

Approved
by the Board of Directors of "UTK" PJSC
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by the Board of Directors of "UTK" PJSC
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Chairman of the Board of Directors

_____ S.N. Panchenko

Corporate Governance Code (Set of rules)

“Southern Telecommunications Company”
PJSC

Krasnodar
2004

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1. Introduction

Public Joint –Stock Company “Southern Telecommunications Company” (hereinafter referred to as the Company) is the principal fixed-line telecommunications provider for Russia’s Southern Federal District. The Company renders the services of local, domestic and international long-distance telephony, document communication, data transmission, wired radio broadcasting, paging, rent of channels and telematic services, Internet access and other telecom services.

Concentration of financial flows on the priority development trends will allow to realize projects of creating a unified information space of the region. For these purposes the Company gradually improves its corporate governance practice.

The policy of corporate governance perfection is aimed at the increase of the Company’s capitalization, modernization of production basis, maintenance and strengthening its leadership

positions in the Russia telecommunications market, break-through to a higher development level.

Information openness, intensive technical development in combination with efficient management are the criteria for defining the Company as a reliable business partner. The mission of the Company is to provide Southern regions of Russia with full range of integrated telecom services of high quality thus raising living standards of the work collective and the whole society.

The purpose of the given Code adoption is to form and introduce into day-to-day activity the principles and rules of corporate conduct promoting the Company's successful development, expressed by long-term development outlooks of the Company, increase of its capitalization, observance of legitimate interests and rights of shareholders and formation of positive image of the company among shareholders, employees, customers of the Company and other interested persons.

Realizing this responsibility and the importance of good corporate governance for successful business and mutual understanding between all the persons concerned "UTK" PJSC undertakes to follow the principles hereunder and to make all reasonable efforts for their observation by the Company in its day-to-day activity.

The provisions of the given Code are based on the best international and national standards of corporate governance practices, in particular, on the internationally recognized corporate governance principles developed by the Organization for Economic Cooperation and Development (OECD) and Corporate Governance Code recommended by the Federal Commission for Securities Market of Russia.

Principles and rules set herein represent higher, in comparison with current legislation, level of management and control bodies functioning, business culture and observation of high ethical standards.

The Code must organize corporate identity of the largest company operating in vast territory and having many branches and subdivisions. Chairman of the Board of Directors, members of the Board of Directors, Management Board, Auditing Commission, General Director, the Company's Auditor and shareholders owning in the aggregate five and more percent of the Company's voting shares are entitled to make direct suggestions to the Board of Directors on changes or additions to the given Code.

The following persons concerned are also entitled to make suggestions to the Board of Directors on changes or additions to the given Code through the Board Corporate Governance Committee: shareholders owning in the aggregate not less than 2 per cent of voting shares of the Company, top-managers of the Company, management of the Company's branches.

The Company is guided by the following documents in its activity:

- The norms of the current legislation of the Russian Federation;
- The Company's Charter
- The given Corporate governance Code (Set of rules);
- Regulations on procedure for conducting General Shareholders' Meetings of "Southern Telecommunications Company" PJSC
- Provisions on the Board of Directors of the Company;
- Provisions on the Management Board of the Company;
- Provisions on the Auditing Commission of the Company;
- Provisions on the dividend policy of the Company;
- Provisions on the Corporate secretary and the Office of the Corporate secretary of the Company;
- Information rules of the Company.

2. Principles of Corporate Governance

- 2.1. Corporate governance in the Company is the system of principles and norms, based on the requirements of the current legislation and international standards, which helps to coordinate for the benefit of the Company the rights and legitimate interests of the shareholders, members of the Board of Directors, executive bodies, employees and other interested persons and is aimed at receiving maximum profit from company's operations.
- 2.2. The Company undertakes to perfect the corporate governance practices with due respect for the rights and lawful interests of all participants and improve the quality of a company's operations by means of, among other things, increasing the value of corporate assets, creating jobs and enhancing the financial stability and profitability of the company.
- 2.3.
- 2.4. The Company undertakes to develop corporate governance practices providing for:
 - 2.4.1. a real opportunity for shareholders to exercise their rights in relation to the Company in full;
 - 2.4.2. equal treatment of shareholders owning an equal number of shares of the same type (category). All shareholders should have access to effective protection in the event of a violation of their rights;
 - 2.4.3. the strategic management of the company's business by the board of directors, for effective control by the board over the executive bodies of the company, and for the accountability of the board of directors to shareholders;
 - 2.4.4. the ability of the company's executive bodies to manage the day-to-day activities of the company reasonably, in good faith and solely in the interests of the company, and ensure that executive bodies report to the board of directors and shareholders;
 - 2.4.5. timely disclosure of full and accurate information about the company, including information about its financial position, economic parameters, ownership and management structure, to enable shareholders and investors to make informed decisions;
 - 2.4.6. taking into account the statutory rights of interested persons, including employees of the company, and encourage active cooperation between the company and interested persons with a view to increasing the assets of the company and the value of its shares and other securities, and to creating new jobs;
 - 2.4.7. the efficient control over the financial and business operations of the company in order to protect the rights and legal interests of shareholders;
 - 2.4.8. observation of all the norms of the current legislation;
 - 2.4.9. introduction of ethical standards and rules into the Company operations.

