

Approved by the
Board of Directors of
PIK Group
Minutes № 17 of April 27, 2007

*CORPORATE
GOVERNANCE
CODE*

Moscow
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1. Introduction

PIK Group, an open joint stock company, (the "Company") is the largest investment and construction holding company in the real estate market of Russia.

The Company is a group of legal entities, and PIK Group may exert influence on operations of such entities and determine decisions taken by such entities, including instructions binding upon them.

PIK Group recognizes importance of proper corporate governance for successful conducting of business and achievement of mutual understanding between all persons interested in activity of the Company. PIK Group undertakes to follow in its activity principles set forth in this Code and make all reasonable efforts for their observance by the Company in its day-to-day activity.

The provisions of the present Code have been drafted on the basis of the Federal Law «On Joint Stock Companies», the Charter of the Company, the recommendations of OECD Principles of Corporate Governance and the Corporate Governance Code drafted by the Federal Commission on Securities Market of Russia.

2. General Principles of Corporate Governance

The purpose of the present Code is to implement and apply proper practice of corporate governance in conformity with the Russian and international standards and based on observance of the requirements of the legislation, the rules of business ethics (conduct) and interests of interested parties, participants of corporate relations.

The corporate governance system of PIK Group is based on the following principles:

- Observance of rights and interests of shareholders;
- Accountability of the Board of Directors, the President and the Management Board of PIK Group to shareholders;
- Ensuring transparency and openness of management and financial information of PIK Group;
- Ensuring effective system of internal control and audit of PIK Group;
- Ensuring observance of the rules and the requirements of the current legislation, the Russian and international corporate governance standards;
- Creation and keeping confidence between the participants of corporate governance.

Observance of the rules and the principles of the present Code will allow to effectively and timely control operations of PIK Group, reduce risks, support and enhance financial standing and form a positive image of PIK Group.

3. Corporate Governance Structure of PIK Group

3.1. In order to make management effective, PIK Group has set up the following bodies:

- The General Meeting of Shareholders which is a supreme management body;
- The Board of Directors which effects general guidance of PIK Group;
- The Management Board which effects day-to-day management of PIK Group;
- The President which effects current guidance of PIK Group.

For the purpose of observance of rights and interests of shareholders and effective and thorough study of issues by the Board of Directors, PIK Group has set up and retained and will continue to do so:

- the Corporate Secretary and the Corporate Secretary Office;

- the Audit Committee, the Personnel and Compensation Committee and the Strategy Committee operating on a permanent basis, whereas other committees may be set up as necessary.

For the purpose of ensuring effective system of control and audit of financial and economic operations, PIK Group has set up and retained and will continue to do so:

- The Audit Commission;
- An independent auditor;
- The Internal Audit Department subordinate to the Board of Directors.

3.2. Management of subsidiary and dependent enterprises is effected through their management bodies.

When effecting management of subsidiary and dependent enterprises, PIK Group is guided by the following purposes:

- Development of business;
- Increase in profitability;
- Expansion of market share;
- Leadership in the industry;
- Fulfillment of the complete industrial and construction circle and maximum satisfaction of clients' needs in acquisition of residential real estate and accompanying services;
- Ensuring production and sale of goods and services of high quality, and respectful, honest and open relations with clients.

In order to achieve the stated purposes, PIK Group solves the following tasks:

- Approval of principal trends of operations, including budget, strategy of PIK Group and of its enterprises, and ensuring control over their fulfillment;
- Coordination of operations and interaction between enterprises of PIK Group;
- Ensuring uniform legal and informative environment for operations of enterprises of PIK Group;
- Assistance in search for and recruitment of qualified managers, and forming of human resources reserve.

PIK Group takes decisions on key issues of operations and development of enterprises of PIK Group and effects adoption of management decisions through its representatives in management bodies of such enterprises.

PIK Group ensures functioning of management bodies of subsidiary and dependent enterprises in uniform legal environment through the drafting of standard statutory documents and subsequent approval of such documents by management bodies of subsidiary and dependent enterprises.

4. Personnel Policy

PIK Group believes that perfection of personnel potential of its enterprises is one of the basic elements of successful and long-term development.

