

OJSC North-West Telecom

APPROVED

by the Decision of the Board of Directors
of the Open Joint-Stock Company

North-West Telecom.

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**North-West
Telecom**
Open Joint-Stock Company

Corporate Governance Code
(version 01-04)

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Corporate Governance Code

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Introduction

The purpose of this Code is to ensure a better transparency of the Company and to confirm that the Company adheres to the standards of proper corporate governance through:

- responsible, good-faith and efficient management;
- efficient operation of the Board of Directors, Management Board and the General Manager, who shall act in the Company's and its shareholders' interests and create the conditions for a stable growth of the Company's shares value;
- proper disclosure of information and transparency, as well as an efficient risk management and internal control system.

By adopting this Code and strictly following the provisions of the Code, Articles of Association and other bylaws of the Company, the Company confirms its intention to facilitate the development and improvement of the practice of proper corporate governance. To further strengthen the trust of the shareholders, employees, investors and the public at large, in developing this Code, while observing the imperative prescriptions of the active Russian law, the Company adopts extra provisions based on the principles of corporate governance recognized in the Russian and international practice, including the provisions of the Corporate Governance Code recommended by the Federal Commission for the Securities Market of Russia (hereinafter referred to as the Code of the Federal Commission for the Securities Market).

This Code is based on actual recommendations of the international and Russian practice of corporate governance and contains the ideology and practice of Company Corporate Governance existing as of the moment it is adopted. The Company keeps an eye on new trends in the field of corporate governance and promptly introduces new progressive ideas and technologies of corporate governance.

The Company Code is a code of general corporate governance principles, to which the Company adheres or intends to adhere in its future daily activities.

The Company undertakes the obligations provided for by this Code, undertakes to ensure respect for and observance of its spirit and provisions and to do its best to make these principles obligatory for its associated companies.

The Company aspires to make the observance of the corporate governance principles a part of the employees' corporate culture. To ensure the introduction of the said principles, the Company shall:

- monitor the observance of the corporate governance principles on a regular basis;
- provide employees training;
- take other measures to improve the adherence of the employees to the corporate governance principles.

Information on the Company:

The Open Joint-Stock Company North-West Telecom provides telecommunication services under the available licenses in the territory of the Northwestern Federal District and is one of the biggest telecommunication operators of Russia.

Company's Mission:

To facilitate the development of the society, ensuring freedom of contacts and access to information.

Company's Goals:

- promoting the provided services to the yet undeveloped regional markets of the Northwestern Federal District in compliance with the available licenses;
- creating the conditions for providing each subscriber with the opportunity of getting all kinds of the services provided by OJSC NWT;
- bringing OJSC NWT to the advanced positions among Russia's telecommunication operators by economic indices and retaining such positions;

Company's priorities in the field of corporate governance are:

- providing shareholders with equal opportunities to exercise their rights;
- ensuring the leading role of the Board of Directors in tackling strategic tasks and in management control;
- aspiring at complete and timely disclosure of information on the Company.

Company's shares circulate at the following stock exchanges: CJSC MMVB Stock Exchange (Moscow Interbank Currency Exchange), NP RTS Stock Exchange, CJSC St. Petersburg Currency Exchange, NP St. Petersburg Stock Exchange; and in the form of 1st Level American Depositary Receipts for common shares in the US off-exchange market.

This Corporate Governance Code has been developed with the immediate participation of and on the basis of materials provided by the International Finance Corporation (IFC).

Part I. Adherence to the Corporate Governance Principles

1. Definition and Principles

The Company defines corporate governance as structures and processes in the field of Company management and its activities supervision, embracing all the relations between shareholders, the Board of Directors and the executive bodies of the Company and functioning for the purposes of ensuring a long-term growth of the shares value. It considers corporate governance a means of improving the accessibility and reducing the value of attracted capital, enhancing operation efficiency and strengthening the reputation of the Company.

This Code contains provisions regulating the Company's corporate governance standards and is based on the Russian laws, including the Code of the Federal Commission for the Securities Market, and the principles of corporate governance recognized in the international practice, such as the Corporate Governance Principles in the OECD countries.