3. General Shareholders Meeting

- 3.1. The corporate governance practice of the Company provides for the right of shareholders to receive detailed and reliable accounts of the policies pursued by the company from the board of directors and executive bodies. Holding of a General shareholders meeting provides the company with an opportunity to inform shareholders at least once a year of its activities, achievements and plans, and to involve them in making decisions on the most significant company matters.
- 3.2. The procedure of shareholders meeting, confirmed in the Company, provides equal attitude to all the shareholders and is not very expensive and complicated.
- 3.3. The procedure of preparing and holding a shareholders meeting is regulated by Articles of the Company and internal document of the Company – by “Regulations of

shareholders meeting procedure of public corporation “Southern Telecommunication Company”.

3.4. It is established by the internal documents of the Company, Articles of the Company and Regulations of shareholders meeting procedure of the Company, that the notification about holding a shareholders meeting is to contain enough information and to be done on term which permits shareholders to elaborate a viewpoint for every question of the agenda.

3.5. Notice of the General Shareholders' Meeting shall be given not later than 30 days before its opening. Should the proposed agenda of the Extraordinary General Shareholders' Meeting include the issue on election of the Company Board of Directors, notification of the Extraordinary General Shareholders' Meeting shall be made not later than 50 (fifty) days before the meeting.

Should an Extraordinary General Shareholders' Meeting be convened on request of the Company's Auditing Commission, Auditor as well as of any shareholder or group of shareholders that owns 10 percent or more of the Company's total number of voting shares, notice of the Extraordinary General Shareholders' Meeting should be given not later than 20 days before its opening.

3.6. The Company aims at notifying about holding a shareholders meeting not later than 30 days from the date of the meeting irrespective of the questions, included into agenda, if greater terms are not stated by the law.

3.7. A notification about holding a shareholders meeting is to contain the following:

- full trade name of the Company and the whereabouts of the Company;
- the form of a shareholders meeting (meeting or absentee voting)
- date, place, time of holding a shareholders meeting and post address for sending completed voting paper, or in case of shareholders meeting in a form of absentee voting – the final date of acceptance voting papers and post address for sending completed voting papers;
- beginning of registration persons (their representatives) participating in a shareholders meeting;
- date of compilation of the list of persons entitled for participation in a shareholders meeting;
- agenda of a shareholders meeting;
- procedure of conforming their authorities by representatives of persons entitled for participation in a shareholders meeting;
- procedure of examination of the information (material) which is subject to submission to the persons entitled for participation in a shareholders meeting, during preparation for holding a meeting, and address (addresses) where the examination is possible, address (the whereabouts) of a sole executive office of the Company as well as addresses of other places where the information may be submitted;
- other information according to the questions of agenda for a meeting.

3.8. The methods of notification are defined by the necessity to inform all the listed persons entitled to participate in a shareholders meeting. The notification about holding a shareholders meeting is sent to every person indicated in the list or persons entitled for participation in a meeting by registered letter or is given to every mentioned person with necessary addressee signature, or is published in print edition of “Rossiyskaya Gazeta”, defined in Articles of the Company, and is located on the Internet site of the Company by the address <http://www.stcompany.ru>

3.9. In the place provided for information submission for a shareholders meeting the Company gives possibility for the shareholders possessing not less than one per cent of votes to examine the list of persons entitled to participate in a shareholders meeting.

3.10. The Company provides the right of shareholders possessing total not less than 2 per cent of voting shares of the Company to include questions into agenda of annual

shareholders meeting and nominate candidates into the Board of Directors of the Company, Auditing commission of the Company.

3.11. The Company wants that information made available in connection with preparation for the General Shareholders' Meeting and the access to such information enable shareholders to gain a full picture of the Company's operations and make informed decisions on the agenda issues. Such information shall be made available for shareholders at the address of the Company's General Director and at the addresses of the Company's branches. Electronic telecommunication means being developed, the Company endeavors that shareholders be given an additional opportunity to access General Shareholders' Meeting-related information by electronic telecommunication channels.

Reports reflecting the Board's position and any dissenting opinions of the directors on each agenda item should be submitted to shareholders before each General Shareholders' Meeting.

3.12. From the persons nominating candidates for the membership in the Board of Directors and Auditing commission the Company demands submission of biographic data of the candidates for further notification of the shareholders during preparation for the shareholders meeting.

3.13. For the control of the right for the share of the Company is executed by keeping the register of shareholders of the Company under the supervision of a specialized registering clerk, the Company does not require submission of any documents confirming the rights of the shareholder, recorded in the register.

3.14. When defining the place, the date and the time of holding a shareholders meeting the Company proceeds from the necessity to provide the real and not difficult possibility for the shareholders to take part in it.

3.15. The definition of the agenda questions for a shareholders meeting by the way, which minimize the possibility of their different and ambiguous interpretation.

3.16. The procedure of participant registration is elaborated and fixed in the internal documents of the Company in such a way that prevents obstacles for participation.

3.17. For the purpose of giving to the shareholders of the Company the possibility to get the answer for all the questions the Company aims at providing the presence of the Director General, full membership of the Administration, members of the Board of Directors, as well as candidates for the new Board of Directors, Auditor representatives and members of Auditing commission.

3.18. The Board of Directors appoints the chairman of the meeting.

3.19. Voting at the meeting is executed with the help of voting papers. The Company aims at creating and realizing of effective voting mechanism for protection of minority shareholders from unfair treatment.

3.20. For the purpose of strict observation of shareholders rights when sizing up voting results the Company aims at summing and declaring the results on the day of the shareholders meeting (before its end).