The purpose of personnel policy of PIK Group is to retain strong professionals, to perfect a level of employees' proficiency and to make all employees of enterprises of PIK Group understand their involvement in the results of the Group's operations.

Motivation of personnel for high labour results, self-perfection and generation of ideas is achieved through competitive payment for labour, implementation and perfection of remuneration system aimed at a final result, personnel rotation within PIK Group, creation of corporate culture ensuring comfortable relations between any employees of PIK Group.

PIK Group excludes the possibility of discrimination of candidacies and employees of PIK Group due to political, religious, national and other reasons not related to professional background.

5. Interrelations with Shareholders, Investors and Other Interested Persons

5.1. PIK Group ensures equal attitude to all shareholders and provides all shareholders with the possibility to implement their rights, including the right to participate in work of management bodies.

PIK Group undertakes to abide by the following principles with respect to general meetings of shareholders:

- the shareholders shall be provided with information regarding issues on the agenda of the General Meeting of Shareholders to such extent and in due time which will enable them to adopt reasonable decisions;
- wording of issues on the agenda of the General Meeting of Shareholders and adopted resolutions shall not assume their different or ambiguous interpretation;
- the Board of Directors of PIK Group will prepare for shareholders impartial and reasonable recommendations with regards to each issue on the agenda of the General Meeting of Shareholders;
- selection of such place and timing for the holding of the General Meeting of Shareholders which will not cause extensive material and timing expenses for the shareholders and will ensure equal attitude to all shareholders;
- availability of contact details in distributed materials and accessibility of the Corporate Secretary regarding issues related to observance of rights of shareholders;
- observance of the principle «one share – one vote» with regards to owners of voting shares;
- President, members of the Board of Directors, the Management Board and the Audit Commission shall be invited to attend the General Meeting of Shareholders.

The shareholders have the right to receive a part of net profit of PIK Group in the form of dividends, and the amount of such dividends shall be approved by the General Meeting of Shareholders by recommendation of the Board of Directors.

PIK Group undertakes to pay declared dividends in due time established by the General Meeting of Shareholders.

If any applications (claims) are received from the shareholders, PIK Group undertakes to immediately consider them and provide the shareholders with a response on the results of consideration of an application (a claim).

5.2. PIK Group is aimed at the growth of investment attractiveness of the Company at the expense of increase of information openness and transparency and reduction of risk premium related to lack of information and uncertainty of investors in future development of the Company.

The key factor of interaction with investment community is timely disclosure of impartial, reliable and consistent information in accordance with the current legislation, the rules and the regulations, and active dialogue with investors and analysts.

Within the framework of interaction with information community, PIK Group implements a number of steps aimed at increase of information openness of the Company, including:

- meetings and presentations for investors and analysts;
- conference-calls;
- distribution of news releases;
- publications in professional mass media.

The Company places high emphasis on control over information disclosure by subsidiary companies which financial reporting is consolidated in PIK Group, and on ensuring coordination and consistence of information policy of PIK Group and its subsidiary companies.

The Company deals with confidential information in accordance with the current legislation, the rules and the regulations. The Company applies balanced approach to providing investors and analysts with necessary information for their better understanding of the Company's business, its opportunities and prospects of development, which will not reduce competitiveness of the Company.

5.3. The Company keeps and maintains effective dialogue with representatives of mass media, governmental agencies and the public interested in operations of the Company, and also makes efforts to increase the general level of information openness and transparency.

In order to ensure maximum information openness, PIK Group participates on a regular basis in major international and national relevant exhibitions and forums, arranges meetings of mass media and public representatives with the leadership of the Company.

Basic PR principles of the Company are as follows:

- uniform information policy;
- regular and relevant news flow which completely and impartially covers all aspects of operations of the Company;
- timely responses to all information inquiries received by the Company;
- regular meetings of the Company's executives with representatives of mass media and the public.

Confidence of shareholders and investors in management of the Company plays an important role in activity of PIK Group. On top of that, trust of clients, creditors, partners and other persons interested in operations of the Company is no less important. Due to that, in course of forming of corporate governance of the Company, maintenance and development of stable and trust interrelations with interested persons, both in a short-term and in a long-term period, is a crucial point.