The Company's corporate governance is based on the following principles:

- **Accountability:** The Code provides for the accountability of the Company's Board of Directors to its shareholders and shall serve as guidelines for the Board of Directors in developing a strategy and in exercising the management and supervision of the activities of the Company's executive bodies.

- **Justice:** The Company undertakes to protect shareholders' rights and to ensure equal attitude towards all shareholders. The Board of Directors shall enable all shareholders to get efficient protection in case of any infringement of their rights.
- **Transparency:** The Company shall ensure a timely and reliable disclosure of information on all essential facts concerning Company's activities, including its financial position, results of the operation, structure of the ownership and management of the Company, as well as free access to such information for all interested parties.
- **Responsibility:** The Company shall acknowledge the rights of other interested parties under the requirements of the laws.
- **Ethics:** The Company undertakes to observe the generally accepted standards of business ethics in the corporate governance and business activities.

The Company, its officials and all employees shall be guided in their activities by the requirements of the active law and by the ethic principles adopted in the business community.

2. Company's Bylaws

The structures, processes and practice of corporate governance shall be governed by the Articles of Association and the bylaws of the Company, including:

- Provisions on the General Meeting of the Shareholders;
- Provisions on the Board of Directors;
- Provisions on the Auditing Committee;
- Provisions on the Management Board;
- Provisions on Dividend on Shares;
- Provisions on Committees of the Board of Directors;
- Provisions on the Procedure of Making Big Transactions, Related-Party Transactions and Transactions, the Approval of Which is Included by the Company's Articles of Association in the Terms of Reference of the Board of Directors;
- Provisions on the Procedure of Providing Documents to Shareholders.

The above bylaws of the Company have been prepared in compliance with the provisions of the active law and taking into account the basic provisions of the Code of the Federal Commission for the Securities Market and the corporate governance principles recognized in the international practice. All the above listed bylaws can be freely accessed on the Company's Internet site www.nwtelecom.ru.

3. General Structure of Corporate Governance and Control

The structure of corporate governance shall ensure the strategic management of and efficient control over the executive bodies by the Board of Directors, as well as accountability of the Company's Board of Directors to the general meeting of the shareholders.

The general structure of Company's corporate governance and control includes:

- **General Meeting of the Shareholders** – the supreme management body of the Company, ensuring the participation of shareholders in the Company’s management and profit distribution.
- **Board of Directors** – the Company’s management body in charge of developing the Company’s strategy, exercising the management of and control over the activities of the executive bodies. The Company’s Board of Directors shall form Committees implementing the functions of corporate governance, strategic development, reporting, auditing, remuneration, etc.
- **General Manager and Management Board** – the Company’s executive bodies in charge of managing the Company’s current activities and executing the strategy developed by the Board of Directors.
- **Auditing Committee** – the Company’s inspection body exercising control over the financial and economic operation of the Company and accountable directly to the general meeting of the shareholders.
- **Corporate Secretary** – the Company’s official seeing to it that the management bodies observe the requirements of the bylaws and external regulations, facilitating an efficient exchange of information between the management bodies and executive bodies and acting as a counsellor for the members of the Board of Directors and top management. The Company’s Articles of Association provide for the position of the Corporate Secretary.
- **Internal Audit Department** – the Company’s division, whose tasks include developing and checking the efficiency of the systems for internal control over the Company’s financial and economic operation and which is administratively subordinated to the General Manager and provides reports on check results to the General Manager, Auditing Committee and to the Board of Directors of the Company. The Provisions on the Internal Audit Department shall be approved by the Board of Directors; the Board of Directors shall also approve the appointment of its head.

4. Observing the Standards and Adhering to the Principles of Corporate Governance

Adherence to the corporate governance principles is an integral constituent of Company’s business and business relations ethics, one of the most important conditions of improving the capitalization of the Company and, consequently, of the growth of the income of its shareholders and employees.

The Company shall have a good image and exercise a deserved respect among both the Russian and international community, which is impossible without a conscientious adherence to the corporate governance principles, which establish a balance of the interests for shareholders, managers, the working team, contractors, creditors and state authorities.

