

APPROVED BY

Resolution of the Board of Directors
of OJSC Oil Company Rosneft
Minutes No. 6 dated May 17, 2006

**CORPORATE GOVERNANCE CODE
OF OPEN JOINT-STOCK COMPANY
OIL COMPANY ROSNEFT**

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CHAPTER 1. GENERAL PROVISIONS

Article 1. Corporate Governance Code

In accordance with the Civil Code of the Russian Federation, Federal Law “On joint-stock companies”, other regulatory legislative acts of the Russian Federation, the Corporate Governance Code recommended by the Instruction of the Federal Commission on the Securities Market as of 4 April, 2002, No. 421/p, and the Charter of the OJSC Oil Company Rosneft (hereinafter “Company”) this Code establishes the principles of corporate governance of the Company and the basics of functioning of its corporate governance system.

Article 2. Terms and definitions

1. The terms and definitions used in this Code shall be applicable in the same meaning as they are used in the laws of the Russian Federation on joint-stock companies and securities, as well as in the Charter and internal regulations of the Company unless otherwise stipulated by this Code.

2. For the purposes of this Code the following terms and definitions are used:

- “**officials**” are persons exercising organizational and managerial or administrative and economic functions in the Company;

- “**executive member of the Board of Directors (executive director)**” is a member of the Board of Directors, who is an official of the Company, and who, at the same time, is a sole executive body and member of a collective executive body of the Company (Management Board);

- “**corporate conduct (governance)**” is a system of principles and procedures applied to ensure observance of rights and legitimate interests of the Company’s shareholders in the course of managing the Company;

“**independent member of the Board of Directors**” is a member of the Board of Directors:

- who within the last 3 years has not been an official (managing director) or an employee of the Company, or an official or an employee of the Company’s managing entity;

- who is not an official of another company where any of the Company’s officials is a member of the Board of Directors’ Committee on Staff and Remunerations;

- who is not an affiliated person of an official (managing director) of the Company (an official of the Company’s managing entity);

- who is not an affiliated person of the Company, with exception of such ground of affiliation as membership in the Board of Directors, and who is not an affiliated person of such affiliated persons either;

- who is not a party to the Company’s liabilities with in compliance with conditions of which he may purchase property (collect cash assets) which costs 10 and more percent of its total annual revenue, except for collecting remuneration for participation in the activities of the Board of Directors;

- who is not a major contracting party of the Company (such contracting party the total volume of transactions of the Company with whom for a year is equal to 10 and more percent of the Company assets’ book value);

- who is not a representative of the state.

Upon expiration of a 7-year term of fulfilling the duties of a member of the Company’s Board of Directors, an independent member of the Board of Directors may not be regarded as independent.

Article 3. Principles of Corporate Conduct (Governance)

1. Corporate conduct (governance) of the Company is based on the following principles:

- equal attitude toward all the shareholders;

- bona fide exercising their rights by all the shareholders, the Company, its bodies, officials and other persons concerned, ruling-out of abuse of right cases;

- ensuring not only formal but also real opportunity for shareholders to exercise their rights and legitimate interests;

- exercising by the Board of Directors the strategic governance of the Company activities and effective control of the Company’s executive bodies, as well as accountability of the Board of Directors to the General Meeting of Shareholders;

- ensuring effective participation of independent members of the Board of Directors in the activities of the Company’s Board of Directors;

- timely disclosure of information about the Company including its financial position, economic performance indicators, property structure and governance;

- effective control of financial and economic activities of the Company;

- active cooperation of the Company with investors, creditors and other persons concerned, for the purpose of increasing the assets and capitalization of the Company.

2. The Company shall seek to ensure compliance with the principles stated in this Corporate Conduct (Governance) Code not only by the Company, but also by its affiliated and associated economic entities.

Article 4. Ensuring shareholders' rights to participate in Corporate Governance of Company

1. The Company shall ensure the shareholders' right on participation in the management of the Company. The shareholders are entitled to participate in the management of the Company, first of all, through taking decisions on the most significant matters of the Company's activities at the General Meeting of Shareholders. In order to exercise this right the Company shall approve the internal documents ensuring – in accordance with the law – the right of the shareholders to demand convening of the General Meeting of Shareholders and to put proposals on the agenda of the General Meeting of Shareholders, an opportunity to get prepared for the General Meeting of Shareholders, as well as an opportunity of each shareholder to exercise his right to vote.

2. The Company shall establish regulations on and procedure for holding the General Meeting of Shareholders, which shall ensure equal attitude toward all the shareholders.

3. The Company shall ensure all the shareholders who have the right to participate in the General Meeting of Shareholders to familiarize themselves with the information necessary for making reasonable, weighted decisions on the issues of the agenda of the General Meeting of Shareholders. The scope of the information and materials to be provided to the shareholders shall be specified by the laws, Charter and internal documents of the Company.

