

Approved by
the Board of directors of
Sistema JSFC

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CODE OF ETHICS

Sistema Joint Stock Financial Corporation

Moscow, 2012

FROM THE PRESIDENT

Dear colleagues,

Business ethics, particularly in the context of our relations with government authorities, business partners, shareholders and employees, have always been at the top of Sistema's agenda.

Our business practices are based on global principles of sustainable development and corporate social responsibility. Sistema proved its commitment to these principles back in 2002 by becoming one of the first Russian companies to sign the Global Compact of the United Nations, and, also in 2003, when the company joined the World Business Council for Sustainable Development. We also share the ethical standards and principles set out in the Russian Code of Business Ethics (Chamber of Industry and Commerce, 1998), the Charter of Corporate Business Ethics (Russian Union of Industrialists and Entrepreneurs, 2003) and the Code of Corporate Conduct (Federal Commission for the Securities Market, 2002).

With the purpose of continued development, introduction and compliance with the best international and Russian standards of corporate governance, this Code of Ethics sets forth the fundamental principles of collective and individual conduct that should be followed by Sistema and its employees in their daily business operations, and when implementing projects in various countries around the world.

The Code reflects the position taken by the management of Sistema with respect to the fundamental values of corporate culture and social responsibility that ensure open, honest and ethical conduct of business.

In those cases when this Code sets standards of conduct that are higher than those set out in the applicable legislation or generally adhered to in business, Sistema and its employees should adhere to the standards, rules, requirements and principles fixed in this Code.

Compliance with ethical standards in business strengthens the reputation of Sistema today, and ensures its sustainable development in the future. That is why abidance by the rules set out in this Code should be a key priority for all employees.

M. Shamolin
President of Sistema JSFC

1. THE AIMS OF THE CODE OF ETHICS

- 1.1. This Code of Ethics is a key set of guidelines for Sistema JSFC (hereinafter – “Sistema”) that sets out the key standards, rules, requirements and principles aimed at establishing common ethical standards for Sistema’s business and the conduct of its employees.
- 1.2. The Code of Ethics is developed in accordance with the legislation of the Russian Federation, Sistema’s Charter and its bylaws, and takes into account the applicable laws along with requirements of UK stock market and other regulators, as well as the generally recognized principles of international law.

2. THE PURPOSES OF THE CODE OF ETHICS

- 2.1. The Code of Ethics reflects Sistema’s commitment and the commitment of its management to high ethical standards of conducting open and fair business, with the aim of improving corporate culture, following best practices of corporate governance and maintaining the business reputation of Sistema and companies within the Sistema Group.
- 2.2. Sistema sets itself the following goals:
 - To make sure that members of the Board of directors, the President, members of the Management board and employees, irrespective of their positions, (hereinafter – “Employees”) know and adhere to the principles and requirements of the Code of Ethics;
 - To establish a common system of ethical values by defining the criteria of fair and ethical conduct for Employees in their relations with government agencies, business partners, shareholders and colleagues;
 - To maintain and increase the trust of the investment community towards Sistema by strengthening its reputation as an open, honest and reliable business partner.

3. APPLICATION

- 3.1. All Sistema’s Employees should be guided by this Code of Ethics and should strictly abide by its principles and requirements in day-to-day business operations and when implementing projects in various countries around the world.
- 3.2. Sistema’s corporate documents, including those that govern the relationship with government agencies, business partners, shareholders and Employees, are developed and approved on the basis of the principles and requirements of this Code of Ethics.
- 3.3. The specific provisions of the Code of Ethics and the procedures for its implementation are covered in more detail in Sistema’s bylaws, including policies, codes, regulations, provisions, job descriptions etc.
- 3.4. It is recommended that the provisions of this Code of Ethics are implemented and complied with in all the subsidiaries and affiliates of Sistema (hereinafter - “subsidiaries”).