The Company aspires at observing the high standards of corporate governance, taking into account the international and Russian advanced practices. The Company understands the importance of the corporate governance level both for improving the goodwill and for strengthening the economic position.

Development, control over the observance and periodic revision of the corporate governance policy and practice shall be ensured by the respective Committee of the Company’s Board of Directors.

Part II. Proper Practice of the Operation of the Board of Directors and Executive Bodies

The Company considers the availability of an efficient, professional and independent Board of Directors an important element of good corporate governance. The Board of Directors cannot be substituted for talented managers or change the economic environment, in which the Company operates. However, it can influence the efficiency of operation through the general strategic management of and control over the work of the executive bodies in the interests of the Company and its shareholders. The executive bodies responsible for the management of the Company's current activities play an important role in the management processes. In the opinion of the Company, efficient interaction between the management bodies and the executive bodies and a clear division of powers between them are the key factor in ensuring the proper corporate governance practice.

1. Board of Directors

a. Powers. The terms of reference of the Board of Directors shall be defined in the Company's Articles of Association in compliance with the active law and the recommendations of the Code of the Federal Commission for the Securities Market. The issues included in the terms of reference of the Board of Directors cannot be handed over to the collective or one-person executive body of the Company.

b. Number of the Members. The number of the members of the Board of Directors is established by the Company's Articles of Association. The number of the members may be changed, if appropriate changes are made in the Articles of Association. When determining the number of the members of the Board of Directors, the Company shall be guided by the fact that the professional level and a lucky combination of directors' business qualities are more important than their total number in the Board.

c. Membership Criteria. In accordance with the principles recognized in the corporate governance practice, the Board of Directors shall develop, approve and then revise annually a list of Board member qualification requirements (upon recommendation of the respective Committee of the Board of Directors).

d. Election, Term of Office and Termination of Powers. Members of the Board of Directors shall be elected by the annual general meeting of the shareholders by cumulative voting for a period of one year.

The Company considers that the same member of the Board of Directors may be elected an unlimited number of times, if this is in line with the interests of the Company and its shareholders. Experienced members of the Board, who thoroughly know how the Company operates, play an important role in ensuring the proper management.

The general meeting of the shareholders may terminate the powers of only the entire Board of Directors.

e. Composition and Independence. The composition of the Board of Directors shall ensure representation of various groups of shareholders, including minority shareholders.

The skills, experience and personal qualities of the members of the Board of Directors shall ensure the proper discharge of the duties by the Board in exercising control and developing the basic areas of the Company's activities and strategy. Each member of the Board of Directors shall have the necessary experience, knowledge, skills and a stainless reputation required to discharge the

duties of a member of the Board and to organize efficient work of the entire Board in the interests of the Company and its shareholders. The composition of the Board shall ensure the representation of a wide range of knowledge and experience in the field of the Company's basic activities, the industry and the geographic regions of the activities. The Company shall do its best to include in the Board of Directors also specialists in the field of finance, who would be independent directors, not executives.

The Company considers that the Board of Directors shall be managed by a director who is not an executive.

The Board of Directors shall include no more than 20% of chief executives.

To ensure objectivity of decisions taken and to keep the balance of the interests of different groups of shareholders, the Board of Directors shall include several independent directors. The Code of the Federal Commission for the Securities Market shall serve as the basis for establishing independence of a director.

The Company shall consider a member of the Board of Directors as independent, if:

- he/she has not been for the recent 3 years and is not an official or an employee of the Company;
- he/she is not an official of any other company, in which any of the Company's officials is a member of a Committee of the Board of Directors in charge of personnel and remunerations;
- he/she is not an affiliated party of a Company's official;
- he/she is not an affiliated party of the Company or an affiliated party of such affiliated parties;
- he/she is not a party to any obligations with the Company, under which he/she may acquire property (or get monetary funds), the value of which makes 10 and more per cent of the total annual income of such a director, besides getting a remuneration for participation in the activities of the Board of Directors;
- he/she is not a big contractor of the Company (a contractor, the total volume of Company's transactions with whom for a year makes 10 or more per cent of the balance value of the Company's assets);
- he/she is not a representative of the state.