4. The Company deems inadmissible to set mechanisms making it possible for some of the shareholders to obtain a degree of control incompatible with the number of the Company's shares belonging to them.

Article 5. Ensuring other rights of shareholders

1. Shareholders are entitled to free disposition of their shares in compliance with the law, to take any other actions with their shares, which are not in conflict with the law and do not infringe the rights and other persons' interests protected by law.

2. Shareholders are entitled to protection of their legal title to shares from any infringements. The above-mentioned protection is among others ensured by the Company through creating mechanisms providing the reliability of the system of recording legal title to shares as well as an opportunity of free and quick disposition of the shares belonging to the shareholders.

3. Choosing a registrar of the Company, the reliability and efficiency of his work shall be primarily assessed.

4. The right to collect dividends is an indefeasible right of a shareholder. The dividend policy shall be determined by an internal document of the Company approved by the Board of Directors.

CHAPTER 2. BOARD OF DIRECTORS

Article 6. Board of Directors in the Corporate Conduct (Governance) System of the Company

1. The Board of Directors shall exercise general management of the Company's activities within the framework of its terms of reference stipulated by law and the Company's Charter.

The Board of Directors is a key unit of the corporate conduct (governance) system of the Company providing not only efficient management of the Company, but also functioning of the system of control of the Company's executive bodies activities, as well as observance and protection of the shareholders' legitimate rights and interests.

While exercising the above-mentioned functions, the Board of Directors shall actively interact – inter alia, through the committees of the Board of Directors – with the Company's Corporate Secretary, Company's Registrar, Company's Auditor, the Company's unit exercising the internal control functions, other bodies and units of the Company, and its officials.

2. The Company shall aim at the maximum efficiency of the Board of Directors' activities, which is achieved through high skills of the Board of Directors' members, personal responsibility of each member of the Board of Directors and the collective responsibility of the Board of Directors for the decisions made, the optimal balance (proportion) among the executive, non-executive and independent members making up the Board of Directors.

3. All members of the Board of Directors must take decisions exclusively in the interests of the Company.

4. Members of the Board of Directors should in writing inform the Company through the Company's Corporate Secretary about their holding of the Company's securities or securities of its affiliated (associated) companies, on intention to make transactions with such securities, on the transactions with such securities already made by them.

Article 7. Independent members of Board of Directors

1. The Board of Directors should ensure in its composition an optimal balance (proportion) among executive, non-executive and independent members of the Board of Directors.

The number of independent members of the Board of Directors shall be sufficient for the establishment of committees of the Board of Directors.

The Board of Directors should include at least three independent members of the Board of Directors.

Executive directors shall not comprise over a quarter of members of the Company's Board of Directors.

2. An independent member of the Board of Directors should refrain from actions, which may result in his ceasing to be independent. If following the election to the Board of Directors, changes or circumstances arise which may result in ceasing the Board of Directors' member's independence, such a director shall hand in an application to the Board of Directors setting forth the above-mentioned changes and circumstances. In such an event and also in the event when the Board of Directors becomes otherwise aware of the above-said changes and circumstances, the Board of Directors must advise the shareholders on them, and if necessary, it may convene an extraordinary General Meeting of Shareholders in order to choose a new composition of the Board of Directors.

3. Information about the independent members of the Board of Directors shall be disclosed in the Company's annual report.

Article 8. Committees of Board of Directors

1. In order to perform its functions the Board of Directors shall establish from among its members permanent committees. Such committees shall be responsible for preliminary consideration of the most important matters and for preparation of recommendations based on which the Board of Directors shall approve resolutions on such matters.

The following committees shall be set up:

- on audit;
- on staff (appointments) and remunerations;
- on strategic planning.

If necessary, by the decision of the Board of Directors other permanent or ad hoc committees may be established too.

The committees shall be formed of the Board of Directors' members having professional experience and knowledge in the relevant field.

2. A committee is not authorized to act on behalf of the Board of Directors. The committee is not a body of the Company.

3. The majority of the members of a committee shall be members of the Board of Directors who are not executive directors. Each committee shall include independent members of the Board of Directors. A member of the Board of Directors may not be a member of more than two committees.

4. The Board of Directors shall approve internal documents regulating the procedures for establishment and operation of the committees.

Article 9. Audit Committee of Board of Directors

1. The basic functions of the Audit Committee are:

assessment of candidates for the Company's Auditor position and submission of the results of such appraisal to the Board of Directors;

estimation of the Company Auditor's report prior to submitting it to the General Meeting of Shareholders;

evaluation of efficiency of the procedures of internal control applied in the Company and preparation of proposals aimed at their improvement.

