

**Regulation on remuneration and reimbursement payable to members
of the Board of Directors
in Sistema JSFC**

1. General provisions

1.1. This Regulation is prepared according to the Federal Law (FL) «About joint-stock companies», other standard acts in force, and establishes the value and procedure of remuneration and reimbursement payments to members of the Board of Directors in Sistema JSFC (the Company).

1.2. The present Regulation is approved by the General Shareholders Meeting as per norms of the article 64, p 2 of FL “About joint stock companies” and comes as the ground for remuneration and reimbursement calculation and payment to the members of the Company Directors Board ¹.

1.3. The source of remuneration and reimbursement payments, to the extent of changes in the current legislation of RF or clarifications by authorized bodies of state of governance containing a unique determined indication to other sources, is the Company profit.

1.4. Remuneration and reimbursement draft amounts, calculated according to the present Regulation, are specified in the Company budget.

1.5. Stated remuneration and reimbursement amounts do not consider taxation. The Company is free to decide, deduct and pay income tax (other similar tax as per the country legislation of the Directors member residence) emerging due to remuneration and reimbursement payments to the Board of Directors members.

1.6. The period for remuneration and reimbursement calculation and payment is one year starting from the moment of the Directors membership election at the annual general shareholders meeting and ending by the moment of the next annual general shareholders meeting takes place. In case of advanced termination of authorities as well as election of the Directors member at a special general shareholders meeting, remuneration amount is calculated based on the actual time the member worked.

¹Excluded rewards payable under labor and civil contracts

1.7. The following terms are applicable for purposes of the present Regulation:

(1) Members of the Directors Board, Directors– persons elected to the Directors Board of the Company according to process defined by the law;

(2) Executive Director – the Board member acting as President, Vice President or Head of the structural department of the joint-stock company;

(3) Independent Director – the member of the Directors Board:

- who is not at the moment of election, and within three years has not been a sole executive body, a member of corporate executive body, an employee of the Company (as well as spouse, parents, brothers and sisters, children of such persons);
- who is not an affiliated party of the Company (except a member of the Directors Board);
- who is not a head of a daughter or a dependent company;
- who is not a party to commitments with the Company, according to terms of those he can acquire property (get funds) with value of 10 % and more of the person's aggregated annual income, except for getting rewards for membership in the Company Directors Board;
- who is not a managing or an official person in managing entity of the Company, its daughter or dependent company.

(4) Non-Executive Directors– all other members of the Company Directors Board;

(5) Remuneration to the member of the Board of Directors – cash, securities, other assets and property liabilities due to be paid (transmitted) as reward for participation in the Board of Directors work.

(6) Reimbursement - cash payable to members of the Board of Directors to compensate their expenses

- incurred due to involvement in work of the Directors Board: travel and accommodation, and others if the meeting takes place outside the member permanent residence,

- and those not referred to the Directors' meetings, but related to the Company business: travel and accommodation, and others (participation in business trips of the leadership and arrangements abroad).

2. Forms of Remuneration to members of the Directors Board

Remuneration to members of the Company Directors Board is effected in the following forms:

- reward for participation in the Board of Directors meetings;
- reward for performing additional functions;
- remuneration upon work results;
- additional forms of direct and indirect reward.

Members of the Directors Board – tax residents of RF – obtain reward in Rubles at the rate on the date of transfer.

3. Remuneration for participation in the Directors meetings

3.1. Executive Director obtains reward for participation in the Directors meetings (attendance) in the amount of \$ 1 000 per every meeting.

3.2. Non-Executive Director obtains reward for participation in the Directors meetings (attendance) in the amount of \$ 2 000 per every meeting.

3.3. Independent Director gets reward for participation in the Directors meetings (attendance) in the amount of \$ 4 000 per every meeting.

3.4. In case the Directors meeting is held in absentia, or the Board member failed to participate in the meeting personally, however, he did forward his written opinion on the questions being considered at the meeting, the reward is payable in value equal to 50% of the amounts defined in sub-points 3.1 - 3.3.