4. Board of Directors of the Company

4.1. 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 supervising bodies and the executive bodies and a clear

distribution of powers between them are the key factor in ensuring the proper corporate governance practice.

4.2. The main objectives of the Board of Directors activity is to provide efficient supervision of the financial and business operations of the company with a view to long-term stable development of the Company, increase of its assets value, protection of rights and legitimate interests of the shareholders.

4.3. When realizing its objectives of activity the Board of Directors shall be guided by the principles stated below:

- taking resolutions based on reliable information on the Company's activity;
- preventing restrictions of the shareholders' rights to participate in managing the Company's business, receive dividends and information on the Company;
- achieving the balance the interests between different groups of shareholders and taking the most objective decisions in the interests of all the shareholders of the Company.

4.4. The Board of Directors of the Company fulfills the following functions:

- Determines the development strategy for the Company and approves its annual budget;
- provides efficient supervision of the financial and economic operations of the Company;
- safeguards and protects the rights of shareholders as well as facilitates resolution of corporate conflicts;
- ensures efficient operation of the executive offices of the Company by, among other things, supervising their operations;
- defines ethical standards for the Company's operations;
- establishes a risk management mechanism in the Company.

4.5. The principles and procedures of the Board of Directors activity, its terms of reference, the rights and obligations of the Board of Directors members shall be clearly defined in the Charter and the internal document of the Company – Provisions on the Board of Directors.

Composition and election of the Board of Directors.

4.6. Composition of the Board of Directors of the Company should optimize the effectiveness of the Board of Directors.

Members of the Board of Directors should refrain from actions that may result in a conflict between their own interests and the interests of the Company. If such conflict of interests arises they should immediately inform the Board of Directors in writing about it through the Corporate Secretary of the Company and act in compliance with the requirements of the applicable legislation, constituent or other internal documents of the Company.

4.7. Members of the Board of Directors should refrain from actions that may result in a conflict between their own interests and the interests of the Company. If such conflict of interests arises they should immediately inform the Board of Directors in writing about it through the Corporate Secretary of the Company and act in compliance with the requirements of the applicable legislation, constituent or other internal documents of the Company.

Members of the Board of Directors should notify the Board of Directors in writing through the Corporate Secretary of the Company of the fact of ownership of the Company's shares, of the intention to enter into transactions with securities of the Company or its subsidiaries and affiliates no later than 3 business days prior to the transaction date, as well as of the effected transactions with such securities no later than 3 days after the transaction date. This duty of members of the Board of Directors should be fixed in internal documents of the Company and

other documents determining duties of members of the Board of Directors with respect to the Company.

- 4.8. The Board of Directors of the Company is annually elected by the Annual General Shareholders' Meeting 11 persons in number. The main task of the Board of Directors is to hold productive and constructive discussions, make prompt and rational decisions, and efficiently organize the work of its committees.
- 4.9. Independent directors included in the Board of Directors ensure that the Board of Directors forms an objective opinion on matters under discussion.
- 4.10. The main eligibility criteria for independent directors the Company considers their ability to make independent judgments on the basis of their own experience and competence which assumes no property, sibling, official or any other factors capable of affecting their position.
- 4.11. An independent director shall be a director who:
 - 4.11.1. over the last year has not been and at the time of taking the decision is not:
 - a person acting as the individual executive body of the Company, including as a manager, a member of the collegiate executive body, or a person who holds managerial positions in the managing organization.
 - a person thereof a spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law are persons who hold positions in the indicated governing bodies of the Company and the managing organization of the Company or act as a manager of the Company;
 - an affiliated person of the Company except a member of the Board of Directors.
 - 4.11.2.
 - 4.11.3.
 - 4.11.4.
 - 4.11.5. is not bound by contractual relations with the Company whereby the person may acquire property (receive money) with a value in excess of 10 percent of such person's aggregate annual income, other than through receipt of remuneration for participation in the operations of the Board of Directors.
 - 4.11.6. is not a major business partner (or his representative) of the Company (a business partner with an annual value of transactions with the Company in excess of 10 percent of the assets value of the Company);
 - 4.11.7. is not a representative of the government;
 - 4.11.8. does not possess personally or through affiliated persons the share of the Company's property sufficient for self nomination to the Board of Directors;
 - 4.11.9. does not receive reward for consulting or other services for the company other than through receipt of remuneration for participation in the operations of the Board of Directors;
 - 4.11.10. does not represent interests of consultants and partners of the Company;
 - 4.11.11. declared publicly about his status of an independent director prior to being elected into the Board of Directors.
- 4.12. No director may be deemed to be independent if he/she has acted in the capacity of a member of the Board of Directors of the Company for 5 years.
- 4.13. In order to enable independent directors to influence actively the decision-making process and ensure that the Board of Directors considers the widest possible spectrum of opinions on matters being discussed, their number should comprise at least three persons of eleven members of the Board of Directors set forth in the Charter of the Company.
- 4.14. The Company shall disclose information about the number of independent directors and their names on the corporate Internet-site and in its quarterly report. An independent director shall declare publicly about his status of an independent director prior to being

elected into the Board of Directors – at the moment of nomination as a candidate into the Board of Directors.