4. SISTEMA'S KEY ETHICAL PRINCIPLES AND VALUES

- 4.1. **Trust:** since its creation, Sistema has managed to gain the trust of thousands of contractors and millions of customers around the world by building amicable ties with its shareholders, investors and Employees, and Sistema is determined to preserve, strengthen and develop these relationships.
- 4.2. **Transparency:** Sistema's policy of transparency regarding information does not only guarantee all interested parties the right to receive reliable and relevant information about Sistema's business, but it is also one of the most important elements of our corporate culture.
- 4.3. **Respect to people:** Sistema's HR policy is aimed at ensuring equal opportunities for all Employees, irrespective of their nationality, religion, political views or personal convictions, sex, way of life or age.
- 4.4. **Integrity and impartiality:** Sistema takes management decisions on the basis of information that has been thoroughly analysed, and selects its contractors and partners, and conducts business with them, on the basis of transparent and fair market conditions, without any biased preferences or prejudice.
- 4.5. **Zero tolerance towards corruption and unfair competition:** Sistema does not participate in unethical, unlawful or unfair business activities and also strives to ensure that its business partners, contractors, Employees and subsidiaries follow the same high ethical standards, which are a distinguishing characteristic of Sistema.

5. FOCUS AREAS

- 5.1. The principles and requirements of the Code of Ethics cover all Sistema's operations and business processes, including the following:
 - Compliance with applicable laws and regulatory requirements;
 - Respecting the lawful rights of all shareholders and investors in Sistema and its subsidiaries;
 - Social responsibility;
 - Fair competition;
 - Preventing corruption;
 - Timely disclosure of reliable information;
 - Unacceptability of insider deals;
 - Relations with the government and its agencies;
 - Relations with Employees;
 - Settlement of conflicts of interest;
 - The use of Sistema's assets;
 - Bookkeeping;
 - Control and audit;
 - Protection of confidential information;
 - Checking the credibility of contractors;
 - The acceptable level of entertainment expenses and business gifts;
 - Organizing the operation of a whistleblowing system;

6. THE APPROACH TO IMPLEMENTING SISTEMA'S ETHICAL PRINCIPLES

6.1. Compliance with applicable laws and regulatory requirements

Sistema and its Employees shall strictly comply with the applicable standards of Russian, foreign and international laws, regulatory requirements, Sistema's Charter and internal documents, and shall be guided by the principles of fair and reasonable business practice and the provisions of this Code of Ethics.

If Employees doubt the ethics or lawfulness of their actions they should apply for guidance to the Ethics and Internal Control Committee of Sistema's Board of directors.

6.2. Respecting the lawful rights of all shareholders and investors in Sistema and its subsidiaries

When taking decisions, members of the Board of directors, the President and members of the Management board of Sistema should take equal account of the rights of all Sistema's shareholders and shareholders in subsidiaries, and maintain the balance of interests between them and investors equally, relations with them being based on trust and mutual respect.

The key principles of interaction with shareholders and investors include the open transfer of information, transparency of operations and reliability of financial statements, which ensures that all shareholders and investors have equal opportunities, including protection of their rights and timely access to information.

6.3. Social responsibility

Sistema believes that corporate social responsibility is an important element of the interaction between government, business and society, and considers social projects to be the most important factor in the stable development of countries and regions where Sistema Group companies operate.

Sistema initiates and implements social projects by providing financial, organizational, intellectual and charitable support of social, cultural, educational, sports, health, environmental and other programs, so that they promote positive changes in the lives of people, improve the social climate, reduce stress and enable new opportunities for the development of society.

6.4. Fair competition

Sistema bases its relationship with its competitors on mutual respect; it avoids unfair competition, unethical methods of obtaining competitive advantages and abuse of market position. It tries to settle potential disputes by good-faith negotiations and finding compromise solutions.

Employees should avoid making statements that damage the business reputation of competitors and they should not unfairly criticize their actions, products or services.

6.5. Preventing corruption

Sistema strictly adheres to a policy of intolerance of corruption in any of its forms and manifestations (the principle of zero tolerance), including in relationships with shareholders, contractors, representatives of government agencies, local governments, political parties,

subsidiaries and other parties when conducting daily business and implementing projects in various countries of the world.