The Company adheres to neutrality principle with regards to financial-industrial groups, governmental agencies, political parties and unions.

In its relations with clients, PIK Group is guided by satisfaction of their needs to the maximum.

6. Board of Directors

6.1. The members of the Board of Directors of PIK Group are accountable to the General Meeting of Shareholders and bear responsibility for successful development of the Company.

PIK Group is aimed at forming the Board of Directors out of the most qualified specialists with necessary knowledge, skills and background. For that, the Personnel and Compensation Committee develops the requirements to members of the Board of Directors.

For the purpose of increase of impartiality and reasonableness of adopted decisions and the balance of various interests, the Company is aimed at ensuring nomination and election of independent directors into the membership of the Board of Directors.

A member of the Board of Directors may not be considered Independent, unless the Board of Directors, by recommendation of the Personnel and Compensation Committee, adopts a positive resolution that such a director meets all the requirements listed below:

- a director is not an employee of the Company at the present time and has not been such for last 3 years;

- a director is not an executive of any other entity in which any executive of such entity is a member of the Personnel and Compensation Committee of the Board of Directors;
- a director is not an executive of any entity in which any current executive of the Company is a member of the Personnel and Compensation Committee of such entity;
- a director is not a representative of a state;
- a director is neither an affiliated person of the Company, nor an affiliated person of such affiliated persons;
- a director is not a party under obligations of the Company, in accordance to which a director may acquire property (receive pecuniary funds) with value of 10 and more percent of his/her total annual income, besides receipt of remuneration for participation in activity of the Board of Directors.

The members of the Board of Directors are elected annually by the General Meeting of Shareholders of the Company. The term of authorities of the members of the Board of Directors starts as of a date of their election and ends as of the date of election of a new membership of the Board of Directors by the next General Meeting of Shareholders. Persons elected into a membership of the Board of Directors may be re-elected for an unlimited number of times.

The Board of Directors may periodically consider the issue of change of quantity of its members and put a relevant proposal for approval by the General Meeting of Shareholders, for the purpose of more effective performance of its functions in the future.

One person may not at the same time be the Chairman of the Board of Directors and the President of the Company.

The competence of the Board of Directors, including a list of issues relegated to its exclusive competence, is defined by the Charter of PIK Group and other statutory documents.

6.2. The Board of Directors has set up the Audit Committee, the Personnel and Compensation Committee, the Strategy Committee and will continue to do so, whereas other committees may be set up as necessary.

The committees of the Board of Directors on a regular basis inform the Board of Directors on their activity. Solely members of the Board of Directors may become members of the committees of the Board of Directors.

Activity of the committees of the Board of Directors is governed by relative bylaws which are to be approved by the Board of Directors in accordance with the current legislation, the rules and the regulations.

If necessary, experts with professional skills required for a concrete committee may be retained.

The report on activity of the committees is reflected in the annual report of the Company which is approved by the shareholders.

6.3. Each member of the Board of Directors shall represent interests of all shareholders and not emphasize interests of some specific shareholder or a group of shareholders.

When assuming an office, a member of the Board of Directors undertakes duties with regards to his/her activity to all shareholders and PIK Group in general. Such duties are fixed in the Charter of PIK Group and other statutory documents of the Company.

The members of the Board of Directors, in course of exercise of their rights and performance of their duties, shall act in the interests of the Company, exercise their rights and perform their duties in good faith and reasonably.

The members of the Board of Directors participate in meetings of the Board of Directors and its committees, if they are members of such, devoting enough time for proper performance of their duties.

For the purpose of protection of interests of the Company and its shareholders, the Board of Directors may adopt the resolution on conclusion of liability insurance contracts with executives and the members of the Board of Directors of the Company against damage caused by executives

and the members of the Board of Directors to third parties in course of performance of their duties and/or authorities as a representative of the Company.

