

APPROVED

by the Board of Directors of

Sistema JSFC

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Sistema Joint Company

“Joint Stock Financial Corporation “Sistema”

CODE OF CORPORATE CONDUCT

**MOSCOW
2004**

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1. GENERAL PRINCIPLES OF CORPORATE CONDUCT

1.1. MISSION, GOALS AND DEVELOPMENT STRATEGY OF SISTEMA JSFC

Sistema JSFC (hereinafter referred to as the Corporation) is one of the largest in Russia non-raw materials diversified corporations, having and managing shareholdings in various industries of economy. The Corporation's major interests are vested in the spheres of telecommunications, insurance, electronics and real estate. The Corporation is active on the world financial markets and participates in strategic alliances with the leaders of world economy.

The Corporation's mission reflects the shareholders' intention to develop a large, competitive diversified business in the sphere of high technologies that will contribute value to the society: "We create leaders in the business of high technologies by investing financial, intellectual and managerial resources in the interests of the society and the shareholders".

We define high technologies as the businesses and projects requiring large investments of intellectual resources and know-how. We do not limit our growth by the Russian market but Russia's interests are always a priority when international operations are carried out.

In accordance with the Mission the Corporation pursues strategic goals the most important of which are: business portfolio diversification; stability of cash inflow from the managed businesses, maintaining of financial stability; strengthening of leading positions on the key markets and enhancing of corporate management and business culture.

In pursuance of these goals the Corporation has defined the key principles to be followed in carrying out its business activities:

- creation or acquisition of prospective businesses which are capable of becoming leaders on their respective markets;
- active involvement in the development and management of the companies by working out and realizing their strategies, appointing of key managers and participation on the boards of directors;
- attraction of financial resources for ensuring growth of the business portfolio of companies;
- a strategically justified liquidation of projects by selling the businesses via listing on the Russian and international stock exchanges, sale of businesses or merging them with strategic partners.

1.2. CORPORATE CONDUCT

The present Code of Corporate Conduct pursues the following goals:

- securing that the Corporation, in carrying out its activities, honors the rights and legal interests of the shareholders and other interested parties;
- ensuring transparency of the information on the Corporation, its activities and results thereof, the managing bodies, the order and principles of the managerial decision-making as regards corporate development, and also the essence of such decisions;
- creation of the atmosphere of openness, trust and cooperation in the relations among the Corporation, its shareholders, managers, investors, employees, business partners and other interested parties.

The present Code includes additional obligations assumed by Sistema JSFC in addition to those set forth in the current corporate legislation. Joint Stock Company "Joint Stock Financial Corporation "Sistema" declares and confirms:

- its intention to strictly comply with the rules and requirements of the Russian legislation, in particular, of Russian corporate and securities law;
- its intention to follow the main principles of the Russian code of corporate conduct in its activities, and also the international standards and recommendations;
- its desire to ensure that the Corporation's daughter and dependent companies comply with the rules and requirements of the current legislation and implement better corporate policies in their activities.

1.3. PRINCIPLES OF BUILDING RELATIONS WITHIN THE GROUP OF COMPANIES

In opinion of the Corporation, its main function with regards to the daughter and dependent companies is contributing to such companies' comprehensive development pursuing their achievement of the following goals:

increased turnover, business volume, efficiency and profitability, and share on the market of similar products and services;

guaranteed high quality of the goods and services offered by the companies;

growth of capitalization and the companies' value in the interests of their shareholders.

The Corporation manages the development of daughter and dependent companies in the interests of all such companies' shareholders. The Corporation's managerial decision-making shall take into account the interests of other shareholders, investors, consumers of the products offered by the daughter and dependent companies, and of other interested parties, including governmental and regulatory authorities.

The Corporation shall exercise control over the daughter and dependent companies' strict compliance with the current corporate legislation, the charter, and internal documents of the companies and guarantees the protection of the other shareholders' proprietary rights and interests.

In pursuance of its goals the Corporation shall:

review and makes strategic decisions on the overall development strategy of the Corporation and of the specific business directions;

control their implementation;

invest owned and borrowed financial resources in the development of daughter and dependent companies;

coordinate the activities and interrelation among the holding's companies;

create a unified legal expense for the management's work;

render assistance in the search and employment of qualified managers, creation of a management reserve, arranges training of managers and specialists.

