
 АКЦИОНЕРНАЯ ОБЩЕСТВЕННАЯ КОМПАНИЯ СИСТЕМА	TERMS OF REFERENCE / PROVISIONS WHISTLEBLOWING POLICY	
		for public access

APPROVED

By the directive dated 23.08.2011. No Y-107/11

WHISTLEBLOWING POLICY

of Sistema JSFC

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1. PURPOSE OF THE DOCUMENT

The Employee Whistleblowing Policy (hereinafter also - "the Programme") has been developed and approved as part of various initiatives, measures and actions taken by Sistema JSFC and its management with the aim of increasing the efficiency of the risk avoidance and management. The aim is to prevent misconduct and timely identify actual or alleged corruption, fraud or the unlawful acquisition, disclosure and / or misuse of commercial secret information or any other misconduct in the activities of Sistema JSFC and its non-public subsidiaries.

2. AIMS AND PURPOSES OF THE DOCUMENT

This document serves the following aims and purposes:

- to improve the quality of corporate governance;
- to enable potential violations, misconduct or cases of unlawful acquisition, disclosure and/ or misuse of commercial secret information to be quickly identified;
- to minimize financial, legal, corruption, reputation and other risks.


3. RESPONSIBILITY AND APPLICABILITY

To ensure the achievement of the aims and purposes set out above, information about this Programme, its objectives and content should be made available to all employees of Sistema JSFC and its non-public subsidiaries including members of the Boards of directors, Presidents, Vice presidents, members of Management boards, Managing directors, Directors and other employees including the employees of branches and representative offices that may have access to important information and may want to report on facts, circumstances and potential risks that are crucial for Sistema JSFC.

4. GENERAL PROVISIONS

4.1. Key terms and principles

- 4.1.1. The Programme is a set of measures that make it possible for the employees of Sistema JSFC and its non-public subsidiaries to report on facts of which they have become aware, or to report their well-founded suspicions concerning actual or alleged cases of misconduct, corruption, fraud, unlawful acquisition, disclosure and/or use of information or other violations in various areas of business that result in omissions in financial reporting, failure to comply with laws or corporate regulations, unauthorized or illegal use of assets and property, violations of employees' rights, and any other actions that cause or may cause financial damage to Sistema JSFC and / or its non-public subsidiaries or adversely affect their business reputation and goodwill.

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4.1.2. By introducing this Programme Sistema JSFC is adopting the best corporate governance practices of the United Kingdom and the United States, while having regard to Russian legislation and to the company's long-term strategy, and thereby is constantly improving the quality of corporate governance, internal control and risk management of Sistema JSFC as a company that is traded on the international stock exchanges, and which is expected to comply with demanding requirements as to its financial reporting and transparency.

4.1.3. The communication channels provided by Sistema for whistleblowing reports guarantee total anonymity (confidentiality) for the whistleblower (if he/she so wishes). Members of managing bodies and executives of Sistema JSFC have no right to impede the operation of these communication channels, or try to determine the identity of the anonymous whistleblower, except when there are legal grounds for this.

4.2. Focus areas for Programme application, and the identification of potential violations:

4.2.1. Accounting, tax records and the preparation of financial, management and other statements;

4.2.2. Asset management, the use or disposal of property, compliance with the requirements and regulations on the trading of securities;

4.2.3. Conducting financial, credit and investment operations, M&A deals, procurement and logistics;

4.2.4. Contractual relations, settlements with third parties, other processes that are crucial for business and operational activities;


4.2.5. Compliance with legal requirements (including anti-corruption laws) of Russia, UK and other countries in which the company conducts its business, trades its securities or concludes transactions;

4.2.6. Compliance with the principles and requirements of the Code of Ethics and the Anticorruption Policy of Sistema JSFC;

4.2.7. Compliance with the commercial secret regime and the requirements for dealing with insider information, including issues of unlawful disclosure and the use of such information.