Sistema's Anticorruption Policy is based on six major principles:

- Management sets an example of ethical conduct;
- Risks of corruption are assessed on a regular basis;
- Anticorruption procedures are implemented, followed and improved;
- The credibility of contractors is checked;
- Employees are provided with information and training;
- Monitoring and control procedures are conducted.

6.6. Timely and accurate disclosure of information

With the purpose of providing all shareholders, investors and other interested parties with free and equal access to the information about the Corporation, Sistema organizes timely and reliable disclosure of all the material facts and information about its activities and financial results according to the requirements of the applicable legislation and the rules of the stock market regulators in Russia and the UK.

In relation to each reporting period, Sistema publicly discloses its financial results and key risk factors, provides analysis of indicators for previous periods, describes significant events, provides data on credit ratings and corporate governance ratings, sets out a calendar of activities that are important for the investment community and other material facts, issues press releases when necessary and arranges conferences with analysts and media representatives.

6.7. Unacceptability of insider deals

With the aim of minimizing the risk of insider deals, Sistema Corporation conducts and regularly updates the list of persons that have access to material non-public (inside) information. All Employees are required to notify the Corporate Secretary of Sistema JSFC in advance of their intention to conduct a transaction(s) involving the Corporation's stock, and of the actual conclusion of the transaction(s).

Employees are strictly forbidden to trade the Corporation's stock, either personally or through representatives, using material non-public (inside) information, and in the periods prior to the public disclosure of annual and quarterly financial results of the Corporation.

6.8. Relations with the government and its agencies

Sistema and its Employees do their best to build and support constructive, open and transparent relations with the government, its agencies and representatives in a way that rules out any conflict of interest and undue influence.

Sistema does not pay any expenses of government officials and their close relatives (or in their interests) with the purpose of obtaining commercial advantages in relation to projects in which Sistema and/or its subsidiaries are involved, including expenses for transport, accommodation, entertainment, PR campaigns, etc.

6.9. Relations with Employees

Sistema builds relationships with its Employees on the basis of common goals, mutual respect, long-term cooperation, accommodation of mutual interests, good faith, neutrality, and assumes the following obligations to its Employees:

- to abide by employment laws and the terms and conditions of employment contracts;
- to respect human rights and individual liberty;
- to maintain an atmosphere of amicability, mutual understanding and stability;
- to allow no discrimination or harassment;
- to provide a proper level of compensation and workplace safety;
- to create conditions for safe and productive work;
- to encourage success and achievements at work;
- to take objective human resources management decisions based on performance;
- to provide opportunities for professional and personal growth;
- to support initiatives aimed at improving business process efficiency;
- to develop and improve training and motivation systems;
- to take into account the opinion of Employees and to arrange for feedback channels;
- to respond to proposals, ideas, requests and complaints;
- to provide information and resources based on the business needs principle;
- to prevent unauthorized disclosure of personal data;
- to respect cultural traditions of countries and regions where Sistema operates.

The Employees of Sistema JSFC must abide by the following ethical principles and standards:

- to comply with the requirements of law and Sistema's internal regulations;
- to take care of Sistema's reputation and to be guided by its interests;
- to refrain from unfair competition and business practices;
- to abide by the principle of zero tolerance of any forms of corruption;
- to set a personal example of ethical behavior;
- to demonstrate good faith and integrity in business and personal relations;
- to be respectful and polite with colleagues and Sistema's counterparties;
- not to undermine the dignity of more junior staff or colleagues;
- not to allow unjustified or unfair human resources management decisions;
- to stop any actions that are doubtful from a legal or ethical standpoint;
- not to abuse their office, confidential or inside information, tangible or intangible assets of Sistema for their own purposes;
- to assist colleagues when taking important decisions;
- not to disseminate unreliable or unverified information;
- to take decisions only after a situation has been comprehensively examined in relation to social responsibility to the state and to society;
- to respond quickly to requests from management, colleagues and counterparties;
- to engage in continuing professional development;
- to perform their duties as effectively as possible;
- to take into account the interests of all stakeholders when conducting business relations;
- to share experience and information with colleagues and more junior staff;
- to fulfil assignments from management and requests from colleagues on time;
- to abstain from actions or omissions that cause a conflict of interest;
- to strive to achieve compromises and amicable settlements of disputes;
- to inform the management regarding property and reputational risks to Sistema;
- to avoid decisions that bring about unjustified reductions of employment at Sistema;
- to use their own working time and the time of their colleagues effectively.