The Company acknowledges that upon expiry of 7 years of acting as a member of the Company's Board of Directors an independent director can no longer be considered as independent.

f. Committees. The Company shall form Committees of the Board of Directors to implement the functions of corporate governance, strategic development, reporting, auditing, remuneration, etc.

The activities of each Committee shall be governed by the respective Provisions on such a Committee, to be approved by the Board of Directors.

The Chairperson of the Committee shall be appointed by the Board of Directors at one of the meetings following the election of the new Board.

Each Committee shall present preliminary recommendations on the most important issues in the terms of reference of the Board of Directors. After each meeting, the Committees shall present minutes of the meeting to the secretariat of the Board of Directors.

g. Work Procedure. The Board of Directors shall hold meetings in compliance with the established work plan to be adopted at the start of the new Board's term of office, which shall ensure that its duties will be properly discharged. The Board of Directors shall hold meetings at least 12 times a year without restricting the maximum number of meetings.

Meetings of the Company's Board of Directors may be held in the form of joint attendance or correspondence voting. The form of holding a meeting shall be determined taking into account the importance of the issues of the agenda to be considered. Issues requiring a detailed discussion, such as approving the budget, approving the annual report on the preliminary basis, approving the priority areas of operation and strategies of the Company, the issues of convoking the general meeting of the shareholders, electing or re-electing the chairperson of the Board of Directors and a number of other issues shall be decided at meetings to be held in the form of joint attendance.

The procedure of convoking and holding meetings of the Board of Directors shall be governed by the Provisions on the Board of Directors. The Secretary of the Board of Directors shall see to it that all directors get exhaustive information in due time simultaneously with receiving a notice that a meeting of the Board of Directors is going to be held, however, 14 days before holding each meeting at the latest. The said period shall be reduced, if the law provides for shorter periods of holding a meeting of the Board of Directors. Such a period may also be reduced, if it is necessary to urgently solve any issues, provided neither member of the Board of Directors objects. The appropriate set of documents shall include the agenda proposed by the chairperson of the Board of Directors, detailed materials on each issue of the agenda required to take a grounded decision, as well as clear recommendations in respect of the necessary actions.

The Board of Directors shall keep minutes of its meetings, properly recording there the discussion of all issues; the minutes shall be signed by the chairperson of the Board and by the Secretary of the Board of Directors and shall include the results of voting for each name. The Company shall store all minutes of the meetings of the Board of Directors.

h. Self-appraisal. The Board of Directors emphasizes the appraisal of its work and will do its best to carry out such an appraisal on the annual basis. In the course of the appraisal, both the work of the Board on the whole and the contribution of each individual member of the Board of Directors shall be evaluated, as well as the influence of such work on the results of the Company's activities. The appraisal process shall be organized by the respective Committee of the Board of Directors, while its results are to be discussed at a meeting of the Board of Directors. The Board of Directors may invite independent counsellors to render assistance in carrying out such an appraisal.

i. Installing and Inviting Counsellors. The Company shall offer to newly elected members of the Board of Directors a programme of installing them in order to enable them to get familiarized with the Company's activities, areas of its business, etc., so that it could help new members of the Board of Directors in discharging the duties vested in them. The Board of Directors and its Committees shall have the opportunity to invite independent counsellors on legal, financial and other issues in order to give advice to the Board as necessary.

j. Remuneration. The remuneration of the members of the Board of Directors depends on personal participation of each member in the work of the Board of Directors and on the long-term development of the Company, and the remuneration mechanism shall not infringe upon the independence of directors. Upon recommendation of the respective Committee of the Board of Directors, the Board of Directors shall put forward for consideration by the general meeting of the shareholders the issue of the amount of remuneration to be paid to directors. All members of the Board of Directors shall have a contract with the Company. The Company shall disclose to the public information on the remuneration of each member of the Board of Directors.