The Corporation shall provide the daughter and dependent companies with knowledge, skills intellectual potential, and other capabilities of its managers and specialists.

The Corporation shall work out its position on the key issues of its daughter and dependent companies' development and promote its position via the Corporation's representatives in the companies' management bodies.

The unified legal field in such spheres as the companies' business planning, budgeting, employee motivation, authority and regulation of the board of directors activities; risk management procedures, etc. shall be ensured through the Corporation's developing of standardized methodological documents (standard internal documents) and subsequent enactment thereof by the daughter and dependent companies' managing bodies with due regard of the companies' peculiarities.

Increased efficiency of business management shall be achieved by the Corporation's rendering consulting and managerial services to its daughter and dependent companies. These services shall be provided either free of charge or for a contractual fee.

1.4. SOCIAL RESPONSIBILITY

Sistema JSFC is conscious of the social responsibility of business, its social responsibility to the public.

Social responsibility shall include:

- openness and good faith in the relations with state government. The Corporation shall disclose the information on itself and on its activities, allowing the state and society to exercise the necessary control;
- loyalty and honesty in the relations with partners, contractors and employees. The Corporation shall develop its own ethics code and strictly complies with its provisions; renders comprehensive assistance to the development of business ethics in the work of Russian companies. The Corporation is ready to refer business conflicts to the Court of Reference and the Business Ethics Commission of the Russian Union of Industrialists and Entrepreneurs;
- concentration of financial and intellectual resources in the prioritized development of the high technology businesses, that are capable of substantially influencing the growth of economic and technological potential and of the international position of Russia. The Corporation shall disclose its long term development strategy. The Corporation shall also take care of the quality and

- environmental safety of its products and services;
- care of the employees. The Corporation shall pursue to ensure a good level of wages and salaries and working conditions at its enterprises. The Corporation shall introduce medical insurance plans, create the conditions for growth of the personnel's qualifications and educational level, organize sporting events and leisure, and attend to other aspects of social development of the employees;
- direction of a certain portion of the Corporation's profits to finance socially meaningful projects and programs. The enterprises of the Corporation have created a charity fund to provide joint financing for implementing such projects and programs and carrying out charity activities. Sistema JSFC shall contribute to the development of corporate management in Russia, by providing financial assistance and participating in events organized by non-profit organizations for this purpose.

The Corporation shall prepare and publish its consolidated social accounts.

Sistema JSFC is a member of the World Council of entrepreneurs on stable development. Sistema JSFC has joined the Global Compact on formation of shared values and principles of corporations' social responsibility initiated by the United Nations.

2. CORPORATE MANAGEMENT AND CORPORATE PROCEDURES

2.1. PREPARATION AND HOLDING OF A GENERAL MEETING OF SHAREHOLDERS

Joint Stock Company "Joint Stock Financial Corporation "Sistema" aims at creating most the favorable conditions for the shareholders' participation in the General Meetings of Shareholders – the senior management body of the Corporation. In pursuance of this goal the Corporation has assumed additional obligations with respect to preparation and holding of annual and extraordinary General Meetings of Shareholders.

1. The notice of a planned meeting shall usually be served on the shareholders personally, receipt acknowledged by signature. Should such service of notice be impossible, the notice shall be sent to the shareholder by registered mail.
2. Any shareholder may access the list of persons eligible to participate in the General Meeting of Shareholders and obtain an excerpt from the List within one business day upon submitting of an application to the Corporate Secretary of Sistema JSFC.
3. The Corporation shall provide to the shareholders the following information, when general meetings are prepared, in addition to the information prescribed by the current legislation:
 - data on the person that introduces an issue on the agenda;
 - in case of electing members into the Board of Directors – short CV of the nominee, data on his consent to be nominated;
 - in case of deciding on reorganization – justification of the reasons for such reorganization;
 - in case of deciding on the increase in the authorized capital – explanation of the reasons for such a decision;
 - other additional information as the Board of Directors deems appropriate.