2. The Committee shall exercise other functions stipulated by the internal document approved by the Board of Directors and regulating the procedure of the Committee activities, including preliminary consideration of the issues to be referred for decision of the Board of Directors, as well as preparation of recommendations for such issues.

3. The Committee shall ensure permanent interaction of the Board of Directors with:

- the Company's Auditor (Auditors);

- the Audit Commission;

- the executive bodies;

- the financial department;

- the structural unit performing functions of the Company's internal control.

4. The Audit Committee shall comprise only members of the Board of Directors that are not executive directors of the Company. The Audit Committee shall be presided by an independent director.

Article 10. Committee of Board of Directors on Staff and Remunerations

1. Functions of the Committee on Staff and Remunerations include preparation of draft resolutions regarding the following matters within the competence of the Company's Board of Directors:

- recommendations of the General Meeting of Shareholders regarding the amounts of remuneration and compensation paid out to members of the Company's Audit Commission;
- approval of the Company's internal documents related to functions of the Committee;
- use of the Company's employee share ownership fund;
- approval of provisions on bonuses and options;
- approval of the Company's Registrar and terms of a contract with him on keeping a register of the owners of registered securities, as well as cancellation of the contract with him;
- approval of appointment of an official responsible for observance of the procedures on ensuring the shareholders' rights (Corporate Secretary of the Company);
- approval of the Secretary of the Board of Directors;
- approval of a contract with a person exercising the powers of the sole executive body of the Company including terms and conditions of remuneration and other payments, making amendments and addenda to said contract;
- determination of a person authorized to sign contracts on behalf of the Company with a person exercising the powers of the sole executive body of the Company;
- giving consent to a person exercising functions of the sole executive body of the Company to hold positions in governing bodies of other organizations;
- determination of the number of members of the collective executive body of the Company (Management Board);
- approval of members of the collective executive body of the Company (Management Board), early termination of powers of some of the members of the collective executive body of the Company (Management Board) or powers of all of the members of the collective executive body of the Company (Management Board);

- approval of a contract with a member of the collective executive body of the Company (Management Board) including the terms and conditions of remuneration and other payments, making amendments and addenda to said contract;
- determination of a person authorized to sign contracts on behalf of the Company with a member of the collective executive body of the Company;
- deciding upon cancellation of contracts, as well as upon early cancellation thereof, with a member of the collective executive body of the Company;
- giving consent to a member of the collective executive body of the Company (Management Board) to hold positions in governing bodies of other organizations.

2. The Committee shall exercise other functions stipulated by the Company's internal document approved by the Board of Directors and regulating the procedure for the Committee's activities including a preliminary consideration of the matters put forward for decision of the Board of Directors, and preparation of recommendations to the Board of Directors for making decisions on such matters.

3. The Committee shall ensure permanent interaction of the Board of Directors with:

- the executive bodies of the Company;
- a structural unit responsible for implementation of the Company's staff policies including remuneration and incentive policies of the Company's employees (by the personnel service).

4. The Committee should consist only of members of the Board of Directors who are not executive directors of the Company. The Committee should be presided by an independent director.

Article 11. Strategic Planning Committee of Board of Directors

1. The main functions of the Strategic Planning Committee are:

- defining strategic targets of the Company's activities;
- working-out of priorities in the Company's activities;
- drawing recommendations on the Company's dividend policy;
- evaluation of efficiency of the Company's performance in the long run;

drawing recommendations to the Board of Directors on adjustment of the existing strategy of the Company's development on the assumption of the necessity for increasing efficiency of the Company's performance with regard to tendencies in the commodity markets and capital markets, results of the Company's activities and the activities of its competitors, as well as other factors.

2. The Committee shall exercise other functions stipulated by the Company's internal document approved by the Board of Directors and regulating the procedures for the Committee's activities including a preliminary consideration of the matters put forward for decision of the Board of Directors, and preparation of recommendations to the Board of Directors for making decisions on such matters.

3. The Committee shall ensure permanent interaction of the Board of Directors with:

- the executive bodies of the Company;
- the financial department of the Company.

Article 12. Basic principles of resolution of corporate conflicts. Procedures for resolution of corporate conflicts between the Company and shareholders

1. Conducting business activities by the Company, successful solution of the tasks and achievement of goals set are possible under the conditions for prevention and resolution of corporate conflicts between the Company and its shareholders, if such a conflict affects the interests of the Company.

The Company's position in a corporate conflict should be based on provisions of law and the best practices of corporate conduct.

2. The rules of this Code on pre-judicial resolution of corporate conflicts do not prevent the persons, whose rights have been infringed, to bring a suit.