The Company shall not give any loans, grants or credits to members of the Board of Directors.

k. *Obligations and Liability.* Members of the Board of Directors shall act in good faith and with due care in the interests of the Company and all its shareholders on the basis of all the required information. Each director must participate in all meetings of the Board of Directors and Committees, in which he/she is a member.

Members of the Board of Directors undertake to abstain from any actions that will or may cause a conflict between the interests of such a member of the Board of Directors and the interests of the Company. If such a conflict takes place, the member of the Board of Directors undertakes to disclose the information on the conflict of interests to other members of the Board and to abstain from voting on such issues.

Members of the Board of Directors shall be provided with all necessary information on issues proposed for discussion by them. Any extra information shall be provided to members of the Board of Directors upon request within the shortest time possible.

The Company shall not prohibit members of its Board of Directors from being members of the Board of Directors (Supervisory Boards) of other companies, provided the discharge of other duties by directors does not prevent them from discharging their duties for the Company.

2. Executive Bodies

The Company acknowledges that the management of the Company's current activities requires a strong leader who shall act as the General Manager. It also acknowledges all challenges and tasks of management and the need to have a collective, not individual, approach in tackling such tasks. Therefore, the Company shall form a Management Board, which is to be chaired according to the Articles of Association by the General Manager.

a. *Powers.* The General Manager and the Management Board shall manage the current activities of the Company aimed at fulfilling the goals and tasks of the Company and implementing the strategy adopted by the Board of Directors, in compliance with the provisions of the Company's bylaws.

b. *Number of the Members* The number and personalities of the members of the Management Board shall be established by the decision of the Company's Board of Directors upon proposal of the General Manager and members of the Board of Directors. Such a decision shall be based on a conviction that the quality and personalities of managers are of greater importance than the total number of the members of the Management Board. The Board of Directors shall be responsible to shareholders for an adequate choice of candidatures of the members of the Management Board.

c. *Membership Criteria.* All members of the Management Board shall have the following qualities:

- Trust of the Company's shareholders, members of the Board of Directors, other managers and employees of the Company.
- The ability to take into account the interests of all shareholders and to take well-balanced decisions.
- Professional experience and qualification necessary for an efficient manager.
- Knowledge of the national peculiarities and trends, as well as knowledge of the market, services provided and Company's competitors.
- The ability to apply the knowledge and experience in order to take decisions in respect of the Company's activities.

d. Election, Term of Office and Termination of Powers. The Board of Directors shall elect the General Manager. The General Manager and members of the Board of Directors shall propose candidatures of members of the Management Board for approval by the Board of Directors.

The General Manager shall be appointed for a period determined by the Company's Board of Directors. The Management Board shall be elected for a period determined by the Company's Board of Directors when its members are appointed.

Upon decision of the Company's Board of Directors, the powers of any member (all members) of the Company's Management Board may be terminated earlier than planned.

In case of early termination of the powers of individual Members of the Management Board, the powers of newly appointed members shall have a duration limited by the period, for which the Company's Management Board has been formed.

e. Composition of the Management Board. The composition of the Management Board (the skills, experience and personal qualities) shall ensure an efficient management of the Company's current activities. Each member of the Management Board, including the General Manager, shall have the experience, knowledge and skills required for efficiently discharging the duties of a member of the Management Board.

f. Management Board Work Procedure The Management Board shall hold regular meetings, the members of the Management Board must receive information on the issues of the meeting's agenda in advance. The Management Board's work procedure shall comply with the Provisions on the Company's Management Board.

g. Succession Planning. The Management Board shall adopt a list of reserve candidates in case temporary absent or retired top managers of the Company are to be replaced. To ensure the process, the General Manager shall submit to the Board of Directors a list of persons, most suitable to fill the vacancies of the retired Company's managers, including the position of the General Manager.

h. Remuneration. During their term of office the members of the Company's Management Board shall be paid a remuneration and shall be reimbursed for any expenses related to their performing their duties as members of the Management Board. Members of the Management Board shall be entitled to participate in option programmes implemented by the Company. The amount of remuneration to members of the Management Board shall be determined by a decision of the Board of Directors.

i. Obligations and Liability. The General Manager and the members of the Management Board shall act conscientiously and in the interests of the Company.