4.3. Unacceptable use of the Programme

4.3.1. The dissemination of deliberately misleading, discrediting information, libel etc.

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4.3.2. The settling of personal scores, achievement of personal goals, profiting from making whistleblowing reports under the Programme or attempting to resolve irrelevant matters with the management of Sistema JSFC.




4.3.3. Any other objectives of whistleblowers that conflict with the aims of Sistema JSFC and the purpose of this Programme, which has been approved to prevent misconduct and to control risks of corruption, fraud or other violations.

The employees of Sistema JSFC who are responsible for operation of the Programme shall have the right, once they have the results of an initial investigation, to disregard reports and information that are clearly inconsistent with the goals and the objectives of the Programme and to take all necessary measures permitted by law and the bylaws of Sistema JSFC with respect to reports and information that have been given with obviously dishonorable, defamatory or illegal intentions.

5. WHISTLEBLOWING CHANNELS OF COMMUNICATION




Sistema JSFC provides the following channels for making reports to various groups of whistleblowers.


5.1. Channels and options for making whistleblowing reports - ANONYMITY GUARANTEED

- 
 (anonymously**) to the email address report@sistema.ru
- 
 (anonymously**) by leaving a message on the answering machine of the Hot Line number by dialing the Moscow number +7 (495) 228-15-02
- 
 (anonymously**) by sending a letter to the address: 125009, Moscow, 13 Mokhovya st., addressed directly to the Head of Internal Control and Audit Division of Sistema JSFC marked "Personal - "EMPLOYEE WHISTLEBLOWING!"

5.2. Channels and options for making whistleblowing reports - NO ANONYMITY

By using any of the information channels available as described in clause 5.1., but indicating the name of sender or other personal identification (as the whistleblower prefers)

- 
 - by sending an e-mail by personal or corporate mail indicating the name of the whistleblower, making a call using the company's phone system or any other number and indicating the name of the whistleblower; a letter signed by the whistleblower.
- 
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- other - personally (or on behalf of the whistleblower) give information to the

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responsible person in the company.

The channels and options that we recommend for reporting on various violations are given in Annex 1.

5.3. General principles for accepting and processing whistleblowing reports.


- 5.3.1. The acceptance, processing, analysis and consideration of reports on irregularities and leaks of confidential business information, which are received through the communication channels that guarantee protection of whistleblower anonymity, are conducted in line with the bylaws of Sistema JSFC by authorized employees, who are required to preserve a regime of strict confidentiality.
- 5.3.2. In the course of the internal investigations, the facts that have caused the problems are analyzed and measures are taken to prevent their reoccurrence in the future.
- 5.3.3. As a result of the investigation, the authorized employee of Sistema JSFC, if there is such an opportunity, may notify the whistleblower of the results of the investigation and the measures taken (if the whistleblower has asked to receive this information and has provided his or her contact information).
- 5.3.4. Members of the management bodies, executives and employees of Sistema JSFC are forbidden from taking actions aimed at identifying or breaching the anonymity of whistleblowers sending reports that are consistent with the goals and objectives of this Programme and are not in breach of the relevant legislation, or to impose sanctions on whistleblowers as retribution.

The monitoring of compliance with the provisions of clauses 5.3.1. – 5.3.4 is performed by the Internal Control and Audit Division of Sistema JSFC.

5.4. INFORMATION FOR WHISTLEBLOWERS

The aim of the Programme is to make the process as efficient as possible. All practical procedures and recommendations for protecting the anonymity of the whistleblower are in place. However, the real level of your anonymity primarily depends on your actions when reporting and compliance with the recommendations below, which should ensure, if desired, your complete anonymity:

- *e-mail* - use any public mail box of a public email server, at an Internet café or any other place which does not require user registration and does not use algorithms for identifying you; do not sign your report;

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- **voice message** - *in your report do not name yourself, your department, your manager or other details which could help to directly or indirectly identify you; do not use your office, home, mobile or other phones which could enable someone to identify you;*
- **ordinary letter** - *do not sign it with your name; do not indicate details that could help to directly or indirectly identify you; do not send the letter using the mail service at your office if this may help to identify you, use public places and public mail services for sending the letter.*

6. FORMAT OF THE REPORT

6.1. Whistleblowers reporting on violations or cases of illegal acquisition, disclosure and/or use of information may describe the facts and details known to them in any order and in any convenient format.