- 4.15. If an independent director ceases to be independent due to any changes or new circumstances, such director should notify the Board of Directors accordingly, and give a detailed account of all such changes and new circumstances. The Company shall be obliged to disclose the information that the member of the Board of Directors ceased to be independent on the corporate website and in the press releases of the authorized information agencies.
- 4.16. The election of the Board of Directors members shall be conducted in accordance with a transparent procedure that takes into account the diverse opinions held by shareholders, ensures that the composition of the Board of Directors is in compliance with statutory requirements, and allows the election of independent directors.
- 4.17. The procedure for election of the Board of Directors by the Annual General Shareholders' Meeting by cumulative voting which ensures that the opinions of all shareholders shall be taken into account, including those with small share holding (minority shareholders), should be stipulated in the Charter of the Company.
- 4.18. The rights and duties of the members of the Board of Directors shall be clearly defined and incorporated into the internal document of the Company – the Provisions on the Board of Directors of the Company.
- 4.19. The Company shall not provide loans to the members of the Board of Directors.
- 4.20. The remuneration payable of the members of the Board of Directors shall depend on the personal participation of each member in the operation of the Board and on the long-term development of the Company. The remuneration mechanism shall not infringe upon the independence of the directors. The Board Personnel and Rewards Committee shall from time to time revise criteria for determination of the amount of remuneration payable to members of the Board of Directors in order to prepare the appropriate recommendations.
- 4.21. The members of the Board of Directors shall be loyal to the Company and act reasonably and in good faith with respect to the Company's affairs

Operations of the Board of Directors.

- 4.22. The Company suggests a special program for newly elected members of the Board of Directors to get familiar with the Company, directions of its activity and other questions for helping directors to execute their obligations. The Company as well provides the directors with the opportunity to participate in common educational programs with a view to increase their professional qualification. The Board of Directors and its committees shall also have an opportunity to attract independent advisors on legal, financial and other questions for the Board of Directors if necessary.
- 4.23. The Board of Directors shall keep detailed minutes of the meetings with proper discussion records. The minutes shall be signed by the Chairman of the Board of Directors and the Corporate Secretary and include namely the results of voting.
- 4.24. The meetings of the Board of Directors shall be conducted on a regular basis, at least once every six weeks in accordance with the plan for holding such meetings approved by the Board of Directors for its term in office and containing a list of matters to be considered at appropriate meetings. This list, which can be amended and supplemented, shall incorporate opinions expressed by the persons and bodies entitled to call meetings of the Board of Directors in accordance with the applicable legislation and the Charter of the Company.
- 4.25. The Board of Directors meeting can be conducted both in person (including use of conference calls) and by absentee voting.
- 4.26. The format of the meeting of the Board of Directors should be selected based on the importance of the agenda issues. The Company endeavors that the resolutions on approval of the

priority trends of its operations and budget, preliminary approval of the annual report, convening or refusing a request to convene an extraordinary General Shareholders' Meeting, election and reelection of the Chairman of the Board of Directors, creation and early termination of executive bodies of the Company, submission for consideration by the General Shareholders' Meeting of proposals with respect to reorganization or liquidation of the Company should be passed by members of the Board of Directors only by personal vote.

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

- 4.27. Shareholders (a shareholder) possessing at least 5 percent of voting shares shall be entitled to demand a Board of Directors meeting of the Company.
- 4.28. The Company endeavors that the members of the Board of Directors have access to all information they need to properly discharge their duties. To properly discharge their duties the members of the Board of Directors shall have access to information about the Company's operations and documents indicated in Article 89 of the Federal Law "On Joint –Stock Companies" as well as to other information necessary for their activity.
- 4.29. In order to increase efficiency and improve the work of the Board of Directors the Company creates the following standing Board Committees: Corporate Governance Committee, Strategic Development Committee, Personnel and Awards Committee, Audit Committee.
- 4.30. These Committees serve for preliminary consideration of the most important matters assigned to the authority of the Board of Directors and for preparation of recommendations on such matters for the Board of Directors.
- 4.31. The number of members, composition, procedures for their establishment and operations shall be defined by the internal documents – Provisions on the Board of Directors Committees of the Company.
- 4.32. The Board of Directors may establish other permanent or temporary (for resolution of specific matters) committees, as it may deem necessary.
- 4.33. If necessary, the committees may enroll experts with required professional skills relevant to the work of a particular committee who are not members of the committee.
- 4.34. The Board of Directors shall make annual evaluation of its activity. The evaluation process shall be organized by Personnel and Awards Committee and the results of such evaluation shall be discussed at the meeting of the Board of Directors. The Board of Directors shall be entitled to invite independent consultants for helping in the evaluation.
- 4.35. Members of the Board of Directors of the Company shall receive remuneration and compensation of expenses related to discharge of their duties as the members of the Board of Directors.
- 4.36. Criteria to determination of the amount of remuneration payable to the members of the Board of Directors shall be incorporated into the internal document of the Company – the Provisions on the Board of Directors. The Company endeavors that the amount of remuneration payable to the Board of Directors shall be conditioned by the performance results of the Company and by the increase in its capitalization. Personnel and Awards Committee of the Board of Directors of the Company shall elaborate proposals on principles and criteria for determination of the amount of remuneration payable to the members of the Board of Directors.
- 4.37. The Company endeavors to create a transparent mechanism enabling shareholders to exercise control over the quality of the performance of the members of the Board of Directors and the level of their remuneration. The results of the evaluation of the performance of the Board of Directors as well as information on the amount of remuneration and/or compensation paid to each member of the Board of Directors or on the total amount of remuneration and/or compensation paid to all members of the Board

of Directors for the last completed fiscal year shall be reflected in the annual report of the Company or in the quarterly report of the securities Issuer.

