

Approved by the
Extraordinary General Shareholders' Meeting of
"Southern Telecommunications Company" PJSC
Minutes № 13 of January 21, 2003

PROVISIONS ON THE BOARD OF DIRECTORS

of Public Joint –Stock Company "Southern Telecommunications Company"
PJSC
(amended and restated by the General Shareholders' Meeting of
"UTK" PJSC,
Minutes № 15 of 30 June 2004 and № 16 of 30 June 2005)

**Krasnodar
2003**

1. General provisions

- 1.1. Pursuant to the Civil Code of the Russian Federation, Federal law “On Joint Stock Companies” and the Charter of the Company the present Provisions on the Board of Directors (hereinafter – the Provisions) shall determine the procedure for calling and conducting the meetings of the Board of Directors, amount of remunerations and compensations to the members of the Board of Directors of the Company and their payment procedure.
- 1.2. The Board of Directors is the collegiate governing body of the Company executing general management of its activity except for the issues referred by the federal legislation and the Charter of the Company to the exclusive competence of the General Shareholders’ Meeting.

2. Business Objectives and Principles of Activity of the Board of Directors

- 2.1. Business objectives of activity of the Board of Directors shall be gaining maximum profit, increasing assets value of the Company, protecting rights and legitimate interests of shareholders, ensuring completeness, reliability and objectivity of the public information on the Company.
- 2.2. When realizing the business objectives the Board of Directors shall be obliged to follow the principles stated below:
 - taking resolutions based on reliable information on the Company’s activity;
 - preventing restrictions of the shareholders’ rights to participate in managing the Company’s activities, receive dividends and information on the Company;
 - achieving the balance the interests between different groups of shareholders and taking the most objective decisions in the interests of the Company shareholders.

Rights and Obligations of a Member of the Board of Directors, Order of Their Exercise

- 3.1. A Member of the Board of Directors shall have the right:
 - 3.1.1. to require any information on the Company’s activity from the Company officials including documents provided for by Article 89 of the Federal Law “On Joint Stock Companies” in accordance with the procedure set herein;
 - 3.1.2. to get remuneration and compensation of expenses related to execution of their functions of a member of the Board of Directors in cases and in amount provided for hereby;

3.1.3. to require entering into the minutes of the meeting of the Board of Directors his individual opinion on items of the agenda and the decisions taken.

3.2. A Member of the Board of Directors shall meet the following obligations:

3.2.1. to be loyal to the Company, that is, to abstain from using his position in the Company in the interests of other persons;

3.2.2. to act within his rights in accordance with business objectives and principles of the Board of Directors;

3.2.3. to act reasonably and in good faith with respect to the Company's affairs;

3.2.4. to keep secret confidential information about the Company's operations known by him owing to execution of the functions of a member of the Board of Directors, access to which is restricted according to the legislation of the Russian Federation and internal documents of the Company;

3.2.5. to initiate meetings of the Board of Directors for considering urgent matters;

3.2.6. to take part in taking decisions by the Board of Directors by voting on agenda issues of its meetings;

3.2.7. to take reasoned decisions, in relation with thereto to study all necessary information (materials);

3.2.8. to estimate risks and adverse consequences when taking decisions;

3.2.9. to inform timely the Company of his affiliation and changes therein;

3.2.10. to notify the Board of Directors in writing of the fact of ownership of the Company's shares, the intention to enter into transactions with securities of the Company or its subsidiary and controlled companies as well as of previous transactions with such securities.

3.3. Activity of a member of the Board of Directors shall be continuous and shall not be limited to participation in decision-making by the Board of Directors.

3.4. At the request of a member of the Board of Directors expressed orally or in writing the Company shall be obliged to provide him an unlimited access to information and materials stipulated by paragraph 3.1.1. hereof.

The required information and materials shall be presented for familiarization to a member of the Board of Directors within 5 (five) days after filing the corresponding request.

At the request of a member of the Board of Directors the Company shall be obliged to give him the copies of all required documents.

3.5. The Company is entitled to demand proper discharge of his (her) duties by a member of the Board of Directors.

A member of the Board of Directors shall be liable to the Company for the default (improper discharge) of his duties and for the losses caused by his actions.