3. The conflict shall be resolved with direct involvement of the shareholder or by way of direct negotiations or correspondence with him.

If necessary, an agreement on resolution of a corporate conflict between the Company and the shareholder may be signed with regard to restrictions established by the current laws of the Russian Federation. A decision on resolution of a corporate conflict may also be taken and registered by an corresponding body of the Company with an allowance for restrictions established by the current laws of the Russian Federation.

In conformity with their competencies, the Company's bodies shall facilitate execution of the agreements signed on behalf of the Company with shareholders, and also implement their resolutions on regulation of a corporate conflict, or make arrangements for implementation of the decision with regard for restrictions stipulated by the current laws of the Russian Federation.

4. A reply of the Company to the application of a shareholder must be complete and comprehensive, and a notification on the denial to grant the application or request of the shareholder must be reasoned and based on provisions of law.

If granting the shareholder's request is conditioned with performing by the shareholder of any actions stipulated by the law, Charter or internal documents of the Company, the reply to the shareholder shall exhaustingly indicate such conditions, and also contain information required to meet them.

5. If between a shareholder and the Company there is no disagreement to the point of their obligations, but there arise disagreements concerning the procedure, method, term and other conditions of observance, the Company shall suggest to the shareholder settling such disagreement and state the conditions based on which the Company is ready to meet the shareholder's requirement.

6. In order to facilitate prevention and efficient pre-judicial resolution of corporate conflicts with involvement of the Company and its shareholders, the Corporate Conflicts Committee under the Board of Directors may be created.

The Corporate Conflicts Committee shall exercise the following functions:

- development, introduction and control of the procedures aimed at implementation and protection of the shareholders' rights, inter alia, in the course of convening, preparing and holding General Meetings of shareholders and making significant corporate actions;
- development, introduction and control of procedures aimed at timely and complete disclosure of information regarding the Company and ensuring of the shareholders' rights to information;
- identification of corporate conflicts at early stages of their development, and careful consideration of them by the Company and its officials;
- taking of its attitude towards the essence of the conflict within the shortest possible time, making an appropriate decision and bringing it to the notice of the Board of Directors, officials and the shareholder (shareholders).

The Committee shall exercise other functions stipulated by the internal document regulating the procedures for the Committee's activities and approved by the Board of Directors, among which is a preliminary consideration of matters put forward for decision of the Board of Directors, and preparation of recommendations to the Board of Directors for taking decisions on such matters.

The Committee shall ensure permanent interaction of the Board of Directors with:

- the executive bodies;
- the Corporate Secretary;
- the Counting Commission;
- the Company's Registrar.

CHAPTER 3. GENERAL MEETING OF SHAREHOLDERS

Article 13. Convening General Meeting of Shareholders and preparing to hold it

1. The procedures for announcement of a General Meeting of Shareholders shall be stipulated by the Company's Charter.

An announcement of the General Meeting of Shareholders shall be made at least 30 days prior to its holding unless the law specifies a longer term for it.

2. The Company shall make efforts to communicate the notification on holding the Shareholder Meeting by different means (forwarding by mail, handing-over or publishing) going beyond the ways stipulated by the Company's Charter. The Company shall make efforts to make use of electronic form of communicating on holding a General Meeting as an additional way of notifying on holding the General Meeting of Shareholders.

3. The information (materials), which are subject to provision to the persons taking part in the General Meeting of Shareholders in the process of preparation to hold the Company's General Meeting of Shareholders, shall be determined by the law and of the Company's Charter.

The information (materials) subject to provision to the persons entitled to participate in the General Meeting of Shareholders shall indicate to which issue of the agenda it refers.

4. The Board of Directors may be authorized to take decisions on provision to the persons entitled to participate in the General Meeting of Shareholders other information (materials) in addition to the information specified by the laws and the Company's Charter. Such information (materials) may contain analytical studies and press reports including those which may express a critical view of the Company's activities as well as other information (materials) directly referring to the agenda of the General Meeting of Shareholders – apart from the information (materials) specified directly by the laws and the Company's Charter.

5. The shareholders' rights to demand convening of an extraordinary General Meeting of Shareholders and submit proposals to the agenda of the annual General Meeting of Shareholders shall not be associated with excessive complexity while proving the existence of such rights.

The Company shall ensure the shareholder's ability to submit a proposal to the agenda of the annual General Meeting of Shareholders or to demand convening of an extraordinary General Meeting of Shareholders without having to submit an extract from the Shareholders Register, provided that its title to shares is effected within the system of keeping the Register, and if its title to shares is effected within a custody account, only an extract from the custody account shall be submitted.

6. The General Meeting of Shareholders shall be held in an area at the location of the Company unless otherwise is stipulated by the Company's Charter or regulations of the General Meeting of Shareholders.