A shareholder may access any documents and information for the General Meeting in the office of the Corporate Secretary and also receive documents and information by electronic mail upon submission of a respective request to the Corporate Secretary.

4. The Corporation's goal is to ensure that the wording of the issues on the agenda and the decisions be impossible to construe varyingly and be free from ambiguities.
5. Shareholders whose titles to shares are fixed in the Corporation's register shall not be required to provide documentary evidence of their shareholding while requesting an extraordinary General Meeting or proposing to include issues in the agenda of the annual General Meeting of

- Shareholders, or nominating candidates to the elected managing bodies. The shareholders whose rights to shares are fixed by a depository shall be required to provide an excerpt from the relevant Depo account and the excerpt must not be more than three working days old.
6. The Corporation's Charter provides that the voting ballots which will be used at formal meetings be served on the shareholders either via registered mail or personally, receipt acknowledged by signature. The shareholders may participate in the meeting personally or by submitting, at least two days in advance of the meeting, to the Corporation of a filled out and signed ballot. In this case the ballots will be taken into account when quorum is determined and votes on an issue are calculated. Should a shareholder deliver such a ballot to the Corporate Secretary personally, the latter must make sure that the ballot is validly executed or point out any inconsistencies which may render the ballot invalid.
 7. The Corporation is committed to calculate the results of voting before the meeting is closed.
 8. The Bylaw on the General Meeting of Shareholders adopted by the Board of Directors, apart from the above provisions, prescribes:
 - an unambiguous order of determining the authority and registering of a shareholder or his proxy arriving to participate in the Corporation's General Meeting of Shareholders, which order is binding on the counting commission;
 - the requirement that any formal General Meeting must be attended by the Board of Directors members who are not shareholders, and by nominees to the Board of Directors, by representative to the audit commission and of the independent auditor as well as by the Corporation's top managers;
 - the regulations on considering the issues of the agenda, which secure the right of shareholders to address questions to the Board of Directors members and to the Corporation's top managers, as well as to other participants of the meeting concerning any of the issues on the agenda before voting is announced;
 - the right of shareholders to request oral explanations from the Corporation's officers regarding the issues on the agenda if the meeting is held by correspondence;
 - the right of shareholders to request a copy of his voting ballot at closing of the meeting and announcing the results of counting the votes.
 9. Upon written request of a shareholder a copy of the minutes of the General Meeting of Shareholders will be sent to the shareholder by electronic mail. The report on the results of voting and the information on the decisions adopted by the General Meeting of Shareholders shall be available on the Internet site of the Corporation.

2.2. FORMATION AND ORGANIZATION OF ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors of Joint Stock Company "Joint Stock Financial Corporation "Sistema" plays a key role in:

- determining the development strategy of the Corporation and of its daughter companies;
 - controlling the activities of the Corporation's executive bodies and the development of the daughter companies;
 - ensuring the rights and interests of shareholders, of the Corporation's investors and partners and other interested parties;
 - making decisions on the most important issues of the Corporation's financial and economic activities;
 - arranging for disclosure of information on the Corporation's activities.
- The key role of the Board of Directors in fulfilling its above goals is realized through:
- broader competence of the Board of Directors;
 - strict requirements as regards their experience and qualifications which the members of the Board of Directors must meet;
 - employment of modern schemes of organizing the work of the Board of Directors;
 - an effective system of motivation of the Board of Directors members.

1. The Board of Directors has the following authorities in addition to those prescribed by law:
 - to approve the Corporation's financial and economic plans, budgets, and investment programs of development;
 - to approve large investment projects;
 - to control over the activities of the Corporation's top managers;
 - to decide on the acquisition and termination of shareholdings in other companies;
 - to consider the issues of the Corporation's development strategies in priority directions of activities (business directions);
 - to form the Board of Directors Committees, determination of their authorities, approval of the personal composition of the committees;
 - to nominate candidates to the boards of directors, audit commissions, and to the individual executive officer position in the daughter companies; raising the issue of their early discharge;
 - to work out the Corporation's position on the key issues of daughter companies' development considered by the general meetings of shareholders (boards of directors) of such companies;
 - to create a risk management system;
 - to confirm the contract to be concluded with the Corporation's President;
 - to approve of the qualification requirements, of the work evaluation criteria and of the motivation system for the top managers of the Corporation;
 - to appoint Sistema JSFC's Corporate Secretary and termination of his authorities;
 - to decide on alienation of real property, whose value exceeds 10% of the balance sheet value of the Corporation's assets and use of such property as security for the performance of its or third party obligations;
 - to approve the list, volume and requirements on protection of the data containing commercial secrets.

