

**APPROVED**  
by the Board of Directors of  
Sistema JSFC  
Minutes No. 8-05 of  
April 16, 2005

*Ethics Code*

**MOSCOW**  
**2004**

The main terms used the Code:

- **Directors** – all members of the Board of Directors of Joint Stock Company “Joint Stock Financial Corporation “Sistema” (hereinafter referred to as the Corporation).
- **Top Managers** – the President of the Corporation, the First Vice-Presidents, the Vice-Presidents the, heads of departments and independent directorates, the chief accountant, the heads of branches and representative offices and other persons discharging similar functions at the Corporation.
- **Employees** – all other employees of the Corporation, both full time and part-time, engaged either pursuant to labor contracts or as independent contractors.
- **The Named Persons** – the Directors, the Top managers and the Employees, collectively.
- **The interested parties** – other persons or groups, whose interests are involved in the activities of the Corporation, including its shareholders, managers, business partners, consumers, etc.
- **Family Members** – spouses, both in law and in equity; parents, including adopted parents; children, including adopted children, siblings and cousins; relatives in law of the Named Persons.
- **Confidential Information** – information which has or may have commercial value by force of third parties’ being ignorant thereof, of legal restrictions on the access thereto and by virtue of the legal possessor of such information taking measures to protect its confidentiality.
- **Insider Information** – important information on the Corporation’s activities, not available to the general public.
- **Conflict of Interests** – is a situation when individual and financial interests of the Named Persons are in conflict with the Corporation’s interests.

## **1. Introduction**

The Ethics Code of Joint Stock Company "Joint Stock Financial Corporation "Sistema" (hereinafter referred to as the Corporation) and other current local acts, containing rules on the rights, obligations and conduct prescriptions of the Named Persons, envisages the ethical rules of corporate relations and are binding on all the Board of Directors members, the President, Vice-Presidents, heads of departments and independent directorates, the chief accountant, heads of branch and representative offices and other persons discharging similar functions at the Corporation, and by the Employees of the Corporation.

The Ethics Code of the Corporation develops the Code of Corporate Conduct provisions and corresponds to the generally accepted standards of business conduct and ethics.

In carrying out our business practice we consider it necessary and intend to take into account, so much as possible, the socially-significant aspects of the business activities and the responsibility of the Corporation with respect to all Interested Parties.

We are close in spirit and we share the basic ethical rules and principles of the Russian Code of Business Ethics (the Russian Federation Chamber of Commerce and Industry, 1998), The Charter of Corporate Ethics (The Russian Union of Industrialists and Entrepreneurs, 2003), The Code of Corporate Conduct (The Federal Securities Commission, 2002).

The Corporation integrates the international recognized principles of stable development and corporate social responsibility. We confirmed our commitment to the said principles in 2002, being one of the first Russian companies to sign the UN Global Compact (Global Compact of the United Nations, UN-GC). In 2003 Sistema JSFC, also as one of the pioneers from among Russian companies, entered the Global Business Council on stable development (WBCSD). Like other WBCSD members, we intend to build our business with high degree of transparency and responsibility.

These ethical rules and principles help the Corporation avoid ungrounded risks, sustain a long-term economic growth, contribute to strengthening of the Corporation's positions on the Russian and international markets, achieving success in its business operations, capitalization and income growth, and forming positive expectations in the participants of corporate relations.

The present Code concerns the most important issues of business ethics in view of the Corporation. The Code is a publicly available document, and the Board of Directors of Sistema JSFC may at any time make changes of additions to the Code proceeding from the interests of the Corporation's shareholders and partners, creditors and investors.

The provisions herein are based on the Civil Code and the Labor Code of the Russian Federation and the Federal law "On Joint Stock Companies" as well as on the above mentioned documents.

## **2. Main ethical principles**

Directors, Top Managers and Employees shall adhere to the following ethical principles in their everyday activities:

- to fully comply with the requirements of the current legislation and other legal prescriptions or, in case a legal prescription is absent, to proceed from the principles of good faith, reasonability and fairness, to be honest and fair in their business relations, withhold from bad faith in carrying out business;
- to honor the right of property, to strive to achieve a balance of mutual benefits derived from transactions;
- to immediately inform the Board of Directors of the Corporation in case there arises a risk of the Corporation sustaining damages;
- not to abuse the official position, insider information, tangible or intangible assets of the Corporation pursuing personal interests;
- strive to take collegial decisions and render assistance in the taking vitally important decisions and in extraordinary situation;
- to exercise a respectful and polite attitude to their colleagues and representatives of the,

customers business partners of the Corporation without distinction as to their position, gender, age, nationality, or religion;

- to interact in business with a welcoming and pleasing approach;
- to continuously achieve higher professionalism, acquire new skills and qualifications. To use knowledge in discharging the official functions in the most professional and efficient manner;
- to take decisions with due regard of not only the economic effect but also of the decisions made by others, and of the interests of other interested parties to the business relations, to withhold from unethical methods of competition;
- to withhold from acts or omissions that may cause conflicts in business relations to try to settle all conflicts maintaining a balance of interests of the relating parties.

