

APPROVED

by the resolution of the Board of  
Directors of Mobile TeleSystems  
Open Joint Stock Company  
December 15, 2011, Minutes № 190

**Code of Business Conduct and Ethics  
of Mobile TeleSystems OJSC**

## **1. PURPOSE**

This Code of Business Conduct and Ethics (the “Code”) contains general guidelines for conducting the business of Mobile TeleSystems OJSC (“we”, “our”, “us”, “MTS” or the “Company”). The Code should be considered to be a minimum set of standards and requirements designed to deter wrongdoing and promote honest and ethical business conduct. To the extent the Code requires a higher standard than generally accepted in commercial practice or required by applicable laws, rules, or regulations, MTS will adhere to these higher standards.

The Code applies to directors, officers and other employees of MTS. We refer to all persons covered by the Code as “employees.” All employees are required to be familiar with the Code and to adhere to the principles and procedures set forth in the Code.

The Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face in the course of business. Therefore, if you are faced with a complex business decision that is not addressed in the Code, ask yourself the following questions:

- Is it legal?
- Is it honest and fair?
- Is it in the best interests of the Company?
- Does it correspond with the Companies Policies?
- Is it the right thing to do?
- Are you authorized to do this?
- Would I feel comfortable if an account of my actions were published in the media?

If the answer to any of these questions is “No”, you should discuss the situation with your direct supervisor, the head of your department, the director of the corporate law department or the President’s Compliance Officer. If you believe that any of the preceding individuals may have a personal interest in the matter, you should contact a representative of the Internal Audit Department or the Audit Committee of the Board of Directors.

## **2. CONFLICTS OF INTEREST**

Every employee is obligated to act in the best interests of the Company. A conflict of interest arises when you have a personal relationship or financial or other interest that could interfere with this obligation, including the obligation to perform your work objectively and effectively, or when you use your position with the Company for personal gain. For this reason, all employees must avoid any actions or relationships that conflict or may conflict with the interests of the Company, and if a circumstance arises in which your interests conflict or may conflict with the interests of the Company, you should disclose it immediately to your direct supervisor or the President’s

Compliance Officer for review and promptly take any actions to eliminate the conflict if the Company requests that you do so.

The following are examples of the principal situations that present conflicts of interest and that are prohibited unless MTS has waived the requirements of the Code:

- No employee should be employed by, serve as a director of, or provide any services to a company that is a customer, supplier or competitor of MTS.
- No employee should have a significant interest (in the form of shares or ownership interests or any other financial interest) in any company that is a customer, supplier or competitor of MTS. A “significant interest” means (i) ownership of greater than 1% of the equity of a customer, supplier or competitor or (ii) an investment in a customer, supplier or competitor that represents more than 5% of the total assets of the employee.
- No employee should obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a customer or competitor of MTS. This rule does not prohibit arms-length transactions with banks, brokerage firms or other financial institutions.
- No employee should serve on a board of directors or trustees or on a committee of any entity (whether for-profit or not-for-profit) whose interests reasonably would be expected to conflict with those of MTS.
- In general, no employee or family member of an employee may obtain improper personal benefits or favors because of the employee’s position with the Company. For the purposes of this Code, “family members” include your spouse or life-partner, brothers, sisters and parents, in-laws and children whether such relationships are by blood or adoption.
- No employee should serve as a government official for any government body or government organization with which MTS does business or that exercises oversight, monitoring, or regulatory functions in relation to MTS. For the purpose of this Code government body or government organization means government and municipal bodies and authorities (including ministries, services and agencies), political parties and all legal entities directly or indirectly controlled by the government.

### **3. GIFTS AND ENTERTAINMENT**

The giving and receiving of gifts is a common business practice. However, gifts and entertainment should never compromise, or appear to compromise, your ability to make objective and fair business decisions. In other words, gifts and entertainment may never be in exchange for information, treatment or opportunities that otherwise would not be given.