The authorities of the Board of Directors are determined by the Corporation's Charter, the order of decision making, the rights, obligations and liability of the Board of Directors members are defined in the Regulation on the Board of Directors.

2. Formation of the Board of Directors.

The Corporation shall endeavor to elect only the most qualified specialists to the Board of Directors, possessing the skills and knowledge needed by the Corporation. In pursuance of this goal the Committee of the Board of Directors on Appointments and Awards shall develop and inform the shareholders of the advisory criteria set forth for the Board of Directors members.

The Board of Directors shall be elected by cumulative voting.

To ensure that decisions be objective and justified the Corporation intends to secure the nomination and election into the Board of Directors of independent directors.

The following criteria must be met by the persons eligible to become independent directors:

- the person will not be at the moment of election and has not, in the three preceding years, served as the sole executive officer, a member of the collegial executive body, a staff employee of the Corporation (nor spouse, parent, or sibling of such a person);

- the person will not be an affiliated person of the Corporation (except as member of the Board of Directors);

- the person will not be the director of a daughter or dependent company;

- the person will not be a manager or an officer of the Corporation's managing company, its daughter or dependent company.

The Corporation intends to create an optimum combination of succession of the Board of Directors members and of election of new members.

3. Organization of activities of the Board of Directors.

Members of the Board of Directors shall manage the Corporation taking into account the interests of its shareholders, managers, investors, partners, employees and other interested parties, including interests of the state.

The Board of Directors activities shall be in accordance with a schedule.

The Chairman of the Board of Directors shall have an important role in its activities.

The Chairman of the Board of Directors shall have vast authority to plan and organize the Board of Directors activities, to control the work of executive bodies. The Chairman shall have the casting vote in case of a tie in deciding on an issue before the Board of Directors.

To ensure quality of its decisions the member of the Board of Directors may: request and obtain from the Corporation's officers any information on the Corporation's activities; engage external independent experts to provide expert opinions on draft decisions (within the budget restrictions on the Board of Directors); require that their dissenting opinion on a considered issue be fixed in the Board of Directors minutes of the meeting.

Members of the Board of Directors must refrain from acts which cause or may cause a conflict between the member's and the Corporation's interests and, in case such conflict of interests occurs, must disclose the fact to the Board of Directors.

Members of the Board of Directors may not disclose or use confidential and insider corporate information in pursuance of their personal interests. A member shall make a prior notice to The Chairman of the Board of Directors of his intention to effect a transaction involving the Corporation's securities.

The Board of Directors shall annually assess the work of its members and their contribution to resolving the issues the Corporation is faced with. The results of such assessment shall be the basis for determining the amount of the members' remuneration. Information on the amount of such remuneration shall be disclosed in the annual report of Sistema JSFC.

Sistema JSFC's Board of Directors shall form a number of committees of the Board pursuing to have the most important decisions preliminarily evaluated and worked out, to provide for a good justification of the Board's decisions and to exercise effective control over implementation of such decisions; the list of such committees shall include the Development Strategy Committee, the Appointments and Awards Committee, Corporate Conduct Committee, Audit Committee. The Committees may use the services of the Corporation's officers and of independent external experts.

4. The order of meetings and decision-making.

The Board of Directors shall hold its meeting in accordance with a pre-approved plan.

The Board of Directors shall hold its meetings at least once a month. The meetings may be either formal or informal.

A member of the Board of Directors, who is not present at a meeting, may express his opinion on the agenda issues in a letter submitted to the Board of Directors before the meeting is held. Such an opinion shall be taken into account when votes are counted.

The most important issues, including the determination of the Corporation's priority activities, appointment of the sole executive body and early termination of his authorities, increase of the authorized capital and the issues listed in p.1 of this section of the present Code, may be considered only at formal meetings of the Board of Directors.