Each member of the Board of Directors shall restrain from actions which will or may cause rise of a conflict between their interests and interests of the Company, and in the event of rise of such a conflict such member of the Board of Directors shall disclose information about this conflict to the Personnel and Compensation Committee and/or the Board of Directors of the Company.

Each member of the Board of Directors shall notify the Board of Directors in a written form about an intention to conclude transactions with securities of PIK Group or affiliated entities of PIK Group, if he/she is a member of the Board of Directors of such entities, and also shall disclose to the Board of Directors information about transactions with such securities concluded by him/her.

6.4. The procedure of convocation, the holding and adoption of a resolution is determined by the current legislation, the Charter of the Company and the Bylaw on the Board of Directors to be approved by the General Meeting of Shareholders.

Meetings of the Board of Directors of the Company are held, as necessary, whether in a form of joint attendance of the members of the Board of Directors or by absentee voting, but not less than once per a quarter.

The Chairman of the Board of Directors takes the decision about the day and the form of a meeting proceeding from importance of issues on the agenda.

A meeting of the Board of Directors may be considered to be held, if not less than half of the elected members of the Board of Directors participated in it and/or expressed their opinion in the written form.

In order to work effectively, the members of the Board of Directors shall have access to all necessary information. The members of the Board of Directors shall not disclose or use in their personal interests or interests of third parties confidential or insider information about the Company.

The Board of Directors of the Company holds the opinion that its members shall not be prohibited from participating in boards of directors and/or committees of other entities. Due to that, the Board of Directors of the Company has not taken any special statutory documents limiting such participation.

The members of the Board of Directors shall agree upon with the Board of Directors and the Personnel and Compensation Committee their decision to accept an invitation to become a candidate member of the Board of Directors of other entity which is not a part of PIK Group.

6.5. Compensation of the Board of Directors is determined in accordance with the Charter of the Company and the Bylaw on the Board of Directors of PIK Group to be approved by the General Meeting of Shareholders.

The amount, the structure, the terms and the conditions and other criteria of compensation have been drawn up and set forth in the Charter and/or the Bylaw on the Board of Directors in accordance with the recommendations of the Personnel and Compensation Committee for the purpose of proper motivation of the members of the Board of Directors to ensuring long-term and stable growth of the Company's value and income of its shareholders received in a form of dividends, providing fair and adequate remuneration for time, efforts and result of activity of the members of the Board of Directors, as well as for the purpose of attracting properly qualified candidates. The Company doesn't have a pension program for directors. The Personnel and Compensation Committee of the Board of Directors has the right to make recommendations to revise the amount of directors' remuneration.

The amount of compensation of the members of the Board of Directors shall be disclosed in accordance with the current legislation, the rules and the regulations.

7. Executive Bodies

7.1. Guidance of current operations of the Company is effected by the President of PIK Group which is a one-man executive body of the Company.

The President arranges fulfillment of resolutions of the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company and is responsible for implementation of the strategy of development of the Company and the financial results of its operations.

The President of PIK Group is the Chairman of the Management Board of the Company.

7.2. For the purpose of ensuring day-to-day management of the Company, the Board of Directors of PIK Group has established the Management Board of the Company and will continue to do so.

Basic rules regulating activity of the Management Board are set forth in the Charter of PIK Group, the Bylaw on the Management Board and other statutory documents of the Company.

The Board of Directors of the Company bears responsibility to shareholders for reasonable recruitment of candidate members of the Management Board.

A member of the Management Board of the Company can not be a participant, the General Director (General Manager), a member of the management body or an employee of a legal entity which, in opinion of the Company, is a competitor of PIK Group.

Each member of the Management Board shall restrain from actions which will or may cause rise of a conflict between their interests and interests of the Company, and in the event of rise of such a conflict a member of the Management Board shall advise the Personnel and Compensation Committee and/or the Board of Directors of the Company of it.

The members of the Management Board shall in written advise the Board of Directors of the fact of ownership of securities of the Company, of intention to effect transactions with securities of the Company, its subsidiaries and dependent companies, as well as of performed transaction with such securities.

7.3. The Management Board of the Company realizes its responsibility to shareholders and the Board of Directors of the Company, and believes that its main purpose is good faith and competent performance of duties in the area of day-to-day management of PIK Group for successful development of the Company.