It is your responsibility to use good judgment in this area. As a general rule, you may give or receive gifts or entertainment to or from customers and vendors only if the gift or entertainment could not be viewed as an inducement to or reward for any particular business decision. Additionally, all gifts and entertainment expenses must be properly accounted for on expense reports. The following specific examples of situations when it may be permissible to give or

receive gifts may be helpful:

- Meals and Entertainment. You may occasionally accept or give invitations to meals or other entertainment if (i) the meal or other entertainment is of reasonable value; (ii) the purpose of the meeting or attendance at the event is business related; and (iii) the expenses would be paid by MTS as a proper business expense if not paid for by another party. Entertainment of reasonable value may include meals or attendance at sporting and cultural events if they are generally offered to other customers or vendors.
- Advertising and Promotional Materials. You may occasionally accept or give advertising or promotional materials of nominal value.
- Personal Gifts. You may accept or give personal gifts of reasonable value that are related to recognized special occasions such as a birthday, graduation, promotion, new job, wedding, retirement or a national holiday. A gift is also acceptable if it is based on a family or personal relationship and unrelated to the business involved between the individuals.
- Gifts Rewarding Service or Accomplishment. You may accept a gift from a civic, charitable or religious organization specifically related to your service or accomplishment.

You should make every effort to refuse or return a gift that is beyond the above guidelines. If it would be inappropriate to refuse a gift or you are unable to return a gift, you should promptly report the gift to your immediate supervisor or to the President's Compliance Officer who may require you to donate the gift to an appropriate charity or community organization.

#### **4. CORPORATE OPPORTUNITIES**

As an employee of MTS, you have an obligation to put the interests of MTS ahead of your personal interests and to advance the interests of MTS when the opportunity to do so arises. If you discover or are presented with a business opportunity through the use of corporate property or information or because of your position with MTS, you must first present the business opportunity to MTS before pursuing the opportunity in your individual capacity. No employee may use corporate property, information or his or her position with MTS for personal gain or compete with MTS either directly or indirectly.

Officers and employees of MTS should disclose the terms and conditions of each relevant business opportunity that they wish to pursue to their direct supervisor, and members of the Board of Directors should disclose such information to the Chairman of the Audit Committee. The direct supervisor or Audit Committee Chairman will contact the President's Compliance Officer, who will, in turn, confirm with Company management whether the Company wishes to pursue the business opportunity. If the Company waives its right to pursue the business opportunity, you may pursue the business opportunity on the same terms and conditions as originally proposed and consistent with the other ethical guidelines set forth in the Code, including the conflict of interest provisions.

## **5. CONFIDENTIAL INFORMATION**

Employees have access to a variety of confidential information while employed at MTS. Confidential information includes all non-public information that might be of use to competitors, or, if disclosed, harmful to MTS or its customers. Employees have a duty to safeguard all confidential information of MTS or third parties with which MTS conducts business, except when disclosure is authorized or legally mandated. An employee's obligation to protect confidential information continues after he or she leaves MTS. Unauthorized disclosure of confidential information could cause competitive harm to MTS or its customers and could result in legal liability to you and MTS.

## **6. INSIDER INFORMATION SECURITIES DEALINGS**

In accordance with the legislation requirements relating to the securities market regulation MTS employees are prohibited to utilize insider information<sup>1</sup>:

- For conducting operations with securities inside information which became available to them. This restriction applies to dealings with securities of MTS and any other public companies that are clients, suppliers or otherwise contractors of MTS as well as competitors or counterparts in court or other litigation, inside information in relation to which was obtained by MTS employees in the course of performance of their duties.
- By passing it on to another person, except for persons who are entitled to receive such information further to performance of their employment duties and in accordance with the requirements of the relevant MTS bylaws and regulations.
- By tipping third parties, obliging them or otherwise inducing to purchase or sell securities or enter into derivative agreements dependent on such securities using such inside information.

## **7. COMPETITION AND FAIR DEALING**

All employees should endeavor to deal fairly with fellow employees and with MTS's customers, suppliers and competitors. Employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

## **8. PROTECTION AND USE OF COMPANY ASSETS**

Employees should protect MTS's assets and ensure their efficient use for legitimate business purposes. Theft, carelessness and waste may have a direct impact on MTS's profitability. The use of MTS funds or assets, whether or not for personal gain, for any unlawful or improper purpose is also prohibited.

To ensure the protection and proper use of MTS's assets, you should:

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<sup>1</sup> Further information regarding insider information and the restrictions can be obtained in the relevant internal MTS documents and rules

- exercise reasonable care to prevent theft, damage or misuse of MTS property;
- promptly report the actual or suspected theft, damage or misuse of Company property to your direct supervisor;
- use MTS's telephone system, other electronic communication services, written materials and other property primarily for business-related purposes;
- safeguard all electronic programs, data, communications and written materials from inadvertent access by others; and
- use MTS property only for legitimate business purposes, as provided for in your job responsibilities.