- 4.38. The Company endeavors, acting at its own expense, to obtain liability insurance of responsibility for members of the Board of Directors, so that if their involuntary actions or inactions result in losses to the Company or third parties, these losses can be compensated by an insurance company.

5. Executive Bodies of the Company

5.1. The collegiate executive body (the Management Board) and the individual executive body (Director General) of the Company shall manage everyday operations of the company and fulfill resolutions passed by the Board of Directors and the General Shareholders' Meeting.

5.2.

5.27. The authority of the Management Board and the Director General shall be defined in the Charter of the Company.

5.3. The executive bodies of the Company shall act in compliance with the Charter of the Company and the Provisions on the Management Board as well as within the scope of the budget of the Company which performance is the main criterion for evaluation of the efficiency of their activity.

5.4. Quantitative and qualitative composition of the Management Board providing for the most efficient performance of the functions entrusted to them shall be defined by the resolution of the Board of Directors.

5.5. The main eligibility criteria applicable to members of the Management Board shall be as follows:

5.5.1. Trust in them by shareholders of the Company, members of the Board of Directors, other managers and employees of the Company.

5.5.2. Ability to take into account the interests of all shareholders and to make informed decisions.

5.5.3. Professional experience and qualifications necessary for an effective manager;

5.5.4. Experience of work in the area of operations of the Company, knowledge of national specificity and trends as well as knowledge of the market, products and competitors.

5.5.5. Ability to use knowledge and experience for making decisions in relation to the Company's affairs.

5.6. The Director General shall be appointed by the Board of Directors for a certain period of time. The Director General and the members of the Board of Directors shall nominate candidates for election to the Management Board to be approved by the Board of Directors. The members of the Management Board shall be also elected for a certain period of time defined by the Board of Directors.

Members of the Board of Directors acting as the Company's General Director and (or) members of the Management Board are advised to refrain from voting on approval of the terms of Employment agreements with the General Director and members of the Management Board

5.7. The Director General shall act as the Chairman of the Management Board.

5.8. The Board of Directors shall be entitled to terminate the powers of the members of the Management Board at any moment. The grounds for early termination of powers may, among other things, be presentation of inadequate information to the Board of Directors, deliberate neglect of duties or charge of a crime.

5.9. The Company shall not give any loans to the members of the Management Board.

5.10. The Management Board shall accept a plan of management succession defining all necessary procedures in case of incapacity (temporary or constant) of the key managers of the Company to perform the duties entrusted to them. For this purpose the Director

General shall submit to the Board of Directors a list of persons, which fit the best to substitute the retired managers of the Company, including the Director General.

5.11. General Director and members of the Management Board should refrain from actions that may result in a conflict between their own interests and the interests of the Company. If such conflict of interests arises they should immediately inform the Board of Directors in writing about it through the Corporate Secretary of the Company and act in compliance with the requirements of the applicable legislation, constituent or other internal documents of the Company.

General Director and members of the Management Board should notify the Board of Directors in writing through the Corporate Secretary of the Company of the fact of ownership of the Company's shares, of the intention to enter into transactions with securities of the Company or its subsidiaries and affiliates no later than 3 business days prior to the transaction date as well as of the effected transactions with such securities no later than 3 days after the transaction date. This duty of the persons mentioned herein should be fixed in internal documents of the Company and other documents determining their duties with respect to the Company.

5.12. Proper corporate management provides for free interaction between the supervising and executive bodies of the Company. For this purpose the Company developed a procedure for presentation of reports of the General director and the Management Board to the Board of Directors on a regular basis, according to the Provisions on the Company's Board of directors.

5.13. The meetings of the Management Board shall be conducted on a regular basis in accordance with the plan of work approved by the Management Board, both in person (including use of conference calls) and by absentee voting. If necessary, the Management Board shall consider matters not included into the plan of work.

5.14. The Company endeavors that the remuneration of the Director General and members of the Management Board corresponds to their skills and reflects their actual contribution to the success of the Company's operations. The information on the amount of remuneration and/or compensation paid to each member of the Management Board or on the total amount of remuneration and/or compensation paid to all members of the Management Board for the last completed fiscal year shall be reflected in the annual report of the Company or in the quarterly report of the securities Issuer.

5.15. The Director General and members of the Management Board should perform their duties on managing everyday operations of the Company with due diligence and in good faith.

5.16. The Company endeavors, acting at its own expense, to obtain liability insurance of responsibility for the Director General and members of the Management Board, so that if their involuntary actions or inactions result in losses to the Company or third parties, these losses can be compensated by an insurance company.

6. Corporate Secretary of the Company

6.1. The objective of the Corporate Secretary of the Company shall be to ensure that corporate bodies and officers comply with procedural requirements on the corporate governance safeguarding the rights and interests of the Company's shareholders.

6.1. The Corporate Secretary shall be appointed and released from the position by the Board of Directors of the Company. The Corporate Secretary shall be accountable to the Board of Directors.

6.2. The Corporate Secretary shall act on continuing basis in compliance with the Charter of the Company and the internal document – the Provisions on the Corporate Secretary and the Office of the Corporate Secretary approved by the Board of Directors of the Company.

