



OPEN JOINT-STOCK COMPANY
JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Annual General Meeting of the Sistema JSFC shareholders, 25 June 2016,
Moscow, 13.1 Mokhovaya str.

**Explanatory note
to the materials of the Annual General Meeting of Sistema JSFC shareholders
on agenda item 8:
“Approval of the revised
Terms of Reference of the Board of Directors of the Company”**

It is proposed that the General Meeting of Shareholders approve the new version of the Terms of Reference of the Board of Directors of Sistema JSFC (“the Document”).

The new version takes account of the principles of the Russian Corporate Governance Code approved by Bank of Russia, the requirements of the Listing Rules of Moscow Exchange, and the rules for admitting securities to organized trading approved by Bank of Russia in 2016¹. Compliance with the Listing Rules is required of Sistema JSFC due to the inclusion of its common shares in the top quotation list of Moscow Exchange.

Compared to the version in effect, the Document is to be amended as follows:

1. The name of the Company will be updated throughout the Russian text of the Terms of Reference due to the amendment to the name introduced by the revised Charter (“public joint stock company”). The English text will not be affected.
2. In compliance with the rules for admitting securities to organized trading, the Listing Rules of Moscow Exchange and Russian Corporate Governance Code, the Board of Directors will be authorised to pass resolutions to deem a director independent if he or she is capable of independent judgment, even though he or she may not conform to formal independence criteria (clauses 2.5.5.1, 2.5.7.).
3. Independent directors will be required to notify the Company of any circumstances that may make them non-independent (clause 2.5.8. and Annex 6).
4. Candidates for the Board will be required to state in writing that they have sufficient time to fulfill the duties of a Board member when consenting to be elected to the Board (Annex 3).
5. The personal data consent form will be updated and specified in compliance with the applicable Russian laws (Annex 5).
6. Board members will be required to provide the Company with up-to-date information about themselves, including information on their shares in the Company’s charter capital when requested (Annex 6).

¹ Approved on 24.02.2016 N 534-II.