Employees should be aware that MTS property includes all data and communications transmitted or received to or by, or contained in, the Company's electronic or telephonic systems. MTS property also includes all written communications. Employees and other users of this property should have no expectation of privacy with respect to these communications and data. To the extent permitted by law, the Company has the ability, and reserves the right, to monitor all electronic and telephonic communication. These communications may also be subject to disclosure to law enforcement or other government authorities.

## **9. PROMPT AND ACCURATE DISCLOSURE**

MTS is a public company and is required by law to report its financial results and a great deal of financial and other information about its business to the public, the Federal Service for the Financial Markets, the U.S. Securities and Exchange Commission, the Federal Antimonopoly Service, and other authorities. Applicable rules and regulations require MTS to promptly disclose accurate and complete information regarding its business, financial condition, and results of operations. Inaccurate, incomplete, or untimely reporting by employees will not be tolerated, because it can severely damage and result in legal, financial or other liability to MTS.

Employees should be on guard for, and promptly report, in accordance with the procedure prescribed by the Code, instances of improper reporting. Examples of suspicious activities that should be reported include:

- financial results that seem inconsistent with the performance of underlying business transactions;
- inaccurate MTS records, such as overstated expense reports or erroneous time sheets or invoices;
- transactions that do not seem to have a good business purpose; and
- requests to circumvent ordinary review and approval procedures.

## **10. COMPANY RECORDS**

Accurate and reliable records are crucial to our business. Our records are the basis of our earnings statements, financial reports, and other disclosures made to the public pursuant to law and practice. In addition, our records are the source of essential data that guides business decision-making and strategic planning.

All MTS records must be complete, accurate and reliable in all material respects and in accordance with all applicable standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts. No false, incomplete, inaccurate or misleading transactions or entries in the records should ever be made or approved. In addition, undisclosed, unrecorded or inaccurately recorded funds, payments, or receipts are strictly prohibited

## **11. COMPLIANCE WITH APPLICABLE LAWS AND MTS POLICIES AND REGULATIONS**

All employees must comply with all applicable laws, rules and regulations and MTS policies and regulations. You are prohibited from engaging in any activity or encouraging others to engage in any activity that violates any laws, rules or regulations applicable to MTS, as well as all MTS policies and regulations. This includes, without limitation, laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, confidentiality of personal information, insider trading, illegal contributions to political parties or campaigns, antimonopoly regulation, preventing corruption, offering or receiving gratuities, environmental hazards, employment discrimination or sexual harassment, conditions of employment and safety, false or misleading financial information, or misuse of corporate assets. You are expected to understand and comply with all laws, rules and regulations and all Company policies and procedures that apply to your position in MTS.

MTS has also adopted an Insider Trading Policy. Each employee should be familiar with the provisions of the policy and shall limit trading in the Company's securities as provided in the policy.

## **12. ANTI-CORRUPTION LEGISLATION**

It is a fundamental policy of MTS to prohibit all employees from making, allowing, demanding or receiving improper payments, in cash or in kind. MTS policy also prohibits employees from offering, giving or authorizing the offer or gift of anything of value to government or non-government clients, business partners, their representatives or affiliated parties to obtain an improper business advantage.

All employees must understand and abide by this Code and MTS's Anti-Corruption Law Compliance Policy, setting out rules and principles aimed at ensuring compliance of MTS and its employees with the U.S. Foreign Corrupt Practices Act ("FCPA"), UK Bribery Act ("UKBA") and all other anti-corruption laws applicable to MTS and MTS employees.

The anti-corruption legislation applicable to MTS prohibits employees from directly or through an intermediary offering, paying, promising to pay or authorizing the payment of anything of value or otherwise providing financial benefits to a third party for the purposes of (i) influencing an act or

decision taken in an official capacity or (ii) inducing or rewarding the improper performance of a relevant function or activity or their legal or employment duties. Further, no employee shall request, agree to receive or accept a financial or other advantage (i) that represents in itself the improper performance of a relevant function or activity or their legal or employment duties., or (ii) as a reward for, or that is a consequence of, the improper performance of a relevant function or activity or their legal or employment duties.