6.3. The rights, duties, term of office, amount of remuneration and liability of the Corporate Secretary of the Company shall be determined in the Provisions on the Corporate

Secretary and the Office of the Corporate Secretary of "UTK" PJSC as well as in the employment contract with the Company. The contract on behalf of the Company shall be signed by the Chairman of the Board of Directors.

6.4. The Corporate Secretary of the Company shall fulfill the following functions:

- 6.4.1. preparation and holding the General Shareholders' Meeting in accordance with the existing legislation, the Charter and Regulations on the procedure for conducting the General Shareholders' Meeting of "Southern Telecommunications Company" PJSC;
- 6.4.2. preparation and holding meetings of the Board of Directors in accordance with the existing legislation, the Charter of the Company and other internal documents of the Company;
- 6.4.3. ensuring due consideration by the Company of shareholders petitions and resolution of conflicts arising out of violations of shareholder rights;
- 6.4.4. ensuring disclosure (provision) of information about the Company and maintenance of corporate records.

6.5. The Corporate Secretary of the Company should have such knowledge as may be required for proper performance of the Secretary's functions and enjoy the trust of the shareholders and members of the Board of Directors. The Corporate Secretary of the Company should have a good business reputation.

6.7. The Office of the Corporate Secretary shall be created to ensure efficient discharge by the Corporate Secretary of his/her duties. Its composition, number of officers and their duties shall be defined in the Provisions on the Corporate Secretary and the Office of the Corporate Secretary of "Southern Telecommunications Company" PJSC.

7. Major Corporate Actions

7.1. The Company endeavors that actions that may result in fundamental corporate changes including changes in the rights of shareholders (major corporate actions) shall be performed with the utmost openness and transparency.

7.2. Major corporate actions of the Company shall include:

- major and interested-party transactions;
- acquisition of 30 percent or more of the outstanding ordinary shares (takeover) of the Company;
- reorganization and liquidation of the Company;
- increase or decrease of the authorized capital of the Company;
- making amendments to the Charter of the Company;
- creation and liquidation of branches and representative offices of the Company;
- other major corporate actions recognized as such according to the current legislation and the Charter of the Company.

7.3. The Company shall enable shareholders to influence effectively the course and outcome of major corporate actions through implementation of transparent and fair procedures based upon proper disclosure of information about the consequences that such actions may have on the Company.

7.4. Major and interested-party transactions shall be considered and approved by the respective governing bodies of the Company – General Shareholders' Meeting or the Board of Directors – prior to their consummation.

7.5. In case of the Company's takeover an independent assessor may be employed to determine the current market value of the Company's shares and how it could be affected by the takeover

7.6. In case of reorganization of "UTK" PJSC the Company may employ an independent assessor to determine the conversion value of shares after reorganization.

7.7. To protect the interests of shareholders and other persons concerned at the Company's takeover, reorganization and liquidation, the Company should act only in accordance with the procedures established by the law of the Russian Federation.

8. Disclosure of Information about the Company

8.1. The goal of disclosure of information about the Company is to provide accessible, regular and reliable information to all interested parties to enable them to make informed decisions regarding participation in the Company or actions that can affect financial and business operations of the Company.

8.2. The main principles of information disclosure include its availability on a regular and timely basis, accessibility to most shareholders and other interested parties, reliability and completeness, a reasonable balance between the Company's transparency and its commercial interests, its neutrality – i.e. the satisfaction of the interests of certain groups of recipients in preference to other groups is unacceptable.

8.3. The Company should not avoid disclosing negative information about itself if such information is essential for shareholders or potential investors.

8.4. The information about the Company shall be disclosed on the basis of the internal document approved by the Board of Directors, which contains a list of items subject to disclosure (in addition to those items requiring disclosure by law), as well as rules for their disclosure.

8.5. The information policy of the Company shall be aimed at regular and full information exchange between shareholders, other interested parties and the Company by means of modern communication facilities and mass media including electronic information distribution channels. The Company shall hold regular meetings with investors and shareholders of the Company, press conferences, publish information about the Company in mass media and disclose information about the Company through the Company's website in the Internet with registered domain name <http://www.stcompany.ru>.

8.6. The Company shall publish on its website the text of its Charter and amendments thereto, quarterly reports, prospectuses on securities emission, audit reports, information on material facts as well as information with respect to General Shareholders' Meetings and important resolutions of the Board of Directors, dividend policy, authorized capital structure, the Board of Directors, the Management Board, Director General, branches of the Company, affiliated and controlled companies, Auditor of the Company, Registrar of the Company, number of independent directors in the Board of Directors and their names, credit ratings and corporate governance scores of the Company and the following internal documents;

8.6.1. Regulations on the procedure for conducting the General Shareholders Meeting of the Company;

8.6.2. Provisions on the Board of Directors;

8.6.3. Provisions on the Management Board;

8.6.4. Provisions on the Auditing Commission;

8.6.5. Provisions on Dividend Policy;

8.6.6. Provisions on the Corporate Secretary and the office of the Corporate Secretary;

8.6.7. Provisions on the Committees of the Board of Directors;

8.7. For the purpose of information disclosure the Company shall annually submit its annual report to shareholders and investors. The annual report shall contain information necessary to enable shareholders to evaluate the results of the Company's operations for the year. The annual report shall cover the most important matters related to the Company's operations including:

– position of the Company in the industry;