6.10. Conflicts of interest

Employees shall ensure that situations do not occur where their financial interests or personal relationships affect (or may affect) the proper performance of their job responsibilities due to a conflict between the interests of Sistema and their personal interests (“conflict of interest”).

If any Employee becomes aware of a potential or actual conflict of interest, the Employee is obliged immediately to inform the Ethics and Internal Control Committee of Sistema’s Board of directors and:

- refrain from taking part in decisions and actions related to the conflict of interest, in which the interests of the Employee contradict or may contradict Sistema’s interests; **or**
- obtain the consent of the Ethics and Internal Control Committee of Sistema’s Board of directors to participate in decisions or actions related to the specific conflict of interest, **or**
- voluntarily resign his or her membership of Sistema’s management bodies or employment with Sistema.

Members of the management bodies of Sistema are obliged, *inter alia*, to:

- immediately inform the Corporate Secretary of Sistema JSFC of their intention (or the intention of their immediate relatives) to effect a transaction that falls within the definition of a related party transaction;
- inform the Ethics and Internal Control Committee of Sistema’s Board of directors about positions that they (or their immediate relatives) take or intend to take on the management bodies of third party companies or organizations, and receive consent prior to taking such positions;
- inform Sistema’s Board of directors about other business affairs or other interests that take up a significant part of their working time or may distract attention away from performing their job responsibilities.

All Employees and their close relatives, *inter alia*, shall not:

- have personal interest in the operations of Sistema’s competitors;
- invest in companies competing with Sistema;
- accept presents, services, rewards or personal benefits that influence the management decisions they may take relating to Sistema’s operations.

6.11. Use of Sistema’s assets

Employees should treat Sistema's assets with due care and ensure their efficient use for legitimate business purposes, prevent any embezzlement, damage, misappropriation, negligence, or use for illegal or unethical purposes, while minimizing the risk of potential losses and damage to the business reputation of the Corporation.

Sistema's assets include tangible assets, cash resources, intellectual property rights, know-hows, data on business processes, and written correspondence or data transferred or received via email or other communication systems of Sistema or contained in them.

6.12. Bookkeeping

Sistema makes sure that all financial transactions are reflected in its accounts accurately, correctly and with due level of detail, that they are documented and available for audit, and

that misstatement or falsification of the accounts of the Corporation is strictly forbidden and classified as fraud.

Sistema has appointed Employees that bear personal responsibility for preparing and submitting complete and reliable accounts within the timelines established by applicable laws.

6.13. Control and audit

Sistema regularly performs internal and external audit of its financial and operating activities, controls the completeness and accuracy of the presentation of data in its accounts, and ensures compliance with applicable laws and Sistema's internal regulations, including the principles and the requirements established by this Code of Ethics.

Sistema's internal control procedures shall include inspections of compliance with key business processes, including random checks of the legitimacy of payments being made, their economic soundness, the acceptability of expenses, including them being supported with the necessary documents.

6.14. Protection of confidential information

Employees that have access to confidential and/or material non-public (inside) information of or related to Sistema should only use it to perform their job duties, and may provide it to other Employees only when required for business reasons.

Employees should not disclose such information, comment on it to the media or transfer it (even after the termination of their employment with the Corporation) to any companies or persons (including relatives), except in cases when its disclosure, commenting on it or transfer has been authorized by Sistema's management bodies or by the internal regulations of Sistema or is required by law.

6.15. Checks on contractors

Sistema and its Employees shall make reasonable efforts and take measures to minimize the risks of business relations with counterparties that may be involved in corruption, for which purpose measures based on the "Know Your Counterparty" principle are taken, whereby Sistema:

- screens the counterparties in terms of whether they are prepared to abide by Sistema's ethical principles and requirements, whether they have their own anticorruption procedures and/or policies, and whether they intend to support Sistema in a mutual effort to do business ethically and prevent corruption.
- monitors transactions with counterparties in terms of compliance with the ethical principles and requirements of the Corporation;
- makes reasonable efforts to include terms and conditions aimed at preventing bribery, corruption and the legalization of unlawfully earned gains, into agreements into which Sistema enters.