The Company has the right to sue a member of the Board of Directors for the damages caused by his culpable actions (inactions).

4. Chairman of the Board of Directors

4.1. Chairman of the Board of Directors shall be elected by the members of the Board of Directors among its members at their first meeting by the majority of votes of the Board of Directors members attending the meeting.

4.2. The person acting as the Company's individual executive body cannot be at the same time the Chairman of the Board of Directors.

4.3. The Board of Directors shall have the right to reelect its Chairman at any time.

4.4. Members of the Board of Directors shall have the right to elect Vice-Chairman. Should the Chairman of the Board of Directors be absent, all his powers (including the power to sign documents) shall be delegated to the Vice-chairman, should the latter be absent too – to one of the members of the Board of Directors upon the resolution of the Board of Directors approved by the majority of votes of the members attending the meeting.

4.5. Chairman of the Board of Directors shall arrange the work of the Board of Directors, convene its meetings and preside there, organize keeping of the Minutes at the meetings.

4.6. Chairman of the Board of Directors shall have no right to delegate his functions to another person.

5. Secretary of the Board of Directors

5.1. The Secretary of the Board of Directors shall be appointed by the members of the Board of Directors at their first meeting by the majority of votes of the Board of Directors members attending the meeting.

5.2. Board of Directors shall have the right to release the Secretary of the Board of Directors from his duties and appoint a new Secretary of the Board of Directors.

5.3. Should the Secretary of the Board of Directors be absent, all his duties shall be delegated to another person approved by the majority of votes of the Board of Directors members attending the meeting.

Should the Corporate Secretary of the Company be appointed pursuant to the resolution of the Board of Directors, duties of the Secretary of the Board of Directors shall be performed by the Corporate Secretary of the Company.

5.4. The Secretary of the Board of Directors shall have the right:

5.4.1. to require from the Company officials any information and documents necessary for preparation of materials on the agenda issues of the Board of Directors meetings;

5.4.2. to get remuneration and compensation of expenses related to execution of his functions of the Secretary of the Board of Directors in amount and in order set by the resolution of the Board of Directors;

5.5. The Secretary of the Board of Directors shall have the responsibilities:

5.5.1. to take and keep minutes of the Board of Directors meetings;

5.5.2. to keep record of documents, to retain incoming documents and copies of outgoing documents of the Board of Directors;

5.5.3. to inform the members of the Board of Directors on the meetings of the Board of Directors in accordance with the procedure and within the time periods determined herein;

5.5.4. to mail materials necessary for consideration of the agenda issues of the Board of Directors meetings to the members of the Board of Directors in accordance with the procedure and within the time periods determined herein;

5.5.5. to execute other functions provided for by the present Provisions.

6. Meeting of the Board of Directors

6.1. Meeting of the Board of Directors can be held in the form of joint personal presence (including conference calls) or absentee voting.

6.2. Meetings of the Board of Directors shall be held on a regular basis in accordance with schedule of work approved at the Board of Directors meeting. In case of need Board of Directors shall consider issues not included in the schedule of work.

Quarterly reports of the Company's Management Board to the Board of Directors should be included in the Board of Directors' schedule of work.

In order to enhance the efficiency of the Board of Directors' decisions and to strengthen the role of independent directors, at least 15% of its meetings should be held in the form of personal presence of directors.

6.3. Meeting of the Board of Directors shall be convened by the Chairman of the Board of Directors on his own initiative, upon the request of a member of the Board of Directors, Auditing Commission, the Company Auditor, individual or collegiate executive body as well as by request of a shareholder (shareholders) owning in the aggregate 5 (five) or more percent of the Company's voting shares.

6.4. A request for convening the meeting of the Board of Directors shall contain the following information:

6.4.1. name of the person being initiator of the meeting as well as name of the body or legal entity submitting the request.