- attainment of the strategic objectives of the Company;
 - annual results: actual vs planned;
 - priority trends of the Company’s operations;
 - report of the Board of Directors on the development results of the Company in priority trends;
 - prospects for the Company’s development (sales, productivity, market share, income generation, profitability, debt/equity ratio);
 - relations with competitors;
 - report on payment of declared (accrued) dividend on the Company's shares;
 - description of the key risk factors related to Company’s operation;
 - a list of major transactions, effected by the Company in the year under report, recognized as such according to the Federal law “On Joint –Stock Companies” as well as other transactions which pursuant to the Charter of the Company need to be approved in accordance with the procedure established for major transactions, stating the essential conditions for each transaction and the Company’s governing body that took the decision to approve such a transaction;
 - a list of interested-party transactions, effected by the Company in the year under report, recognized as such according to the Federal law “On Joint –Stock Companies”, stating interested party (parties), essential conditions for each transaction and the Company’s governing body that took the decision to approve such a transaction;
 - composition of the Board of Directors, including information on changes in the composition that took place in the year under report, brief CVs of the members of the Company’s Board of Directors and ownership of the Company’s shares during the reporting year;
 - information about the Director General and members of the Management Board of the Company including their brief CVs and ownership of the Company’s shares during the reporting year;
 - amount of remuneration (compensation of expenses) payable to the Director General, each member of the Management Board and the Board of Directors and criteria for its determination, or total amount of remuneration (compensation of expenses), paid or to be paid to these persons on the basis of the results of the year under report;
 - report of the Auditing Commission of the Company and opinion of the independent auditor of the Company;
 - information on the observance by the Company of the Corporate Governance Code.
- 8.8. Financial accounts of the Company shall be accompanied by a detailed comment to help a reader to interpret correctly the Company’s financial results. Financial information shall be augmented by comments and statements of the management of the Company.
- 8.9. Taking into account the necessity of maintaining the balance between the Company’s openness and the need to protect its interests, the Board of Directors shall approve an internal document which specifies the list of items constituting a trade or official secret (confidential information), criteria for considering information as confidential and establishes the access procedures. The Company shall take measures to protect confidential information. The information obtained by employees and members of the governing bodies of the Company during execution of their duties shall not be used for private purposes.
- 8.10. The Company undertakes to monitor regularly members of the Board of Directors, executive bodies and other employees of the Company for compliance with applicable provisions of the existing legislation and special requirements imposed by internal documents of the Company to prevent emergence of conflicts of interest and minimize misuse during the use of insider information. The results of such monitoring shall be considered at the meetings of the Board of Directors and by its Corporate Governance

Committee. On the basis of the results of the monitoring the Company shall take measures on prevention and suppression of the mentioned actions.

9. Supervision of Financial and Business Operations of the Company

- 9.1. The system of supervision of the financial and business operations of the Company is designed to foster the trust of investors in the Company and its governing bodies. The main purpose of this supervision is to ensure adequate protection of shareholders' investments and the assets of the Company.
- 9.2. The supervision of financial and business operations of the Company shall be carried out by the Board of Directors of the Company and its Audit Committee, the Auditing Commission of the Company, Internal Audit Department of the Company performing functions of internal control. Audit and validation of the Company's annual financial accounts shall be performed by an independent auditor.
- 9.3. The system of supervision of the financial and business operations of the Company calls for accurate performance of a financial and business plan approved by the Board of Directors.
- 9.4. The internal control procedures shall be developed by the Management Board of the Company jointly with the Internal Audit Department performing internal control functions and with the Audit Committee of the Board of Directors of the Company.
- 9.5. The Internal Audit Department is structural subdivision acting independently of the executive bodies of the Company. The Internal Audit Department should be monitored in its activities by the Board of Directors directly. The functions of this structural subdivision, procedures for its operation and the appointment of its employees, eligibility criteria applicable to its personnel shall be provided by an internal document of the Company approved by the Board of Directors.
- 9.6. Approval of the internal document regulating procedures for the internal control over the Company's business and financial operations should be assigned to the Company's Board of Directors.
- 9.7. The use of the internal control procedures shall be the responsibility of the executive bodies of the Company.
- 9.8. The Audit Committee shall focus on three key aspects: financial reports, risk management, internal and external audit. This Committee shall include non-executive directors each possessing sufficient knowledge of financial matters. Its powers, composition, operation procedure and other matters shall be regulated by the Provisions on the Audit Committee of the Company's Board of Directors.
- 9.9. Pursuant to the Charter of the Company and the Provisions on the Auditing Commission, the Auditing Commission of the Company shall perform annual and extraordinary audits financial and business operations of the Company, thereof opinions resulting from audits shall be presented to the Board of Directors and Director General of the Company.
- 9.10. Within its terms of reference the Auditing Commission shall exercise control over the Company's operations in the following areas:
 - audit of financial and economic statutory documents of the Company including, if necessary, source accounting data;
 - audit of the legality of the resolutions and actions of the Company's executive bodies including concluded contracts and effected transactions;
 - control that the terms of the transactions effected by the Company conform to the terms of transactions effected under comparable conditions;
 - analysis of the conformity of business and statistical accounting with current legal regulations;

- analysis of the financial standing of the Company, finding out the reserves for improving the Company's economic position;
- analysis of the timeliness and correctness of settlements with counteragents, budgets of various levels, shareholders and other Company's creditors;
- analysis of the settlements with the Company's debtors with regard to the timeliness and completeness of measures taken by the executive bodies;
- in other areas of the Company's operations within the terms of reference of the Auditing Commission.