7.4. Compensation of the members of the Management Board has been and will be determined in accordance with the Charter of the Company and the Bylaw on the Management Board of PIK Group to be approved at the General Meeting of Shareholders. The resolution on concrete amount of compensation of each member of the Management Board shall be adopted by the Board of Directors, by recommendation of the Personnel and Compensation Committee.

8. Corporate Secretary

PIK Group realizes that confidence of shareholders in the Company is based on existing mechanisms of implementation of rights and protection of interests of the Company's shareholders.

Responsibility for maintenance of effectiveness of this mechanism is imposed on the Corporate Secretary. The requirements for a candidacy of the Corporate Secretary and his duties are set forth in the Bylaw on the Corporate Secretary and the Corporate Secretary Office.

The Corporate Secretary shall be appointed by the Board of Directors of the Company.

Basic tasks of the Corporate Secretary are as follows:

- arrangement of drafting and modifying the Corporate Governance Code of PIK Group, statutory documents of the Company regulating activity of management bodies of the Company and the procedure of implementation of corporate procedures;
- arrangement of preparation and the holding of the General Meeting of Shareholders;

- ensuring of work of the Board of Directors;
- ensuring of work of the Committees of the Board of Directors;
- arrangement of storage of documents and disclosure of information about the Company;
- arrangement of interaction between the Company and its shareholders;
- monitorship and arrangement of steps aimed at putting the corporate governance system of the Company in conformity with the requirements of investment institutions and state regulating authorities in the area of securities;
- ensuring of work of management bodies of enterprises of PIK Group.

The Corporate Secretary shall be appointed and dismissed from office by a resolution of the Board of Directors of the Company and be directly accountable to the Board of Directors of PIK Group. The Company has formed the Corporate Secretary Office.

9. Internal Control and Audit

For the purpose of ensuring stable development of PIK Group, protection of interests of shareholders and investors, the Company has established the system of internal control and audit of financial-economic activity of the Company.

9.1. The Audit Commission, which membership shall be approved by the General Meeting of Shareholders, effect control over financial-economic operations of PIK Group in accordance with the Bylaw on the Audit Commission to be approved by the General Meeting of Shareholders.

9.2. For the purpose of ensuring maximum impartiality and reliability of financial and bookkeeping reporting, the Company retains an independent properly qualified auditor for annual examination and verification of annual financial and bookkeeping reporting.

The procedure of recruitment and appointment of an independent auditor is determined and coordinated by the Audit Committee of the Board of Directors of the Company. The Audit Committee preliminary approves of the terms and the conditions of an auditor's work and a list of audit and non-audit services to be rendered by it to the Company. The Board of Directors of PIK Group, on the recommendation of the Audit Committee, puts a candidacy of an independent auditor for approval of the General Meeting of Shareholders.

The terms and the conditions of the Contract with an auditor, including amount of payment for its services, shall be approved by the Board of Directors.

The Audit Committee effects control over work of an independent auditor, and also considers financial reporting prepared by the Management Board. Based on that, the Audit Committee makes relative recommendations to the Board of Directors.

PIK Group is aimed at ensuring presence of an independent auditor of the Company at the General Meeting of Shareholders, in order to give explanations to shareholders regarding auditor's conclusions presented to the General Meeting of Shareholders.

9.3. The Audit Committee operates in accordance with the Bylaw on the Audit Committee approved by the Board of Directors and the current legislation, and the rules and the regulations of proper practice of corporate governance.

The Audit Committee of the Board of Directors was set up for the purpose of rendering assistance to the Board of Directors of the Company in the area of control over accuracy of the procedures of drawing up bookkeeping and financial reporting of the Company, its reliability, completeness of information to be disclosed, and also conformity with applicable standards of financial and bookkeeping reporting and the current legislation.

The basic tasks of the Audit Committee of the Board of Directors are as follows:

- making recommendations to the Board of Directors of the Company regarding a candidacy of an independent auditor and cost of its services;
- carrying out annual evaluations of activity of an independent auditor, consideration of a conclusion made by an independent auditor in the result of audit of financial-

economic operations of the Company prior to its presentation at the General Meeting of Shareholders;

- evaluation of effectiveness of internal control procedures of the Company and preparation of proposals for their perfection.