Shareholders who jointly own two or more percent of the Corporation's shares may demand that an extraordinary meeting of the Board of Directors be held or that an issue, raised by the shareholders, be included into the agenda of a regular meeting.

The order of preparation and of holding the Board of Directors meetings shall be in accordance with the Regulations, approved by the Board of Directors. The regulations shall envisage that:

the members of the Board of Directors must receive prior notification of the meeting in the format most convenient to them;

the member of the Board of Directors must receive the materials regarding the issues included in the agenda not later than three days in advance of the meeting;

the meetings of the Board of Directors must be attended by the Corporation's officers who can provide information needed by the members of the Board of Directors to make a well-grounded on the considered issue;

prior consideration shall be given to the issues by Committees of the Board of Directors and by the conference organized by the Corporation's President before submission of the issue to the Board of Directors;

the members of the Board of Directors must be notified of the opinion arrived at by the Committee in charge of preliminary consideration of the issue;
the decisions of the Board of Directors must specify the person responsible for implementing the decision.

Sistema JSFC has created and shall operate an effective system of monitoring the implementation of decisions.

5. International Consultation Council.

The international consultation council (ICC) has been formed by the Board of Directors to provide independent review and consultation on the most important issues of the Corporation's development strategy and introduce the world know-how in the sphere of corporate management in Sistema JSFC. ICC is composed of representatives of the Russian and foreign business circles, public and art figures and prominent scientists. ICC shall hold its sessions at least twice a year. ICC's decisions shall be of advisory nature.

ICC's main tasks shall include:

- analysis and evaluation of various business directions and projects proposed for implementation by Sistema JSFC and its daughter and dependent companies;
- development of proposals and recommendations to Sistema JSFC's management regarding various activities of Sistema JSFC;
- contribution to promoting the interests of Sistema JSFC in Russia and abroad and also creation of a favorable image of the Corporation in the Russian and foreign political, business and cultural circles.

2.3. EXECUTIVE BODIES AND SECRETARIAT OF THE CORPORATION

The President of Sistema JSFC, who is the sole executive body of Corporation, shall manage its current activities.

1. The President shall be appointed and discharged by the Board of Directors of the Corporation. The President's term shall be 3 years.

The President's position may be held by a person of high qualifications, experience of managing a holding company and impeccable personal reputation. The President's position may not be given to a person convicted of crimes related to entrepreneurial activities, finances, tax, or securities markets. The President must refrain from acts that may result in a conflict between his interests and the Corporation's interests. Should such a conflict of interests occur the President must inform the Board of Directors thereof.

The President may not simultaneously manage the Corporation and pursue other activities, except for participation on the boards of directors of the largest companies which shall be subject to approval by the Board of Directors.

2. It is recognized that the sole executive body has a key role in implementing the decisions of the General Meeting of Shareholders and the Board of Directors, in pursuing strategic and tactical development goals, and therefore the Corporation shall vest the President with broad authorities as reflected in the Charter of Sistema JSFC and in the contract concluded between the Corporation and the President. The President may take decisions within the scope of his authority.
3. In carrying out his activities the President shall be responsible to the Board of Directors of the Corporation. The President shall provide quarterly and annual reports to the Board of Directors on his work and reports on the financial position of the Corporation providing his explanations and the corresponding financial documents.
4. To ensure a comprehensive consideration and analysis of the President's decisions a permanent conference shall be organized consisting of the directors of the main structural departments of the Corporation's management and the persons serving as the sole executive bodies of the management of the largest daughter and dependent companies of Sistema JSFC. The President determines the personal composition of the conference. The conference shall act pursuant to the regulations. The Conference's decisions shall be advisory and shall not relieve the President from the personal responsibility for his decisions.

5. The President shall serve as the head of the Corporation's administration. The organizational structure of the Corporation shall be approved by the Board of Directors.
6. The Corporation has enacted Regulations on motivating the work of the central administration managers and specialists based on personal input of each employee in the final results of Sistema JSFC's performance. The regulations on motivation are approved by the Board of Directors of the Corporation.

2.4. CORPORATE SECRETARY

The Board of Directors of Sistema JSFC appoints the Corporate Secretary.