6.2. To ensure the most efficient processing of reports related to violations or cases of illegal acquisition, disclosure and/or use of information and to ensure the best results of official investigations conducted by authorized employees of Sistema JSFC, it is recommended that the following format and order of presenting the information is used (regardless of the chosen way of reporting):

6.2.1. **Indicate the type of the issue:** if possible, please choose one or several types out of 4 key issue types (Annex 1) which relate, in your opinion, to your report.

6.2.2. **Indicate the department** of Sistema JSFC or the non-public subsidiary you will be talking about, and indicate the person or persons who, in your opinion, abuses his/her office and commits violations;


6.2.3. **Describe in a simple format** the concrete material facts and important details known to you;

6.2.4. **You may name the author of the report** (only if this is the decision of the whistleblower – it is entirely at his/her discretion): name yourself or simply put "an employee of department of Sistema JSFC" or "an employee of subsidiary";

6.2.5. **You may provide your contact details** for feedback (only if this is the decision of the whistleblower – it is entirely at his/her discretion).

In e-mails sent from any public email addresses on any mailing web-sites (which protect the anonymity of the sender¹) or in ordinary letters you may provide the

¹ Anonymity is provided to the extent allowed by your mailing service (e.g., registration of the mail box without disclosing the name of the user etc.)

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information in a free format, preferably taking into account the above recommendations about the key types of issues on which you are reporting, as this is important for ensuring an efficient and prompt official investigation.

**6.3. Sample messages reported to the anonymous answering machine:
(for the telephone number of the Hot Line refer to cl. 5.1. above)**

... Hello, I am calling from ...^(a)

(a) if possible, indicate the department of Sistema JSFC or the non-public subsidiary; you may introduce yourself as "an employee of" as it is important for us to understand if the message comes from Sistema JSFC employees, employees of non-public subsidiaries or other persons. But you provide such information at your discretion and only if you voluntarily choose to.

... I would like to draw your attention to that fact that, as far as I know, (such-and-such person or persons, or otherwise describe who you are talking about) (commit/engage/participated) in^(b)

(b) the content of the report should include concrete facts known to the whistleblower, not unfounded suspicions or speculation; we also expect to receive help and information, primarily regarding the acts already committed, which could become the basis for an official or other investigation.


.... as far as I know (such-and-such person or such-and-such persons, or the department in general) do not comply/breach (the requirements, terms of reference of, a law on ...; specify what exactly)^(c)

(c) it would be very desirable to state what violation, in your opinion, has been committed and what is the reason for your report, as it will help us to understand the core of the problem and direct the investigation correctly; if possible, please provide other material facts and circumstances.

... according to my estimates (it seems to me) and taking into account related data known to me, the amount involved (if known, indicate the amount) is in the range of (thousands/millions/billions of rubles/US dollars/other currency)^(d)

(d) it is very important for us to know the "importance/materiality" of the issue, if possible - in money terms, if the violation has the cash equivalent.

.... in my opinion, these facts damage/may damage Sistema JSFC with regard to (its reputation, goodwill, pose risk of _____, losses of _____, financial losses, lax discipline etc.).....^(e)

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(e) we would be grateful if you could indicate any other impact of the procedural breaches and abusive practices on other matters, in addition to the financial damage.