The General Meeting of Shareholders shall be held in the premises capable of holding the number of Shareholders Registered for participation in the meeting.

It is not permissible to hold meetings in industrial premises or other premises where normal work is impossible.

Article 14. Holding General Meeting of Shareholders

1. The persons participating in the General Meeting of Shareholders to be held in the form of com- presence, shall be registered at the address of holding the General Meeting of Shareholders.

When establishing the procedure of registering the participants of the General Meeting of Shareholders, the Company shall be governed by the rule saying that any shareholder wishing to take part in the General Meeting of Shareholders should be able to do it. In this connection, the time limit for registration shall be sufficient to allow registering to all the shareholders wishing to participate in the General Meeting of Shareholders.

Getting started the General Meeting of Shareholders shall not mean ceasing of the participants registration. The persons having registered for participation in the General Meeting are entitled to vote on all the items of the agenda from the time of opening the General Meeting, with the exceptions stipulated by the laws.

Upon ending the discussion of the last item of the General Meeting agenda (the last item of the General Meeting having a quorum), the persons who have not voted until such a moment shall be given time for voting.

2. The Members of the Board of Directors, executive bodies, Audit Commission of the Company shall be present at the General Meeting of Shareholders. They are obliged to give qualified answers to the questions of the meeting participants.

3. The meeting shall be held in an uninterrupted manner.

4. A speaker on any item of the agenda shall be given the floor for at least 15 and not over than 30 minutes.

5. Questions to speakers may be asked and motions concerning giving the floor may be made only in written form. Notes with questions and statements shall be given to the chairman of the meeting.

A participant of the meeting may not speak on the same issue of the agenda more than twice. The duration of the first speech may not exceed 10 minutes, and the duration of the second one may not be more than 3 minutes.

6. In the event of continuous holding the meeting within 2 hours, there should be established a break in the meeting for a period of at least 15 minutes and not longer than 30 minutes.

In the event of continuous holding the meeting within 4 hours, there may be established a break in the meeting for a period of at least 40 minutes and not longer than 2 hours.

Longer breaks are prohibited.

The meeting may not continue after 22 o'clock local time.

According to the general rule, the meeting is to be held during one day.

In the event of impossibility of holding the meeting within one day, a recess should be taken until the next day, however, not earlier than 9 o'clock local time.

7. The procedure of holding the General Meeting of Shareholders includes:

opening of the General Meeting of Shareholders with reading the information on which items of the agenda there is a quorum;

reports of the meeting participants on the agenda items (discussing the items of the agenda);

upon ending the discussion of the last item of the General Meeting's agenda (the last item of the agenda of the General Meeting where there is a quorum), voting on the agenda items shall be taken;

ending of taking the voting ballots by the counting commission, and ending of registration of the meeting participants.

To ensure the shareholders' ability to obtain the most comprehensive and objective information about the Company in the course of holding the meeting, time shall be envisaged for speeches of the Company's key officials including the chairpersons of the committees of the Board of Directors.

8. The Company shall make all efforts for summarizing and reading-off the results, as a rule, prior to the end of the General Meeting of Shareholders.

CHAPTER 4. COMPANY'S EXECUTIVE BODIES

Article 15. Company's executive bodies in the Corporate Conduct (Governance) System in Company

1. In accordance with the procedure stipulated by the laws and the Charter, the sole executive body (President) and the collective executive body (Management Board) shall be created and be operate in the Company.

2. The executive bodies shall act in compliance with the Company's financial and economic plan.

Article 16. Composition and creation of executive bodies

1. The composition of the Company's executive bodies should provide for the most efficient performance of the functions vested in the executive bodies.

2. To exercise their duties the President and members of the Board shall have professional qualifications required for management of the Company's day-to-day activities. Specific requirements to their professional qualifications (including their education background and work experience) shall be established by the Company's internal documents.

3. The President and members of the Management Board must have unblemished business reputation.

A person having unquashed or uncancelled previous conviction may not be appointed (elected and approved of) President or a member of the Management Board.

A person deemed to have been imposed an administrative punishment on in the form of disqualification may not be appointed (elected and approved of) President or a member of the Management Board.

When appointing (electing and approving of) President and a member of the Board, the following factors must be taken into consideration as having an adverse effect on business reputation:

quashed or cancelled previous conviction for crimes in the sphere of economic activities or against state authority, interests of governmental service and service in a local government administration;

committing acts punishable under administrative law in the sphere of entrepreneurial activities, in the area of finance, taxes and duties, as well as in the securities market.

Article 17. Overlapping of positions of President and Member of Board with other positions in Company

1. President shall exercise management functions according to the procedure established by the regulations of the collective executive body of the Company (Management Board).