The Corporation's Corporate Secretary shall be an officer responsible for compliance with the rules and procedures of corporate conduct, prescribed by the current Russian legislation, the present Code and other internal regulations of the Corporation.

The Corporate Secretary's main functions shall include:

- development and subsequent actualization of the Code of Corporate Conduct of Sistema JSFC, other internal regulations of the Corporation governing the activities of the managing bodies, the corporate procedures;
- preparation and holding a General Meeting of Shareholders;
- organization of the activities of the Board of Directors;
- maintenance of document archives and disclosure of information on the Corporation;
- organization of relations between the Corporation and the shareholders;
- control over compliance with the legislative rules, approved rules and procedures of corporate conduct;
- coordination and methodological management of the activities carried out by the secretaries of the boards of directors (corporate secretaries) in Sistema JSFC daughter and dependent companies.

The rules on the Corporate Secretary shall be approved by the Board of Directors.

The Corporate Secretary shall be appointed and discharged by order of the President based on the respective decision of the Board of Directors and shall be responsible immediately to the Chairman of the Board of Directors. If necessary, the Corporate Secretary may form a secretariat.

3. PROTECTION OF PROPRIETARY INTERESTS OF INVESTORS AND SHAREHOLDERS

3.1. SUBSTANTIAL CORPORATE ACTS AND CORPORATE CONFLICTS

Substantial corporate acts of Sistema JSFC, with due account of the Corporation's specifics, shall include the following:

- large-amount and interested-party transaction;
 - transactions involving sales and acquisitions of shares, equities, interests in the authorized capital of other companies;
 - sales by the shareholders of 30% (or more) of shares of the distributed ordinary shares of the Corporation;
 - reorganization and liquidation of the Corporation;
 - reduction or increase of the Corporation's authorized capital amendments to the Charter of Sistema JSFC involving the competence of the Corporation's management, the rights of shareholders;
 - reorganization of the holding's structure and the system of managing daughter and dependent companies;
 - other important corporate actions recognized by the laws in force.
1. In the event of taking a decision on effecting a transaction that possesses the properties of a substantial corporate acts (including a decision to submit a corresponding issue to the General Meeting of Shareholders), the Board of Directors shall carry out a comprehensive analysis of the possible consequences of such a decision including, if necessary, by engaging external experts. In considering such issues the opinions of the independent directors shall be taken into account.

2. If necessary, the Board of Directors may employ an auditor or an independent assessor to evaluate the conditions of a large-amount or an interested-party transaction.
3. Shareholders shall be recommended to provide preliminary notice to the Board of Directors in case they intend to sell 30% (or more) of the Corporation's shares.
4. In the event of reorganization of Sistema JSFC involving conversion of shares, the market value of shares involved shall be determined by an independent assessor.
5. The Corporation is determined to prevent corporate conflicts. The main instrument of preventing such conflicts shall be the public disclosure of information on the Corporation's activities.
6. Sistema JSFC declares its intention to avoid corporate conflicts with its daughter and dependent companies and shareholders thereof and to resolve all problems by means of negotiations.

3.2. SISTEMA JSFC POLICIES IN MAINTAINING THE REGISTER, USE OF PROFITS AND DISTRIBUTION OF DIVIDENDS

1. Capitalization growth is viewed as the most important factor for satisfaction of the shareholders proprietary interests of deriving the most benefits from their shares.
2. In case income is realized the Corporation is determined to pay dividends to its shareholders. Dividends shall be distributed in cash within 60 days upon the relevant decision on the distribution of dividends in the form most convenient for the shareholders.
3. The remaining part of the income shall be directed to finance the Corporation's activities described in the Charter. Retained profit shall be disposed of by decision of Sistema JSFC's President pursuant to the Corporation's development budget approved by the Board of Directors. Profits may be partially used to finance sponsored programs and charity activities.
4. The Corporation has retained a specialized licensed registrar, having an impeccable reputation, to maintain the register of shareholders of Sistema JSFC pursuing to protect the proprietary rights of the shareholders vested in the shares of Sistema JSFC and to create most favorable conditions on which the shareholders may dispose of their shares. Sistema JSFC's registrar is JSC "Register".

