members shall terminate at the time of opening of the annual general meeting of the Company's shareholders.
- 3.3. The Committee shall include at least 3 (three) members of the Company's Board of Directors.
- 3.4. Members of the Committee shall be approved by a resolution of the Company's Board of Directors. Committee candidates shall be nominated by members of the Company's Board of Directors. Committee members shall be elected by the Board of Directors by a simple majority vote.
- 3.5. The Chairman of the Committee responsible for administration of the Committee's activities shall be appointed by the Company's Board of Directors.
- 3.6. The powers of any member of the Committee may be terminated at any time by a resolution of the Board of Directors passed on the initiative of the Board of Directors of the Company or its members, the Chairman of the Committee, or a member of the Committee.
- 3.7. For the purposes of organisation of the Committee's work, the Company's Board shall appoint the Secretary of the Committee from among the Company's employees or the Committee's members.
- 3.8. In the event the Board of Directors takes no decision on the appointment of the Secretary of the Committee, or the previously appointed Secretary of the Committee can no longer fulfill his/her responsibilities for any reason, the Chairman of the Committee shall appoint another Secretary of the Committee from among the Company's employees or the Committee's members.

4. RIGHTS AND RESPONSIBILITIES OF COMMITTEE MEMBERS

- 4.1. The Committee members shall have the right to:
- a) request and obtain any documents of the Company;
 - б) request officers of the Company to provide information and explanations on any matters within the scope of authority of the Committee;
 - в) be invited to working meetings, negotiations, or sessions of commissions and working committees dedicated to any matters related to the Committee's scope of authority and

- participate in business trips and visits as members of working delegations of the Company;
- г) for the purposes of exercising their functions and as agreed with the Chairman of the Committee, use the services of external advisors to be paid from the Company's funds;
 - д) request that Committee meetings be held and particular matters be included in agendas for consideration by the Committee;
 - е) request that their dissenting written opinion be recorded in the Minutes of the Committee's meeting.
- 4.2. The Committee members shall:
- а) attend and take an active part in preparation and discussion of agenda items to be reviewed at the Committee meetings;
 - б) take part in the Committee's decision-making process by voting on agenda items;
 - в) take informed decisions by studying all the necessary data (materials), conducting investigations and updating all the Committee members on the information concerning decisions taken;
 - г) notify the Committee Chairman of their being unable to attend any particular meetings specifying the reason of such inability;
 - д) act reasonably and in good faith when taking decisions in order to promote the interests of the Company's shareholders in conformity with the guidelines of the Russian Code of Corporate Conduct and best international corporate governance practices;
 - е) fulfill assignments of the Committee Chairman;
 - ж) 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.
- 4.3. Should the Committee deem it necessary to hire external consultants, they shall introduce amendments to the Company's budget accordingly.

5. PROCEDURES OF THE COMMITTEE

- 5.1. The Chairman of the Committee is in charge of its activities. The candidate for the Chairman of the Committee shall be approved by the Board of Directors, and the Chairman shall be personally responsible for the performance of the Committee and for the accomplishment of its specific objectives.
- 5.2. The Chairman of the Committee shall:
- а) organise the development of the Committee's work plan and submit it for the Committee's approval;
 - б) convene Committee meetings and preside over them;
 - в) determine the format of Committee meetings and approve their agendas;
 - г) make lists of invitees to Committee meetings;
 - д) organise minuting of Committee meetings and sign minutes of such meetings;
 - е) distribute responsibilities among Committee members and give them instructions with regard to in-depth research on particular matters and preparation of documents to be reviewed at Committee meetings;
 - ж) report the Committee's performance results to the Company's Board of Directors;
 - з) supervise execution of the decisions taken;
 - и) use resources available to the Company, including external expertise, to achieve the Committee's goals;

- к) perform other functions arising from the Committee's goals and objectives.
- 5.3. The Secretary of the Committee shall:
- а) draw up work plans for the Committee;
 - б) send out notices of forthcoming meetings and documents related to specific agenda items to Committee members;
 - в) prepare minutes of Committee meetings;
 - г) safekeep minutes of Committee meetings, prepare abstracts from minutes of Committee meetings and get them signed;
 - д) fulfill any assignments given by the Committee Chairman.
- 5.4. The Committee shall work in accordance with its work plans in place. Committee meetings shall be held when required, at least 4 times a year.
- 5.5. Work plans of the Committee shall be typically made on an annual basis.
- 5.6. Work plans of the Committee may include the following items:
- а) approval of the Committee's work plan;
 - б) security strategy;
 - в) internal control strategy strategy;
 - г) findings of internal checks performed by the security and internal control service;
 - д) status of anti-corruption procedures;
 - е) assessment of performance of units in charge of organisation of security and internal control in Sistema JSFC;
 - ж) approval of the Committee's reports before Board meetings.
- 5.7. Work plans of Sistema JSFC's Board of Directors may also include agenda items subject to preliminarily review by the Committee. The Committee shall include such items in their work plans accordingly.
- 5.8. As necessary, the Committee may hold additional meetings to discuss what the Committee deems necessary within its scope of authority.
- 5.9. The Committee may suspend any person (persons) from participating in meetings or from discussing a specific agenda item if, as the Committee believe, there is a conflict of interest involved.
- 5.10. Persons not being Committee members may be invited to participate in Committee meetings if so decided by the Committee Chairman.
- 5.11. The Committee shall perform their activities by reviewing agenda items at Committee meetings. The dates and procedures of meetings shall be established by the Committee Chairman. A meeting shall be considered as having a quorum if attended by at least 50% of Committee members. Decisions shall be passed by simple majority vote. In the event of a tie vote the Chairman of the Committee shall have a casting vote.
- 5.12. It is allowed to hold Committee meetings in the form of letter ballots or teleconferences, or to take into account written opinions of absent members of the Committee on the agenda items considered. If a written opinion of an absent Committee member on all agenda items is available, it shall be taken into account when determining the quorum of the meeting.
- 5.13. Agendas of Committee meetings shall be approved by the Chairman of the Committee. Agendas of Committee meetings shall contain full subjects of all items specifying persons in charge of preparation and provision of related documents (speakers).
- 5.14. Speakers shall submit documents covering their respective agenda items to the Committee Secretary in advance.
- 5.15. Notices of forthcoming Committee meetings shall be e-mailed to Committee members by the Secretary of the Committee at least 3 (three) days before the meeting with documents covering agenda items attached.

- 5.16. Based on the results of Committee meetings, the Secretary shall draw up minutes of these meetings. Minutes of Committee meetings shall include the following:
- a) date, time and venue of the meeting;
 - б) attendees including Committee members and invitees;
 - в) agenda of the meeting;
 - г) proposals and remarks made in the course of discussion of items considered;
 - д) voting results and decisions taken on items considered.
- 5.17. Minutes of Committee meetings shall be drawn up within 2 (two) working days from the dates of these meetings.

6. FINAL PROVISIONS

- 6.1. These Terms of Reference, as well as amendments hereto, are subject to approval by a simple majority vote of the Company's Board of Directors.
- 6.2. The Committee shall report on its work to the Board of Directors on an annual basis.
- 6.3. The Terms of Reference on the Committee and names of Committee members shall be posted by the Committee Secretary on the Company's website.