2. President may not be at the same time the Chairman of the Company's Board of Directors.

3. President and members of the Management Board may not be members of the Audit Commission and Counting Commission of the Company.

Article 18. Overlapping of positions of President and Member of Board with positions in other organizations

1. Overlapping by President and a members of the Management Board of positions in governing bodies of other organizations shall be permissible only with a preliminary consent of the Company's Board of Directors.

Holding positions in governing bodies of other organizations means membership in boards of directors, exercising duties of an official in executive governing bodies of other organizations, exercising functions of a CEO and deputy CEO in other organizations, exercising other administrative and managerial functions in other organizations, and holding there other offices of profit on a contractual basis or otherwise.

2. A prior consent of the Company's Board of Directors to overlapping the positions of president and a member of the board in governing bodies of other organizations shall be given in the form of a special resolution of the Board of Directors on the matter of giving such consent. The above-said issue shall be entered into the agenda of the meeting of the Board of Directors as an item to be considered separately – not within the list of other items of the agenda. The resolution should contain:

- full title of the organization where holding positions is to be permitted;
- position, joint holding of which is to be permitted;
- term for which holding of this position is to be permitted;

- other conditions of overlapping the positions providing that the Board of Directors deems it expedient to stipulate.

The Board of Directors' taking notice of the information on such overlapping, including cases of approval by the Board of Directors of resolutions on other items within its competence shall not be deemed as the Board of Directors' consent to overlapping by president and a member of the Management Board of positions in governing bodies of other organizations.

Article 19. Executive bodies' duties

1. Within the terms of their reference and in compliance with the laws of the Russian Federation, President of the Company and members of the Management Board of the Company must:

- observe the requirements of the Company's Charter, implement the decisions of the General Meeting of Shareholders and Board of Directors of the Company;

- be loyal to the Company;

- act within their competence;

- act in the Company's interests bona fide and reasonably, i.e., while exercising their rights and duties specified by laws, Charter, internal regulations of the Company and contracts made with them, take care and exercise due diligence, which are to be expected from a good manager in a similar situation under similar circumstances;

- act in the interests of the Company as a whole, and not in the interests of certain shareholders, officials and other persons;

- refrain from doing other acts which may result in arising a conflict between his interests and the interests of the Company, and in the event of arising such a conflict, immediately cause to be informed about it the Board of Directors and Corporate Secretary of the Company;

- not disclose and not use corruptly in their private interests and in the interests of third persons confidential and insider information regarding the Company, in accordance with the procedure stipulated by the contracts made with them and by other documents of the Company;

- initiate meetings of the Management Board for taking decisions on urgent matters;

- while taking decisions assess risks and adverse consequences;

- timely advise the Company on their affiliated persons and alterations in their composition;

- bring to the notice of the Board of Directors, Audit Commission and Auditor of the Company information about the legal entities where they independently or jointly with their affiliated person (persons) possess 20 or more percent of voting shares (interests or participatory interests) in accordance with the procedure and within the term stipulated by the Company's internal documents;

- bring to the notice of the Board of Directors, Audit Commission and Auditor of the Company information about legal entities in which governing bodies they hold positions, according to the procedure and within the term stipulated by the Company's internal documents;

- bring to the notice of the Board of Directors, Audit Commission and Auditor of the Company information on expected transactions in regard to making of which they may be found interested, according to the procedure and within the term stipulated by the Company's internal documents;

- refrain from voting (taking decisions) on the issues in decisions on which they have their personal interest;

- advise the Management Board and Board of Directors of the Company in written form on holding of securities of the Company or the securities of its affiliated (associated) companies, on intention to make transactions with such securities in a private capacity, as well as disclose information on transactions with such securities made by them;

- ensure timely and full payment on declared dividends;

- ensure timely and full payout of remunerations to the members of the Board of Directors and Audit Commission, and compensation for expenses incurred in the course of their duties;

- be present at the General Meeting of Shareholders and answer the questions of participants of the Meeting.

2. President and members of the Management Board should not take presents or obtain tangible or intangible benefits the purpose of which is to affect their activities or the decisions to be taken by them (with the exception of nominal courtesies in conformance with generally accepted rules of politeness, and souvenirs when arranging official events).

President and members of the Management Board must also take necessary steps to ensure that their affiliated persons meet the obligation mentioned in this paragraph.

3. The executive bodies shall annually submit reports on operation to the Board of Directors.

At the request of the Board of Directors, the executive bodies shall submit other reports too.

CHAPTER 4. COMPANY'S CORPORATE SECRETARY

Article 20. Corporate Secretary in system of Corporate Conduct (Governance) of Company

1. For the purposes of meeting the procedures in regard to ensuring rights and legitimate interests of shareholders the Company shall have the position of a special official, Corporate Secretary.