3.3. RISK CONTROL AND RISK MANAGEMENT PROCEDURES

Sistema JSFC recognizes the necessity to form a system of controlling financial and economic activities and managing risks as an important element in maintaining a stable development of the Corporation and protecting the interests of shareholders and investors.

1. the Audit Committee of the Corporation's Board of Directors is in charge of controlling the financial and economic activities of the Corporation, preparing nominations to the Audit commission of Sistema JSFC, recommending on the choice of an independent auditor, coordinating the Corporation's bodies' and external organization's activities in exercising control over the financial and economic activities.
2. the system of control over financial and economic activities carried out by the Corporation shall be based on verifying that all effected transactions comply with the Corporation's approved budget. There is a prescribed procedure of making amendments to the Corporation's budget if the necessity arises to effect transaction not included into the budget.
3. Control and Audit Directorate of Sistema JSFC (CAD) shall verify that the financial and economic activities of Sistema JSFC conform to the legally prescribed rules and regulations of the legislation in force, the provisions of the Charter and internal regulations of the Corporation. The head of CAD shall be appointed and discharged by order of the President upon the corresponding decision of the

Board of Directors of Sistema JSFC. The Corporation has approved regulations on carrying out inspections.

4. Controlling the Corporations the Board of Directors of Sistema JSFC regularly hears reports of the executive body and officers of the Corporation regarding the results of the Corporation's development, on implementation of the approved plans and decisions.
5. The Corporation's consolidated financial statements are prepared in accordance with the US GAAP standard. The Corporation publishes its statements once in six months for all interested parties.
6. Independent auditors, that do not have any property or other relation to Sistema JSFC, are retained to verify the accuracy of the data contained in financial and accounting statements. The Corporation retains different companies to carry out audits in accordance with the Russian laws and bookkeeping standards, rules and regulations and the audits in accordance with the international US GAAP standard in order to assure better quality of audit. Consolidated financial statements prepared in accordance with the international standard are audited by an internationally recognized auditing company. The Corporation strives to select the auditing company on competitive basis. The conditions of the contract to be concluded with the auditor and the amount of remuneration are approved by the Board of Directors of the Corporation.
7. Sistema JSFC has created a mechanism of prompt identification, prevention and minimization of risks, which is prescribed in the Risk Management Regulations approved by the Board of Directors of the Corporation. Evaluation and responding to strategic and surrounding risks are done in cooperation with the daughter and dependent companies. The Board of Directors regularly hears reports analyzing and evaluating risks found in the Corporation's activities and describing the measures undertaken to remove them.
8. Sistema JSFC controls the activities of the daughter and dependent companies by means of, *inter alia*, participation in the forming of their audit commissions, periodic analysis of the information and documents which must be presented to the shareholders in accordance with the laws in force. Sistema JSFC takes steps to create effective risk management systems in such companies.

4. INFORMATION DISCLOSURE

Availability and transparency of information on the Corporation's activities and results thereof are viewed by Sistema JSFC as a mechanism to ensure control over the Corporation's activities from the part of shareholders, the state and the public as a whole, an important tool to raise the level of confidence of the Corporation's investors and partners.

Sistema JSFC shall provide for the completeness and trustworthiness, promptness of presentation, and availability of information to all the shareholders and other interested parties.

1. The Corporation's information policy – the contents, means and dates of its disclosure, including furnishing of information to the shareholders, shall be specified in the Regulations on Information Policies approved by the Board of Directors of Sistema JSFC.
2. The Corporation has undertaken additional obligations regarding public disclosure of information on its activities apart from those prescribed in the current legislation to the following extent:
 - general information on the Corporation, its mission, goals and tasks of its activities, managing bodies, structure and functions of the major administrative departments, business directions implemented by the Corporation and other largest companies within its group, the current development strategy. Such information is presented in the White Book of Sistema JSFC published annually and in Sistema JSFC's annual report;
 - consolidated financial accounts made in accordance with the international US GAAP standard - annual audited statements and semiannual auditors' reports and also the

explanations of the management with respect to the results of financial and economic activities during the accounting period.