.... I would like you to contact me (by phone at _____, by email _____@_____ or otherwise (**only if the whistleblower wants this**), if the facts I have reported are confirmed; and I ask you to inform me about the result of the investigation, let me know if my report helped to solve the problem or what measures are going to be taken to solve^(f)

(f) this request for feedback and contact details are provided only at the discretion of the whistleblower; if this is possible and the relevant instruction is given by the management, the authorized representative of Sistema JSFC will try to contact you and provide the information you require.

7. QUESTIONS AND ANSWERS/ FAQ

7.1. **QUESTION:** Why are the above measures necessary, who requires them and why are the existing rules and measures insufficient?


ANSWER:

By adopting this Whistleblowing Programme, Sistema JSFC is following corporate governance best practice in Russia, the UK, the USA and other countries known for their strict adherence to the rule of law, which has shown that this mechanism is an efficient addition to traditional ways of preventing misconduct and reducing the risks of corruption, fraud or other misconduct / violations.

The methods of reporting the facts or suspicions of misconduct, corruption, fraud, illegal acquisition, disclosure and/or use of commercially secret information or other irregularities, which could threaten the strategic goals, reputation or goodwill of the company, as envisaged by this Programme, will be used in addition to the existing internal and external control and audit procedures of Sistema JSFC.


By implementing this Programme, Sistema JSFC also wants to ensure comprehensive protection for its employees, counterparties, suppliers, partners and shareholders by guaranteeing mutually beneficial and open collaboration, which implies the eradication and prevention of the risks mentioned above, with their assistance and for their benefit.

7.2 **QUESTION:** How is the anonymity of whistleblowers protected?

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ANSWER:

The proposed ways of reporting information via the confidential channels mentioned above (email boxes, voice messages boxes (answering machines), letters) and the measures for protecting anonymity which can be taken (as decided by the whistleblower), together with the obligation of Sistema JSFC not to make attempts to identify the whistleblower, will provide a sufficient guarantee of anonymity.

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Annex 1

E-mail sent to the confidential email address <u>report@sistema.ru</u>	Voice messages left at the confidential voice message box (answering machine) +7 (495) 228-15-02	A letter to the Head of the Internal Control and Audit Function
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(*) Key types of issues

(**) Recommended ways and channels of reporting

Type 1 - Fraud and misuse of assets in the sphere of accounting, reporting etc.

- if there are grounds/ reasons to believe that the top management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	RECOMMENDED
- if there are grounds/ reasons to believe that the middle management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	possible
- in other situations	possible	possible	possible

Type 2 - Non-compliance with the requirements of internal control, internal audit or legislation, imperfection of the internal control procedures etc.

- if there are grounds/reasons to believe that the top management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	RECOMMENDED
- if there are grounds/reasons to believe that the middle management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	possible
- in other situations	possible	possible	possible

Type 3 - Non-compliance with accepted standards of conduct, the Code of Ethics or the Anticorruption Policy

- if there are grounds/reasons to believe that the top management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	RECOMMENDED
- if there are grounds/reasons to believe that the middle management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	possible
- in other situations	possible	possible	possible

Type 4 - Illegal acquisition, disclosure and/or use of commercially secret information

- if there are grounds/reasons to believe that the top management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	RECOMMENDED
- if there are grounds/reasons to believe that the middle management of Sistema JSFC may be involved in this issue	RECOMMENDED	possible	possible
- in other situations	possible	possible	possible

Notes:

(*) These are the recommendations for the efficient ways and channels of reporting in different situations, which would help to achieve results as effectively as possible. The examples given are potential, they were modeled on the basis of the available methodological materials and do not represent evidence that there are or are not similar situations in real life.

(**) According to the terms of the Programme, employees of Sistema JSFC and its non-public subsidiaries are able to report deficiencies with complete anonymity (if a whistleblower so decides). The policy of Sistema JSFC on processing the information received as part of this Programme stipulates that members of the company's governance bodies, the management and the employees do not have the right and will not take measures to identify the whistleblower, except when required by law (e.g., *defamation, reports of criminal activity, etc.*).