Should the Named Persons have doubts as to whether their acts are correct or with regards to any other ethical issues they must refer to the Corporate Conduct Committee of the Board of Directors of Sistema JSFC.

Directors and Top Managers additionally assume the obligation to comply with the following ethical principles in their everyday activities:

- to provide, in accordance with the current legislation and internal regulations, a timely disclosure of full and accurate information on the Corporation, including its financial standing, economic performance, its ownership and management structures, the Corporation's large shareholders, and of substantial facts, which have an impact on the financial and economic activities; such disclosure is necessary to enable the shareholders, creditors and investors of the Corporation to take well-grounded decisions;
- to transact in business bearing in mind the social responsibility towards the Named Persons, the population of the localities where the Corporation's enterprises are located, the state and the society as a whole;
- to provide gratuitous financial or other charitable support to social, cultural and educational and other programs;
- to carry out economic activities without causing harm to the environment, to take part in environment protection programs;
- to build relations between the Corporation and the Named Persons on the basis of long-term cooperation, common goals, respect and concern to mutual interests, good faith and feasibility of the obligations assumed and social partnership;
- to create conditions for the Employees, that would not harm their health and dignity, the assure a good level of wages and salaries ensuring a high standard of life;
- to be honest in communications, attend carefully to the proposals, ideas, claims and complaints submitted by the Named Persons;
- to avoid discriminating policies and guarantee equal rights and possibilities in the spheres of compensation for work and career promotion;
- to avoid taking decisions leading to significant job cuts in the Corporation.

### **3. Conflict of interests**

The Named Persons must withhold from situations which lead or may lead to a Conflict of Interests. If a Conflict of Interests already exists the Named Persons must withdraw from decision-making, which would allow avoiding any future claims of bias or lack of objectiveness, and also immediately notify the Conflict of Interests to the person's immediate manager and the Corporate Conduct Committee of the Board of Directors of Sistema JSFC.

Directors, Top Managers and their Family Members may not:

- have personal interests in the activities of the Corporation's competitors;

- invest in the Corporation's competitors;
- receive valuable gifts, services, remunerations or other personal benefits, made to encourage the persons to take any decision in the interests of the donor.

The named persons:

- must inform the Board of Directors on any proposed transaction that corresponds to the definition of an interested-party transaction. The said transactions may only be effected upon approval by the Board of Directors or the General Meeting of Shareholders;
- who have access to Confidential or Insider Information may effect transactions involving the Corporation's or its daughter and dependent companies' securities upon prior notice to the Board of Directors of the Corporation.

Top Managers:

- must provide information on the unrelated business interests that consume a substantial amount of their time or require a substantial portion of their attention to the prejudice of their main functions;
- must inform the Appointments and Awards Committee of the Board of Directors of Sistema JSFC on any positions held by them outside and without knowledge of the Corporation, and before consenting to be appointed to the said positions must inform the Committee of their intentions.

If the above rules are violated, the Named persons must immediately inform the Corporate Conduct Committee of the Board of Directors of Sistema JSFC.

#### **4. Confidential Information**

The Named Persons who have access to Confidential Information of the Corporation shall use it only in connection with discharge of their official duties.

The Named persons may not disclose the said information (even after completion of the employment or termination of their duties) to third parties, including governmental bodies, other Named Persons or Family Members unless such third parties' requirement is legally grounded and except as otherwise prescribed by the Corporation or in applicable legislation.

The Corporation's internal documents regulate the order of disclosing information to mass media, shareholders, investors and other Interested Parties, as well as the order of submitting the required reports to the state authorities.

#### **5. Compliance with the Ethics Code**

All the Named Persons must comply with the present Ethics Code and shall provide notice to the Corporate Conduct Committee of the Board of Directors of Sistema JSFC regarding any cases of non-compliance or possible non-compliance with the Code or violation of the current legislation, rules and regulations.

The Corporation shall prevent any retaliatory acts against the persons who inform of such non-compliances in good faith. An investigation shall be arranged immediately on all notifications of violations of the present Code (either committed or proposed) and, if necessary, measures shall be taken to remedy them.

The Named Persons failing to comply the current legislation, rules and regulations prescribed herein shall bear a disciplinary punishment, upon consideration of the circumstances of the case, in accordance with the provisions adopted by the Corporation up to being transferred to a lower position or discharged (as concerns Top Managers and Employees).

Any questions regarding compliance with the present Code must be referred to the Corporate Conduct Committee of the Board of Directors of Sistema JSFC.

## **6. ALLOWED EXCEPTIONS FROM THE ETHICS CODE**

The Named Persons are obliged to follow the present Code at all times while discharging their official duties at the Corporation.

However circumstances may require that an exception be made from the rules set forth herein. The Corporate Conduct Committee of the Board of Directors of Sistema JSFC is authorized to take the respective decision upon application of the Named Person and consideration of the actual circumstances of the case.

Information on any exception from the rules set forth in the Code made by the Board of Directors or the Corporate Conduct Committee of the Board of Directors of Sistema JSFC shall be immediately disclosed by the Corporation.