Such information must be disclosed twice a year and not later than 180 days after the end of the accounting period. The primary form of publishing the information is pasting it on the Corporation's Internet site at www.sistema.ru. Other forms of disclosure include press-conferences for Russian and foreign mass media, teleconferences for investors and analysts, presentation for the investors in the largest international financial centers;

- non-consolidated financial statements of Sistema JSFC in accordance with the Russian standards on bookkeeping. This information is disclosed annually in the Russian periodic press and on the Corporation's Internet site;
- data on shareholders, who own 1 (one) or more percent of the Corporation's shares. This information is disclosed on the Corporation's Internet site;
- data on the personal composition of the managing bodies, the chief accountant, the vice-presidents of the Corporation, the corporate secretary, with inclusion of brief biographic data. The information shall be available on the Corporation's Internet site and in the annual report, and shall also be included in the White Book of Sistema JSFC;
- data on the major companies whose shares are owned by Sistema JSFC. The information shall be available on the Corporation's Internet site and shall also be included in the White Book of Sistema JSFC;
- current version of the Charter, the Code of Corporate Conduct, the Regulations on the managing bodies. The information shall be available on the Corporation's Internet site and is provided in electronic or printed form upon shareholders' and other interested parties' requests;
- the information on the Board of Directors Committees formed by the Corporation and their major functions. The information shall be available on the Corporation's Internet site;
- the information on the most important decision made by the Board of Directors. The information shall be available on the Corporation's Internet site;
- brief data on the most important documents adopted by the Corporation. The information shall be available on the Corporation's Internet site;
- information on the major current events in the operations of Sistema JSFC. The information shall be available the Corporation's Internet site;
- the history of creation and development of Sistema JSFC. The information shall be available on the Corporation's Internet site;
- press-releases and publications on the Corporation's activities The information shall be available on the Corporation's Internet site.

3. Information services to investors.

The Corporation has created a Directorate on Investor Relations pursuing to create the most favorable conditions of meeting the investors' and creditors' information requirements. The Directorate's main task shall be to build a most efficient two-sided communication channel between the Corporation and the investment community by providing to investors, analysts and financial mass-media, as well as to other interested parties, the necessary information on financial and operational activities of the Corporation and advising Sistema JSFC's management on the situation on financial markets and the attitude of the investment community to the activities of Sistema JSFC in order to have Sistema JSFC's securities achieve their true value.

4. The Corporate Secretary bears the responsibility for provision to shareholders of information on the Corporation as required by article 89 of the Federal law "On Joint Stock Companies", including provision of copies of documents.

5. Protection of confidential information.

The Corporation's managing bodies shall pass the list of documents containing commercial secrets. The Corporation's managing bodies shall pass an Instruction on the protection of commercial secrets and take steps necessary to ensure proper storage, restricted access and protection of information containing

commercial or trade secrets. The President of Sistema JSFC shall be in charge of implementing the measures needed to protect confidential information.

6. Prevention of use of insider information.

The Corporation's managing bodies prescribe the list of insider information and the lists of persons having access such information. The contracts concluded between the Corporation and such persons contain provisions prohibiting disclosure or use of insider information by such persons. The President of the Corporation shall be in charge of controlling the use of insider information.

5. CONCLUDING PROVISIONS

The present Code shall be effective from the moment of its approval by the Board of Directors of Sistema JSFC.

Sistema JSFC shall, within six months upon approval of the Code, bring its Charter and the Regulations on the managing bodies into conformity with the requirements and obligations set forth herein and prepare and approve other regulating documents hereby envisaged.

The Committee of the Board of Directors of Sistema JSFC on Corporate Policies shall strictly monitor that the Corporation's managing bodies and officers comply with the rules and requirements of the Code. The committee of the Board of Directors on corporate management shall consider all letters, applications and submission of all interested parties, informing of violations of the rules and requirements of the Code and undertakes measures to remedy such violations.

The present Code shall be subject to review and improvement as the number of the Corporation's shareholders grows, positive experience is developed in the sphere of corporate management, new Russian and international standards appear that refer to companies' corporate conduct.

The Code shall be posted on the Corporation's Internet site and as a separate brochure and shall be available to all interested parties.