The General Manager and the members of the Management Board undertake to abstain from any actions that will or may cause a conflict between the interests of such a member of the Management Board and the interests of the Company. If such a conflict takes place, the General Manager and the members of the Management Board undertake to disclose the information on the conflict of interests to the Board of Directors.

3. Interaction between the Board of Directors, General Manager and Management Board. Role of the Corporate Secretary

Proper corporate governance implies the possibility of an open dialogue between the Board of Directors and the executive bodies of the Company. The Board of Directors shall maintain constant contacts with the executive bodies and officials of the Company in order to get the most complete

and reliable information and to ensure an efficient interaction of the management bodies and officials of the Company. The Corporate Secretary shall play the key role in organizing this process.

The Corporate Secretary shall be appointed by the Board of Directors. The task of the Corporate Secretary is to ensure that the Company's bodies and officials observe the procedural requirements guaranteeing the exercise of the rights and the protection of the interests of Company's shareholders. The Corporate Secretary shall have sufficient powers and knowledge required to discharge the duties vested in him/her and shall enjoy the confidence of shareholders and members of the Board of Directors.

The Corporate Secretary shall be accountable and subordinated to the Board of Directors. The Corporate Secretary shall be appointed and the terms of the contract made with him/her, including the amount of the remuneration, shall be within the terms of reference of the Board of Directors.

For the Corporate Secretary to be able to discharge his/her duties efficiently, a staff of the Corporate Secretary should be formed, the composition, number, structure and duties of whose employees must be determined in the Provisions "On the Corporate Secretary and the Staff of the Corporate Secretary".

The Corporate Secretary and his/her staff shall ensure the discharge of the following duties as concerns corporate governance:

- observance of the procedure of preparing and holding general meetings of the shareholders;
- organizing interaction between the Company and shareholders;
- organizing the preparation and the holding of meetings of the Board of Directors and its Committees;
- ensuring the disclosure and provision of information on the Company according to the requirements of the active law, and storage of Company's documents;
- rendering assistance to members of the Board of Directors in their discharge of their duties;
- control over the observance of the requirements of this Code and its compliance with the active law.

Before the Corporate Secretary is appointed, his/her duties shall be discharged by the Secretary of the Board of Directors and the respective structural divisions of the Company.

Part III. Rights of Shareholders

All shareholders shall be entitled to participate in the management and distribution of the Company's profit. All rights shall be governed by the law of the Russian Federation, the provisions of the Articles of Association and of the bylaws of the Company.

1. General Meeting of the Shareholders

The Company has adopted the Provisions on the General Meeting of the Shareholders, containing a detailed description of the procedure for preparing, holding of and decision-taking by the general meeting of the shareholders.

a. Preparation. Shareholders shall be entitled to take part in and vote on issues of the agenda of the general meeting of the shareholders, to receive in advance a notification, the agenda and reliable, objective and the latest information sufficient for taking reasonable decisions on the issues of the general meeting's agenda. The executive bodies of the Company and the Corporate Secretary shall

be in charge of ensuring this process.

When getting prepared for holding a general meeting of the shareholders, the Company undertakes to provide shareholders within the scope and time established by the Russian legislation with the following information making it possible to for shareholders to take well-grounded decisions:

- materials and draft decisions on each issue of the agenda;
- biographical information on each candidate to members of the Board of Directors and Auditing Committee.

The Company applies a fair and efficient procedure for putting forward motions on issues of the agenda of the general meeting, including motions on nominating candidates to the Board of Directors.

The Company shall make it possible for shareholders to apply to the Corporate Secretary for getting information on the meeting and materials to it, and for interaction of shareholders with the Board of Directors and the executive bodies of the Company.

b. *Holding a General Meeting of the Shareholders.* The Company shall take all required measures to ensure the participation of shareholders in a general meeting and active voting on issues of the agenda.

The venue of holding the general meeting shall be chosen so as to take into account its accessibility for the majority of shareholders. The registration procedure shall be convenient for the participants and shall ensure a quick and unhindered access to the venue where the meeting is to be held.