2. For the purposes of ensuring efficient fulfillment by the Corporate Secretary his duties in the Company, the Board of Directors may take a decision of setting-up an office of the Corporate Secretary.

3. The Corporate Secretary (office of the Corporate Secretary) shall conduct its activities in compliance with the regulatory legislative acts of the Russian Federation, the Charter, this Code, internal documents of the Company, and decisions of the General Meeting of Shareholders and Board of Directors of the Company.

4. The Corporate Secretary is entitled to conduct other activities in the Company simultaneously with performing his functions in the Company only with the consent of the Company's Board of Directors.

Article 21. Procedure of appointing (confirming) of Company's Corporate Secretary

The Corporate Secretary shall be appointed (confirmed as) by the Board of Directors in accordance with the procedure stipulated by the Company' Charter.

Article 22. Corporate Secretary's functions related to preparation and holding General Meeting of Shareholders

1. The Company's Corporate Secretary shall conduct activities aimed at support of the Board of Directors when exercising the following functions:

- drawing a list of persons entitled to participate in the General Meeting of Shareholders;
- drawing a list of persons entitled to dividends;
- drawing a list of shareholders entitled to redemption of the Company's shares belonging to them in the cases stipulated by the Federal Law "On Joint-Stock Companies";
- drawing a list of persons having preemptive rights to purchase additional shares and issuable securities convertible into shares;
- preparation of information (materials) to be furnished to the persons entitled to participate in the General Meeting of Shareholders;
- access of the persons entitled to participate in the General Meeting of Shareholders to the information (materials) to be provided when preparing to hold the General Meeting of Shareholders;
- provision of extracts from and references on the list of persons entitled to participate in the General Meeting of Shareholders;
- sending voting ballots to the persons included into the list of persons entitled to participate in the General Meeting of Shareholders;
- collection of the received by the Company completed voting ballots and transfer them to the Counting Commission,
- advising shareholders on results of the General Meeting of Shareholders and decisions taken.

2. The Corporate Secretary of the Company shall take action to resolve conflicts arising in the course preparing and holding the General Meeting of Shareholders.

3. The Corporate Secretary of the Company is entitled to be present when the Counting Commission summarizes the results of voting on the agenda.

4. If the agenda of the General Meeting of Shareholders contains issues on election of the Company's bodies, the Corporate Secretary shall send queries to the candidates regarding their consent to election to a relevant body of the Company.

5. The Corporate Secretary shall exercise functions stipulated by this article in cases when the General Meeting of Shareholders is convened by the decision of the Board of Directors or other bodies (persons) authorized in compliance with the laws of the Russian Federation. The decision on holding the General Meeting of Shareholders is mandatory for the Corporate Secretary irrespective of the fact who has taken it, provided it has been taken in compliance with the requirements of the laws of the Russian Federation and the Company's Charter.

Article 23. Corporate Secretary's functions related to support Board of Directors' activities

1. The Corporate Secretary shall brief newly elected members of the Board of Directors on the corporate procedures for operation of the Board of Directors and other bodies of the Company applicable in the Company, corporate structure of the Company, provides information on officials of the Company and other information relevant for proper performance of their duties.

CHAPTER 5. CONTROL OF COMPANY'S FINANCIAL AND ECONOMIC ACTIVITIES

Article 24. System of controlling Company's financial and economic activities

1. The Company shall ensure building-up and effective function of the system of daily control of its financial and economic activities.

2. The system of controlling the Company's financial and economic activities includes:

- Audit Committee of the Company's Board of Directors;
- Company's Audit Commission;
- independent auditing organization (auditor);
- Company's structural unit exercising control functions regarding other units, affiliates and representative offices of the Company (internal control) – Control and Auditing department of the Company.

3. The system of control of the Company's financial and economic activities has the target of ensuring precise fulfillment of the financial and economic plan approved by the Company's Board of Directors. Also the Board of Directors plays an important role in arranging control of the Company's financial and economic activities.

Article 25. Composition of bodies controlling Company's financial and economic activities

1. The composition of the Board of Directors Audit Committee, Audit Commission and Control and Auditing Department of the Company should make it possible to exercise effective control of the Company's financial and economic activities.

This Code (as regards the Audit Committee of the Board of Directors) and internal documents of the Company shall establish specific demands for the persons comprising the above-mentioned bodies.

Article 26. Company's Audit Commission

1. The procedure of carrying-out audits by the Company's Audit Commission shall ensure the efficiency of the system of control of the Company's financial and economic activities.

2. The Company's Audit Commission shall carry out its activities based on the Company's internal document approved by the General Meeting of Shareholders.