The members of the Audit Committee are elected by the Board of Directors of the Company from amongst the members of the Board of Directors. Having assumed new functions, responsibility and necessity to devote extensive time to obligations accompanying work in the Audit Committee and the Board of Directors, the members of the Audit Committee, by decision of the Board of Directors, are limited as for quantity of committees in which they may participate.

The Board of Directors determines a level of potential negative influence of holding several offices in various committees on capacity of directors – members of the Audit Committee of the Company to effectively work in such a committee.

Each member of the Audit Committee shall have knowledge in the area of financial reporting or, in accordance with the current legislation, the rules and the regulations, shall receive such knowledge within the reasonable period of time upon appointment into the Audit Committee.

9.4. The basic requirements to activity of the Internal Audit Department are set forth in the Bylaw on the Department to be approved by the Board of Directors of the Company.

The Board of Directors of the Company approves of appointment and dismissal from office of the Director of the Internal Audit Department, the structure of the Department, quantity and a staff list, a work schedule of the Internal Audit Department and annually considers the report on activity of the Department.

Activity of the Internal Audit Department ensures sufficient confidence in reliability of financial reporting and observance of procedures in course of its preparation in accordance with the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS).

In addition to that, the above mentioned procedures include as follows:

- confirmation that bookkeeping records describe operations of the Company and its assets with sufficient details;
- ensuring sufficient confidence in strict conformity of all entries with RAS and IFRS and consequent possibility to use them for drawing up reliable financial reporting;
- ensuring sufficient confidence in approval of all transactions to be effected by the executives and members of the Board of Directors of the Company;
- ensuring sufficient confidence in timely revelation or prevention of any non-approved use of property of the Company which may exert significant negative influence on its financial reporting.

PIK Group effects control over operations of enterprises of PIK Group, including but not limited to, by participation in forming a personal membership of their Audit Commissions, systematic analysis of documents and information to be presented to shareholders in accordance with the requirements of the current legislation.

The structural division effecting functions of internal audit has the right to interact regarding all issues set forth above and in accordance with the requirements of the Bylaw on the Internal Audit Department, with the Audit Committee of the Board of Directors, an independent auditor, the Audit Commission and executive bodies and divisions of the Company.

10. Information Policy and Information Disclosure

10.1. Information disclosure is an important element of corporate governance of the Company which enables shareholders, investors and other interested persons to have impartial insight of the results of the Company's operations, its plans and development trends.

PIK Group ensures completeness and reliability of disclosed information, its quick delivery and availability for all shareholders and other interested persons.

The Company undertakes to fulfill all the requirements to information disclosure established by the current legislation, and also undertakes some additional obligations on information disclosure.

The rules, the principles of information disclosure, a list of information to be disclosed by the Company in accordance with the current legislation, the rules and the regulations, a list of additional information which the Company considers necessary to disclose and methods of information disclosure are set forth in the Bylaw on Information Policy of PIK Group to be approved by the Board of Directors.

10.2. Disclosure of information about the Company is characterized by keeping a reasonable balance between information transparency of the Company and ensuring safety of commercial interests of the Company.

The Board of Directors of the Company determines the essence, the scope and the procedure of protection of proprietary information.

All employees of the Company and the members of the Board of Directors shall be liable to ensure non-disclosure of confidential information.

The Company aspires to limit the possibility of rise of a conflict of interests and exclude misuse of insider information. The requirements related to insider information and protection of commercial secret are set forth in the Bylaw on Insider Information and Protection of Commercial Secret to be approved by the Board of Directors of the Company.

11. Concluding Provisions

The Corporate Governance Code of PIK Group shall be approved by the Board of Directors of the Company.

The present Code will be revised and improved with acquiring a positive experience of corporate governance, changes in Russian and international standards and the requirements to corporate governance.

The text of the Code is released at the web-site of PIK Group and also is published as a separate leaflet and is available for all interested persons.