The Company shall ensure the presence of the members of the Board of Directors, executive bodies, Auditing Committee and a representative of the external auditor at the general meeting of the shareholders so that they could answer shareholders' questions. Each shareholder shall be entitled to speak on the issues of the agenda, to put forward respective motions and to ask questions. The chairperson of the general meeting shall ensure prompt and efficient work of the meeting.

Voting shall be held using voting ballots. The procedure of counting the votes at a general meeting shall be transparent for shareholders and shall preclude any possible manipulations with the voting results. A representative of an independent registrar acting as the returning board shall ensure the observance of the proper procedure of holding the general meeting.

c. *Results.* The results of voting shall be brought to the notice of shareholders according to the procedure and within the time stipulated by the appropriate acts of legislation and shall be published on the Internet site of the Company www.nwtelecom.ru and in mass media.

2. Protection of the Rights of Minority Shareholders

The Company shall do its best to organize such a system of taking strategic and other decisions important for the Company that would take into account the interests of minority shareholders to the maximum extent possible. Among other things, a number of bylaws have been prepared by the Company for that purpose, such as the Provisions on Making Documents Available to Shareholders, the Provisions on the Procedure of Making Big Transactions, Related-Party Transactions and Transactions, the Approval of Which is Included by the Company's Articles of Association in the Terms of Reference of the Board of Directors. The Company applies a system of registering shareholders' applications and efficiently regulating corporate disputes.

a. Representation in the Board of Directors. Minority shareholders shall have representatives of their interests in the Board of Directors, which shall be ensured by the procedure of cumulative voting.

b. Independent Registrar. The register of Company's shareholders shall be kept by an independent registrar. The choice and appointment of an independent registrar having all required technical facilities and an impeccable reputation will make it possible for the Company to ensure a reliable and efficient registration of the title to shares and other securities of the Company. Jointly with the independent registrar, the Company shall ensure reliable and efficient methods of accounting and re-registration of the title to shares.

3. Related-Party Transactions and Big Transactions

The Company shall disclose on the Internet site www.nwtelecom.ru and publish in mass media and in the annual report information on its affiliated parties and shall disclose detailed information on related-party transactions and big transactions.

Company's procedures in respect of big transactions and related-party transactions are set forth in the Provisions on OJSC NWT's Procedure of Making Big Transactions, Related-Party Transactions and Transactions, the Approval of Which is Included by the Company's Articles of Association in the Terms of Reference of the Board of Directors.

4. Dividend Policy

The Company's dividend policy is based on the Provisions on Dividend Yielded by OJSC NWT's Shares, approved by the Board of Directors, and on decisions of general meetings of the shareholders on dividend payment published in compliance with the law, among other editions, on the Company's Internet site www.nwtelecom.ru.

The procedure of determining the amount of dividend yielded by preferred shares shall not infringe upon rights of other shareholders.

The Company's dividend policy shall:

- establish a transparent, clear and predictable mechanism for determining the amount of the dividend and the procedure of paying it;
- ensure a procedure of dividend payment that would be most convenient and easy for shareholders;
- provide for measures excluding incomplete or untimely payment of announced dividend.

5. ADR Holders' Interests Protection

To ensure the rights and lawful interests of the shareholders holding American Depositary receipts (ADR), including the right of participation in Company management, the Company undertakes to do its best to make it possible for such shareholders to express their will in respect of any issues of the agenda of the general meeting of the shareholders.

Besides, the Company shall take all necessary measures to provide equal conditions for ADR holders in respect of access to information on the Company. Among other things, however, not limited to this, the Company shall prepare and publish on its Internet site www.nwtelecom.ru the information and documents for shareholders and investors in English.

Part IV. Information Disclosure and Transparency

Timely and reliable disclosure of information is one of the basic principles of Company's corporate governance. Thus, the Company shall ensure an easy access to the information on all important facts, including such information as the financial position, results of operation, ownership and management structure. On the other hand, the Company shall aspire at ensuring a reasonable balance between openness and protecting the commercial interests of the Company. The Provisions on Making Available Documents to Company's Shareholders, regulating the issues of information disclosure, prepared and approved by the Board of Directors, is published on the Company's Internet site www.nwtelecom.ru.