6.4.2. number and type of shares owned by the shareholder being initiator of the meeting;

6.4.3. form of holding the meeting (joint presence or absentee voting);

6.4.4. date of holding the meeting in the form of joint presence or, in case of holding the meeting in the form of absentee voting, cut-off date for receiving written opinions on agenda items from members of the Board of Directors;

6.4.5. agenda of the meeting;

6.4.6. list of information (materials) provided to the members of the Board of Directors for the meeting;

In addition, the request for convening the meeting of the Board of Directors can contain the following information:

6.4.7. time and venue of the meeting to be held in the form of joint personal presence;

6.4.8. draft resolutions on the agenda issues;

6.4.9. other information at the discretion of the initiator of the meeting.

6.5. Notice of the Board of Directors' meeting shall be sent to each member of the Board of Directors together with all necessary materials not later than 14 business days prior to the date of the meeting.

The above time limits can be reduced if it is necessary to urgently resolve any matters, provided none of the members of the Board of Directors objects.

Should, in accordance with the current legislation, the meeting of the Board of Directors be convened within a tighter time schedule, the time period for sending notification can be shortened.

Notice of the meeting of the Board of Directors shall be forwarded to the members of the Board of Directors in written form or in other suitable for them form (including by post, cable, telex, telephone, e-mail or other).

Notice of the meeting of the Board of Directors shall contain information specified in subparagraphs 6.4.3.-6.4.8. herein and the address, to which the members of the Board of Directors may send their written opinions.

Should the circumstances arise making it impossible or difficult to hold the meetings of the Board of Directors in place and (or) in time, of which the members of the Board of Directors have been notified, the meeting with the planned agenda shall be held in a different place and (or) at a different time.

All members of the Board of Directors shall be informed about the changes in the venue and (or) time of the meeting of the Board of Directors taking into account the time that is normally required for the members of the Board of Directors to arrive at the meeting. Notification of the said changes shall be sent to the members of the Board of Directors in any form guaranteeing that a member of the Board of Directors will receive the notification at his place of business or at the address to which he receives his mail.

The first (organizational) meeting of the Board of Directors shall be held without preliminary sending of notices, on the date of the General Shareholders' Meeting elected the Board of Directors (if the resolution on election of members of

the Board of Directors as well as the voting results on it were announced at the General Meeting of the Shareholders, in the course of which the voting was held).

6.6. When decisions are taken by the Board of Directors, the members of the Board of Directors attending the meeting shall express their opinion on the agenda items by voting.

6.7. If a member of the Board of Directors cannot attend the meeting in person, as well as in case of holding the meeting by absentee voting, the member of the Board of Directors shall be obliged to express his opinion on the agenda issues in written form.

Should the written opinion of the member of the Board of Directors contain his voting instructions, his vote shall be taken into account when determining the quorum and voting results.

The member of the Board of Directors shall submit his written opinion before the opening of the meeting of the Board of Directors or before the cut-off date for accepting written opinions of the Board of Directors' members, in case of the meeting is held by absentee voting.

6.8. The Chairman of the meeting shall be obliged to read out the written opinion of the member of the Board of Directors not attending the meeting of the Board of Directors before starting the voting on the agenda item on which this opinion was presented.

Should the submitted written opinion contain a proposal of draft resolution differing substantially from that initially put to the vote, the Secretary of the Board of Directors shall before drawing-up the minutes acquaint other members of the Board of Directors with the said opinion, proposing to express their views on it by voting, in writing or other way convenient for them (including by post, cable, telex, telephone, e-mail or otherwise).

6.9. Before taking the resolution on the matter, the preliminary consideration of which was accomplished by the committees of the Board of Directors, members of the Board of Directors shall have the possibility of getting acquainted with resolutions (recommendations) of the relevant committees in advance.

6.10. Each member of the Board of Directors shall be entitled to cast one vote when approving resolutions at the meeting of the Company's Board of Directors.

Member of the Board of Directors shall not be entitled to delegate his voting right to any other person including other member of the Board of Directors.

In taking decisions by the Board of Directors, the Chairman of the Board of Directors shall have the right of the casting vote in case of parity of votes of members of the Board of Directors.

6.11. The Secretary of the Board of Directors shall keep minutes of the meeting of the Board of Directors.

The minutes of the Board of Directors shall be drawn up not later than 3 (three) days after holding the meeting in the form of joint personal presence (the cut-off date of receiving written opinions in case of absentee voting).