6.16. Entertainment expenses and business gifts

Gifts and entertainment expenses, including business hospitality expenses, which Employees may provide to other persons or organisations on behalf of Sistema, or which Employees may receive from other persons and organisations in connection with their work at Sistema, should meet all of the below criteria:

- be directly related to the legitimate goals of the Corporation, e.g. presentation or completion of business projects, successful fulfilment of contracts, or to generally recognized festive occasions, such as Christmas and the New Year, International Women's Day, memorable dates, jubilees;
- be reasonable, commensurate and not luxury articles;
- not be a concealed reward for a service, action, omission, connivance, patronage, granting of rights, a specific decision on a transaction, agreement, license, permission etc. and not an attempt to influence the recipient with some other illegal or unethical purpose;
- create no reputational risks Sistema, its Employees or other persons in the event that information about the gifts or entertainment expenses is disclosed;
- not be in conflict with the principles and requirements of this Code of Ethics, other internal regulations of Sistema and the provisions of applicable laws.

No gifts in the form of money, either cash or non-cash, in any currency, are allowed on behalf of Sistema, its Employees or representatives.

6.17. Organising the operation of a whistleblowing system

Should any Employee have doubts about the ethics or the legitimacy of their actions, as well as actions, omissions or suggestions of other Employees, counterparties or other persons that interact with the Corporation, they can report on that (including leaving an anonymous message) via Sistema's hot line within the framework of the whistleblowing programme, including reporting:

- to the email address report@sistema.ru .
- to the answering machine at the telephone number [+7\(495\)228 15 02.](tel:+7(495)2281502)
- to the Head of the Internal Control and Audit Function of Sistema JSFC
- to the Ethics and Internal Control Committee of Sistema's Board of directors.

No sanctions will be applied to any Employee if they have reported on actual or supposed instances of non-compliance with the Code of Ethics or other irregularities.

7. AMENDMENTS

In the event of changes in the requirements of Russian or foreign laws, in the provisions of international laws, the interests of the shareholders of Sistema or its partners, creditors or investments, or if some of the provisions of this Code of Ethics are found to be insufficiently effective, the Board of directors of Sistema JSFC shall have the right to make the necessary amendments to the Code of Ethics. Such amendments should not impair the high standards of business at Sistema.

8. RESPONSIBILITY FOR NON-FULFILMENT (IMPROPER FULFILMENT) OF THE CODE OF ETHICS

Independent of their position in the organization, Employees bear personal responsibility for compliance with the principles and requirements of this Code of Ethics and for the actions (omissions) of the more junior staff who report to them, which are contrary to these principles and requirements.

Persons that have committed or allowed actions (omissions) that are contrary to the requirements of this Code of Ethics may be liable (depending on the circumstances and the nature of the infringement) to disciplinary, administrative, civil or criminal penalties. Actions may be initiated by the Corporation, law enforcement agencies or others, in accordance with

procedures and on the basis stipulated in the laws of the Russian Federation, the Charter of Sistema JSFC, company bylaws and employment contracts and (as applicable and where there are the necessary grounds) as set out in the laws of other countries.

9. CONCLUSION

The Code of Ethics cannot be an exhaustive body of rules and does not contain recommendations how all possible situations, which Employees may face while fulfilling their duties and running the business of the Corporation, should be dealt with.

If it is necessary to take a business decision in a situation that is not explicitly set out in this Code of Ethics, one should try to answer the following questions:

- Is this legal?
- Is this honest and fair?
- Is this in line with the interests of Sistema?
- Does this meet the ethical principles and values of Sistema?
- Should I act this way?
- Do I have the authority to do so?
- Will I feel comfortable if the shareholders and the management learn about my actions or if information related to this were to be published in media?

If your answer to any of the above questions is "no", you should immediately discuss the matter with your direct superior or apply to the Ethics and Internal Control Committee of Sistema's Board of directors.

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