3.5. Remuneration is paid by the Company Accounting Dept quarterly within 15 days after the quarter end on the basis of the present Regulation, as well as the report on the date, form of the meetings and members' participation (attendance), provided by the Corporate Secretary and signed by Chairman or Deputy Chairman of the Directors Board.

4. Reward for performing additional duties

4.1. Members of the Directors Board get reward for performing additional duties related to work in Directors' membership:

- for performing duties of the Chairman of the Directors Board – \$ 25 000 per year;
- for performing duties of the Deputy Chairman of the Directors Board – \$ 10 000 per year;
- for performing duties of the Committee Chairman of the Directors Board: Independent and Non-Executive Directors – \$ 5 000 per year;
- to members of the Directors' Committees - for participation in the Committee meetings in the amount of \$ 500 per a meeting, but not exceeding \$ 5 000 per year.

4.2. Reward for performing additional duties is payable quarterly in equal parts within 15 days upon the quarter end.

4.3. Reward is paid by the Company Accounting Dept quarterly on the basis of the present Regulation, as well as extracts from the Board of Directors minutes, which contains allocation of responsibilities among Directors, and the

report about the number of Committee meetings, provided by the company Corporate Secretary.

5. Remuneration upon work results

5.1. Subject to the profit available the extra reward to members of the Directors Board upon work results is payable in the following amounts:

USD 325 000 for Directors - non-Russian tax residents;

USD 250 000 for Directors - tax residents of Russia.

At that:

50% of this reward is payable in cash quarterly in equal parts;

50% of this reward is payable in Sistema's shares upon the year end work for the member inside Directors Board structure and within one month of the date of the general shareholders meeting.

5.2. Number of shares due to the member of Directors Board is determined as an integral value of the ratio:

- * the half of the above stated amount of annual reward (tax free)
- to * the average weighted value of shares calculated as per value of Global Depository Receipts according to their quotation for the period of one month before the date of the annual shareholders meeting.

In case the result of such ratio is not integral, the value of a so-called split-share is payable in cash.

5.3. Remuneration is payable as follows:

5.3.1. Quarterly reward payable in cash – by the Company Accounting Dept within 15 days on completing financial reports for 3, 6, 9 months and the year respectfully according to the present Regulation;

5.3.2. Reward payable in shares – by payment of these shares value (calculation of quantity and value of such shares is submitted to Accounting Dept by Finance-Investment Complex of the Company) by written order issued by the member of the Directors Board with payment of the balance in cash.

5.4. Subject to the growth of the Company capitalization the members of Directors' Board are payable extra reward at the rate of 0,1 % of value of capitalization growth, occurred in the period between two regular general shareholders meetings. At that, for the purpose to define capitalization an average weighted value of Global Depository Receipts is applicable, which is calculated for the period of one month prior to the date of the respective annual general shareholders' meeting.

5.5. Remuneration payment is effected by the Company Accounting Dept within one month from the date of the annual general shareholders meeting, according to calculations provided by Finance-Investment Complex of Sistema JSFC.

6. Additional forms of direct and indirect remuneration

6.1. The Company insures professional responsibility of the Directors members.

6.2. The Company provides Non-Executive Directors (who do not head the Company subsidiaries) with the social package similar to that, provided to the Company top managers in accordance with Regulations on management motivation system in Sistema` Head Office.

6.3. By resolution of the general shareholders' meeting, remuneration payment upon work results could be substituted or added with the privilege to participate in the Company Options Program.

7. Reimbursement to members of the Company Directors

7.1. Reimbursement, including travel expenses to the place of the meeting and back, accommodation expense and others, as well as those not referred to the meetings, but related to the Company business (participation in business trips of the leadership and arrangements abroad) are payable upon the actual expenses incurred within reasonable limits.

7.2. Reimbursement is paid by the Company Accounting Dept against the expense report and documents, which confirm the expenses incurred as far as they are provided by the member of the Board of Directors.