Article 27. Company's Auditor. Audit

1. Audit organizations (auditors) shall check the conformance of the financial records and statements used by the Company to the Russian Accounting Standards and, if the Company follows the International Accounting Standards, their conformance to the International Standards.

2. Auditing shall be carried in such a way that it should result in bringing comprehensive and complete information about the Company's activities.

The report of an independent audit organization (auditor) should detect the existing drawbacks and shortcomings in the Company's financial and economic activities in compliance with the standards of auditing activity while preparing a report on the Company's activities. Professional competence of auditors, honesty and responsibility when exercising their duties, are the principles which audit organizations (auditors) should observe in the course of their work.

Auditors should be unbiased and, consequently, remain independent in their relations with executive bodies, members of the Board of Directors, officials and shareholders of the Company.

The Company shall make any necessary steps to ensure approval, by the General Meeting of Shareholders, of the Company's auditor from among the audit organization (auditors) having a sound reputation and conducting their activities in compliance with the above-mentioned principles.

3. Audit organizations (their expert auditors or other representatives) must be present at General Meetings of Shareholders and answer any questions asked by shareholders concerning audit reports presented to General Meeting of Shareholders.

4. The Board of Directors' Audit Committee shall assess whether the audit has been carried out in conformity with the established procedure, whether the audit organization (auditor) has omitted any issues during the audit.

The report of an audit organization (auditor) shall be submitted for assessment to the Audit Committee of the Board of Directors prior to submitting it to the shareholders at the General Meeting of Shareholders.

5. The Board of Directors' Audit Committee shall assess auditor nominees of the Company when holding an open bidding for making a contract on rendering auditing services to the Company.
The Audit Committee of the Board of Directors shall exercise control of holding an open bidding for making a contract on providing auditing services to the Company.

CHAPTER 6. COMPANY'S DIVIDEND POLICY

Article 28. Main provisions on dividends

1. The dividend is portion of a Company's net profit distributed among shareholders in proportion to the number of the shares they have in their possession.

2. Adopting a decision on payment of dividends on shares of all categories (types) is the right of the Company, but it is not its obligation. The General Meeting of Shareholders is entitled not to adopt a decision on payment of dividends on shares of all categories (types).

Payment of declared dividends is a duty of the Company. The Company shall be responsible to the persons entitled to collect dividends for failure to exercise of this duty in compliance with the current laws of the Russian Federation.

The Company shall distribute only declared dividends. In the absence of a decision on payment (declaration) of dividends, the Company is not entitled to pay out dividends, and the shareholders shall not demand paying them out.

3. Dividends shall be paid out in the currency of the Russian Federation or in another currency provided it is not contrary to the applicable laws.

4. The sole executive body of the Company shall ensure timely and complete payment of the declared dividends.

Article 29. Principles of Company's dividend policy

1. The Company's dividend policy is based on the following principles:

- optimal combination of interests of the Company and its shareholders;
- necessity of increase the Company's investment attractiveness and capitalization;
- respect for and strict observance of the shareholders' rights provided for by the applicable laws of the Russian Federation and the best practices of corporate governance;
- transparency of the procedures of setting the amount of dividends and paying out of dividends.

2. Other rules of the Company's dividend policy shall be stipulated by the Company's internal document approved by the Company's Board of Directors.

CHAPTER 7. COMPANY'S INFORMATION POLICY

Article 30. Principles of information policy of the Company

1. Information policy is a set of measures aimed at disclosure of information regarding the Company in order to communicate it to shareholders and interested persons in the scope necessary for them to make reasonable investment and management decisions or take other actions that can influence the financial and economic activities of the Company.

The information policy of the Company is aimed at the achievement of the most complete exercise of shareholders' and interested persons' rights to get information, which is essential for their investment and management decisions.

2. The Company's information policy shall ensure the availability of free and least cumbersome access to the information regarding the Company.

3. The executive bodies of the Company are responsible for disclosure of information regarding the Company's activities. Performing their duties pertinent to disclosure of information the Company's executive bodies shall act in compliance with the regulations on disclosure of information established by laws and the Company.

The Company's Board of Directors shall adopt the Company's internal document containing the regulations and approaches in relation to disclosure of information (regulations on information policy).

Forms and procedures of disclosure of information regarding the Company, which are not governed by this Code, shall be determined by the above-mentioned regulations.

Article 31. Insider information

1. Insider information shall be deemed the information on the Company's activities, securities and transactions therewith, which is not available to the public (is unknown to third persons), and disclosure of which may affect the market value of the Company's securities, and which extends special privileges to the persons possessing it as compared with other persons.

2. The Company's Board of Directors shall approve the Company's internal document regarding the use of insider information (regulations on insider information).