9.11. For performing audit and presenting objective and complete information on the Company's activity the Company shall annually engage a professional auditor, not connected by property interests with the Company or its shareholders. The Company shall ensure periodic change of its external auditor. The amount of remuneration payable to the external auditor of the Company shall be disclosed to shareholders.

9.12. The Independent Auditor of the Company shall be appointed by the General Shareholders' Meeting on the basis of open tender by recommendations of the Board of Directors.

9.13. The auditor shall perform an audit of the financial and business operations of the Company in accordance with legal acts of the Russian Federation on the basis of the contract approved by the Board of Directors by recommendations of the Audit Committee of the Board of Directors.

9.14. Audit (inspection) of the financial and business operations of the Company shall be performed at any time upon request of a shareholder (shareholders) owning at least 10 percent of the Company's voting shares for all items within the competence of the General Shareholders' Meeting as of the date of presenting the request.

10. Dividends

10.1. The Company recognizes as important the receipt of dividends by shareholders as a certain return on their investments into shares and endeavors to establish a transparent and easy-to-understand mechanism for determining the amount of dividends and their payment.

10.2. The information about the Company's dividend determination and payment strategy is articulated in the internal document of the Company – the Provisions on Dividend Policy of the Company approved by the Board of Directors.

10.3.

10.4. The Company shall inform the shareholders and other interested persons about its dividend policy and all amendments to it by publishing in the periodical "Rossiyskaya Gazeta" authorized by the Charter to announce General Shareholders' Meetings of the Company as well as on the website of the Company <http://www.stcompany.ru>.

10.5. The dividends declared by the Company may be paid both in monetary and non-monetary form in case the Company's General Shareholders' meeting takes the decision on payment of dividends in the non-monetary form. The dividend payment procedure should ensure that shareholders could fully exercise their rights to receive dividends.

10.6. The dividends shall be paid by the Company within the time period fixed in the Charter of the Company and the resolutions of the General Shareholders' Meeting.

10.7. Dividend policy of the Company shall provide for special measures to eliminate a possibility of incomplete or untimely payment of declared dividends.

11. Resolution of Corporate Conflicts

11.1. Prevention and resolution of conflicts between the Company's bodies and its shareholders, or between shareholders, if such conflict jeopardize corporate interests

- (corporate conflicts) makes it possible to safeguard the rights of shareholders and protect the property interests and the business reputation of the Company.
- 11.2. The Company endeavors to ensure effective and timely prevention and identification of corporate conflicts at a very early stage of their development as well as fair resolution of corporate conflicts and due diligence of the Company's officers and employees.
 - 11.3. Position of the Company in a corporate conflict shall be based on the law of the Russian Federation. The review and resolution of corporate conflicts by the bodies of the Company shall be realized within the scope of their authority. The Corporate Governance Committee of the Board of Directors shall coordinate the work of the Company's bodies on resolution of corporate conflicts.
 - 11.4. The Corporate Secretary of the Company shall play a key part in detection of corporate conflicts, collection and analysis of source information and initiation of corporate conflict resolution procedure.
 - 11.5. For the purpose of resolving corporate conflicts related to issues, which are within its authority and authority of the Company's executive bodies, the Board of Directors of the Company may form a temporary committee for resolution of corporate conflicts.
 - 11.6. If the corporate conflict that may affect interests of the Company itself or other shareholders arises between the Company's shareholders, then the Company's body which is tasked to examine the dispute in question shall determine whether this dispute jeopardizes the interests of the Company itself or other shareholders as well as whether the said body's mediatory effort may help resolve the corporate conflict.
 - 11.7. Subject to the consent of shareholders who are the parties of the corporate conflict, the Company's bodies or their members may participate in negotiations between the shareholders, provide the shareholders with available information and documents related to the conflict, explain provisions of the law and the Company's internal documents, give advice and recommendations to the shareholders, prepare draft documents on the conflict resolution to be signed by the shareholders, and, on behalf of the Company and within their authority, make a commitment to the shareholders to the extent that they can help resolve the conflict.

12. Final Provisions

- 12.1. The Code shall become effective from the moment of its approval by the Board of Directors of the Company.
- 12.2. The Board of Directors of the Company shall consider the questions on observation of this Code at its meetings twice a year and publish its consideration results on the corporate website <http://www.stcompany.ru>.
- 12.3. The Company undertakes to perfect the given Code taking into account new standards of corporate governance in Russian and international practice as well as interests of shareholders, the Company and other interested parties.
- 12.4. The matters not regulated by the provisions of this Code shall be governed by the international agreements and contracts, active laws of the Russian Federation, the Charter of the Company and internal documents of the Company.

13. Application of the Code

- 13.1. For the purpose of execution of the provisions of this Code the Company shall publish the Code as a separate document presented on the corporate website (<http://www.stcompany.ru>) and distributed at General Shareholders' Meetings.
- 13.2. The Corporate Governance Committee of the Board of Directors of the Company shall monitor the observance of the provisions of this Code in everyday operations of the Company.

- 13.3. The results of such monitoring shall be reflected on the Internet site of the Company.
- 13.4. The Company's shareholders, members of the Board of Directors, officials and other interested parties are required to report violations of this Code, which have become known to them, to the Corporate Secretary of the Company.