The Minutes of the meeting shall include:

- Venue and time of the meeting held in the form of joint personal presence or, in case of absentee voting, place of drawing up minutes and the cut-off date of receiving written opinions of the members of the Board of Directors;
- Names of the persons attending the meeting (if the meeting is held in the form of joint personal presence);
- Names of the persons having submitted their written opinions on the agenda issues;
- Agenda of the meeting;
- Issues put forward to voting and the voting results;
- Adopted resolutions.

The Minutes of the Board of Directors meeting shall be signed by the Chairman of the meeting and the Secretary of the Board of Directors.

Should a written opinion of a Board of Directors member be taken into account when determining the quorum and the voting results on the agenda issues, the written opinions on the agenda issues received from the members of the Board of Directors shall be attached to the Minutes as supplements.

The Company shall retain the Minutes of the Board of Directors meetings at the seat of its executive body in accordance with the procedure and for the time periods set by the federal body for securities market. Should the period of time be not determined, the Company shall retain the Minutes of the Board of Directors meetings for the unlimited time period.

The Company shall be obliged to provide access to the Minutes of the Board of Directors meetings to shareholders, members of the Board of Directors, Auditing Commission, the Company Auditor.

6.12. Should in accordance with the Company Charter the decision be passed by the majority of three quarters of votes or unanimously by all members of the Board of Directors without taking into account the votes of the retiring members of the Board of Directors, the deceased, missing and incapable members shall be regarded as retiring members of the Board of Directors.

7. Remuneration to the members of the Board of Directors and compensation of expenses related to discharge of their duties

7.1. Members of the Board of Directors of the Company shall receive remuneration and compensation of expenses related to discharge of their duties as the members of the Board of Directors.

7.2. Remuneration to the members of the Board of Directors shall comprise quarterly and annual remunerations.

7.3. Quarterly remuneration to each member of the Board of Directors shall be established in the amount of 200, 000 rubles.

Remuneration to the Chairman of the Board of Directors shall be set with a raising coefficient 1.5.

Remuneration to a member of the Board of Directors shall be cut down by:

30 percent – in case of his attendance at less than a half of the Board of Directors meetings held in the form of joint personal presence;

100 percent – in case of his attendance at less than a half of the held Board of Directors meetings.

Remuneration for the quarter, in which re-election of the Board of Directors was held, shall be paid to the members of the Board of Directors in proportion to the hours worked during the quarter.

7.4. The annual remuneration for the entire body of the Board of Directors of the Company shall be rated as a sum of:

percentage of the Company's EBITDA for the reported year as per the Company's financial statements in accordance with IAS;

percentage of the Company's net profit allocated to dividend payment according to the financial results of the reporting year;

The annual remuneration shall be distributed among all the directors by equal shares.

The annual remuneration to a member of the Board of Directors shall be reduced by 50 percent, should he attend less than a half of the Board of Directors meetings held during his term of office.

7.5. Percent of deductions for calculation of the annual remuneration shall be determined by the resolution of the General Shareholders' Meeting electing the current membership of the Board of Directors.

7.6. The annual remuneration shall be paid to a member of the Board of Directors not later than three months after termination of the term of office of the current membership of the Board of Directors.

7.7. Should a member of the Board of Directors be also a member of a Board of Directors' Committee, the bonus of RUR 40 thousand shall be paid to him in

addition to his quarterly remuneration; a member of the Board of Directors shall not be at the same time a member of more than two Committees of the Board of Directors.

This bonus for the Chairman of a Board of Directors' Committee shall be rated by a raising factor 1.25.”

8. Procedure for approving the Provisions and making amendments into them.

- 8.1. The present Provisions shall be approved at the General Shareholders' Meeting by the majority of votes of the shareholders – owners of the Company voting shares.
- 8.2. Amendments and supplements to the present Provisions shall be approved at the General Shareholders' Meeting by the majority of votes of the shareholders – holders of the Company voting shares.
- 8.3. Should the changes of the legislation of the Russian Federation or the Company Charter result in contradiction with provisions set by the Articles of the present Provisions, the Provisions shall be valid in the part not contradicting the effective legislation and the Company Charter.