The Company undertakes to give detailed answers to all inquiries within the time provided for by the law. When answering inquiries, the Company shall reserve the right of keeping commercial secrets.

1. Information Disclosure Policy and Practice

In compliance with the requirements of the Russian law and the Provisions on Making Available Documents to OJSC NWT's Shareholders, the Company shall provide information (documents) upon requests of shareholders. The Company shall publish a detailed annual report including a section on corporate governance and shall prepare other important documents such as securities offering circulars, issuer's quarterly reports, information on important facts, as well as data that may have a serious impact on the value of Company's securities. The Company shall disclose information on its corporate governance practice and publish essential information on its Internet site www.nwtelecom.ru in due time.

The Company shall ensure the disclosure of information on the ownership structure, including the Company's available information on shareholders holding 5 and more per cent of Company's shares. Any corporate relations in the framework of the group of companies shall be also clearly stated in the information disclosed by the Company.

The Company shall take measures to protect confidential information. No information received by employees of the Company and members of its management bodies can be used by them for any personal purposes.

2. Financial Reporting

The Company emphasizes the accessibility of complete and reliable financial reports for familiarization by all interested parties.

The Company shall keep books and prepare a complete set of financial reporting in compliance with the Russian standards of accounting and financial reporting. Besides, the Company shall prepare accounts and reports according to the International Financial Reporting Standards (IFRS) and shall publish such reports both in the annual report and on the Internet site of the Company www.nwtelecom.ru.

Financial reports shall be accompanied by detailed comments making it possible for a reader of such reports to interpret correctly the data on the financial results of the Company. Financial information shall be supplemented by an analysis and comments of the management, as well as by a conclusion of an external auditor and the Auditing Committee.

3. Internal Control and Audit

a. Auditing Committee. The Company's Auditing Committee shall hold meetings at least 4 times a

year to discharge its duties in compliance with Company's bylaws. The Auditing Committee shall consist of experienced specialists in the field of finance.

The Auditing Committee shall check the legality of decisions and actions taken by the executive bodies of the Company, check the compliance of transactions made by the Company with the conditions of transactions made under comparable conditions, shall conduct an analysis of the Company's financial position and other control over the financial and economic operation of the Company within its terms of reference.

b. *Internal Audit.* The Company has an Internal Audit Department, which shall be responsible for the current internal control over the economic and financial operation of the Company. The Internal Audit Department shall consist of employees with impeccable reputation and shall be administratively subordinated to the General Manager, shall submit reports on the results of checks to the General Manager, Auditing Committee and to the Board of Directors of the Company. The powers, composition, work procedure and other issues of the activities of the Internal Audit Department shall be regulated by the bylaws of the Company.

c. *Committee of the Board of Directors.* One of the Committees shall concentrate on various aspects of the Company's activities, including the three key aspects: financial and managerial reporting, risk management, internal and external audit. Such a Committee shall be headed by an independent director and shall consist of independent and non-executive directors, each of whom shall have the sufficient knowledge of financial issues. The powers of the Committee, its composition, work procedure and other issues shall be governed by the Provisions on the respective Committee of the Board of Directors.

4. External Audit

An external auditor shall audit the Company's financial reports. A recognized independent auditing company shall act as the external auditor. Independence means independence of the auditor on the Company, its management and big shareholders. The auditing company shall carry out the audit in compliance with the International Auditing Standards. The Company shall ensure a periodic rotation of its external auditor. The external auditor shall be appointed by the general meeting of the shareholders taking into account recommendations of the respective Committee of the Board of Directors.

Conclusion

The Corporate Governance Code of the Open Joint-Stock Company North-West Telecom shall be approved by the Board of Directors of the Company and shall take effect from the moment it is approved.

In compliance with the active law, the Board of Directors shall systematically analyze the provisions of this Code and make necessary changes.

The Company shall aspire at improving this Code as new standards and trends appear in the Russian and world corporate governance practices.

Information on the observance of this Code by the Company shall be disclosed in Company's annual reports and via other information channels.