All interaction with government officials or other persons subject to the applicable anticorruption legislation must be in strict compliance with the Anti-Corruption Law Compliance Policy and applicable laws.

### **13. WORK CONDITIONS**

MTS is committed to complying with all applicable laws and regulations relating to its employment practices and strictly prohibits discrimination and harassment. This applies to all areas of employment, including hiring, training, promotion, compensation, discipline and termination. All employees are responsible for creating and maintaining a work environment free from harassment or other inappropriate behavior. Workplace harassment, violence, or the threat of violence, will not be tolerated.

MTS is also committed to providing a safe and healthy working environment for its employees. You should report all accidents, hazardous situations and any condition that you believe to be unsafe or unhealthy to your direct supervisor.

### **14. VIOLATIONS OF THE CODE**

All employees have a duty to report any known or suspected violation of this Code and any violation of laws, policies, or regulations that apply to MTS. Reporting a known or suspected violation of the Code by others should not be considered an act of disloyalty, but, on the contrary, an action to safeguard the reputation and integrity of MTS and its employees.

If you know of or suspect a violation of the Code, you should immediately report the conduct through any of the following channels:

- Contact your immediate supervisor or the head of your department;
- Contact the director of the corporate law department;
- Contact the control department at email address [control@mts.ru](mailto:control@mts.ru)
- Contact the corporate ethics committee at the email address: [EthicsCommittee@mts.ru](mailto:EthicsCommittee@mts.ru); or
- Contact the President's Compliance Officer.



In case of reporting of violations or suspected violations in relation to financial records, audits and/or internal control over financial reporting you should immediately contact the Internal Audit Department through any of the following channels:

- at the address: 7, bldg.22 Derbenevskaya Naberezhnaya, Moscow 115114, marked with “Program of Messages – PRIVATE AND CONFIDENTIAL”;
- at the email address: InternalAudit@mts.ru; or
- via voicemail hotline at the following phone number: +7(495)766-00-39.

It is the Company's policy that any employee who violates the Code will be subject to discipline, including potential dismissal/termination of contract, based upon the facts and circumstances of each particular situation and in accordance with the law. Employees who violate the law or this Code will be required to compensate MTS for material harm caused thereby as required by labor and other relevant laws and to pay civil damages, and may also be exposed to administrative and criminal liability in accordance with applicable law. MTS may also face substantial losses and penalties in such situations, as well as damage to MTS's reputation and its standing in the business community. In other words, your conduct as a representative of MTS, if it does not comply with the law or with the Code, can result in serious consequences for both you and MTS.

MTS will investigate all credible allegations concerning violation of the Code. All communications of known or suspected violations of the Code will be treated with sensitivity and discretion. Persons making a report may do so anonymously where permitted by law.

MTS strictly prohibits any retaliation against an employee who, in good faith, seeks help or reports known or suspected violations.

## **15. WAIVERS OF THE CODE**

The provisions of the Code may only be waived by the chief legal counsel of MTS and, in the case of waivers for the chief accountant, president, any vice president, or directors, by the Board of Directors or the Audit Committee of the Board of Directors. Waivers granted in respect of this Code must be documented, justified and disclosed as required by law.

## **16. CONCLUSION**

The Code contains general guidelines for conducting the business of MTS that are consistent with the highest standards of business ethics. All employees are required to adhere to these standards. Each employee is personally responsible for his or her actions. Conduct that violates the law or the Code cannot be justified by claiming that it was ordered by someone in higher management. If you engage in conduct prohibited by the law or the Code, you will be deemed to have acted outside the scope of your employment. Such conduct will subject you to disciplinary action, including possible termination of your employment contract in accordance with the law.

Director of the corporate law and property department and the President's Compliance Officer can provide explanations, clarifications, advice, and opinions on all matters relating to compliance with this Code. Should you have any questions about the Code or other MTS policies or if you are ever

in doubt about the proper course of conduct, you should contact any of the persons or departments listed above.

*Note: The Code and the matters contained herein are neither a contract of employment nor a guarantee of continuing MTS policy. MTS reserves the right to amend, supplement or discontinue the Code and the matters addressed herein, without prior notice, at any time.*