



Approved
at the meeting of the Board of Directors
of OJSC Rostelecom
on April 28, 2004
Minutes No. 5

OJSC ROSTELECOM CORPORATE GOVERNANCE CODE

I. INTRODUCTION

Open Joint Stock Company Long Distance and International Telecommunications OJSC Rostelecom (*the "Company"*) is the largest fixed lines telecommunications operator in the Russian Federation. The Company maintains an up-to-date digital network covering practically the entire territory of Russia.

In all Russian regions with the exception of Moscow, the Company provides all operators with the full range of services of a main line network combining the networks of Russian operators into an integral transnational network. In the Moscow market, the Company provides international and long-distance communication services to end users, using the network of the local telephone operator and directly billing its subscribers.

OJSC Svyazinvest, a government-controlled holding company, is the largest shareholder in the Company, holding 51 percent of ordinary (voting) shares. Meanwhile, 49 percent of the Company's ordinary shares and 100 percent of its preferred shares are free-floating and traded on the major stock exchanges in Russia. In 1998, a Level II American Depositary Receipt (ADR) Program was established with respect to Rostelecom's ordinary shares; these ADRs are listed on the New York Stock Exchange (NYSE) (ticker symbol: ROS). Rostelecom ADRs are also traded on the principal European securities markets.

Acknowledging the importance of maintaining high standards of corporate governance and business ethics to assure the Company's success in business and to protect the rights of those who hold shares and ADRs (*the "Shareholders"*), Rostelecom undertakes to act in accordance with the principles of corporate governance stated in this Corporate Governance Code (*the "Code"*).

II. TERMS

The provisions of the Code have been drawn up on the basis of the Federal Law "On Joint Stock Companies", the Rostelecom Charter, the Company's internal documents, the OECD Corporate Governance Principles recommendations, the Corporate Conduct Code recommendations drawn up by the Russian Federal Commission for the Securities Market, the requirements of the U.S. Securities and Exchange Commission (SEC) and the listing requirements of the NYSE* and Russian stock exchanges (hereinafter, "*all applicable laws, rules and regulations*").

* Rostelecom discloses differences between this Code and requirements that apply to U.S. companies listed on the NYSE on its website (www.rt.ru/en) and/or in its annual report (Form 20-F).

The following terms shall be used in this Code:

1. “*Managerial or Executive Position or Officer*” shall be used with respect to Chief Executive Officer (the “CEO”), members of the Management Board, deputies of CEO not serving on the Management Board, other officers holding similar positions in subsidiaries of the Company whose financial statements are consolidated by the Company in accordance with the International Financial Reporting Standards.
2. “*Director*” – a member of the Board of Directors.
3. “*Executive Director*” – a member of the Board of Directors who is an employee of the Company.
4. “*Independent Director*” – a member of the Board of Directors of the Company who is determined to be independent in accordance with the provisions of this Code, provided that no Director shall be considered independent unless:
 - such Director is not and has not been an employee, and each of such director’s immediate family members is not and has not been an executive officer of the Company or any of its affiliated legal entities for any period of time over the past three years;
 - such Director and his or her immediate family members, have not received more than US\$100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) for any period of time over the past three years;
 - such Director is not and has not been affiliated with or employed by, and each of such director’s immediate family members is not affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company for any period of time over the past three years;
 - such Director, and each of such director’s immediate family members, is not and has not been employed as an executive officer of another company where any of the Company’s present members of the Management Board serve on such company’s compensation committee for any period of time over the past three years; and
 - such Director is not an executive officer or an employee, and whose immediate family member is not an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which in any single fiscal year exceeds of US\$1 million, or 2 percent of such other company’s consolidated gross revenues for a period of time over the past three years.

In order to meet the requirements of Russian law and the Federal Service for Financial Markets (hereinafter referred to as the FSFM) and to comply with the listing rules on stock exchanges in Russia, the Company imposes the below-stated requirements on the term “*Independent Director*”, in addition to those specified above. A Director shall be deemed as independent if the following requirements are met:

- such Director is not a representative of government authorities;
- such Director is not affiliated with the Company and with these affiliated persons;
- such Director is not a party to a contract with the Company, pursuant to the terms and conditions of which such director may acquire property (receive money), valued at 10 percent or more of such Director’s total annual income excluding compensation paid for such director’s participation in the work of the Board of Directors;

- such Director is not a party to a major contract with the Company, i.e. when a party's annual volume of transactions with Company amounts for 10 percent or more of the book value of the Company's assets in accordance with Russian Accounting Standards;

The Company's Independent Director may not be deemed as independent after 7 years of tenure as a member of the Board of Directors.

5. "*Non-executive Director*" - a member of the Board of Directors who is not an employee of the Company and does not qualify as an Independent Director.
6. "*Executive session*" – regularly scheduled sessions of Independent and Non-Executive Directors held without the participation of the Executive Directors.
7. "*Immediate family member*" shall mean spouse, parents, including adoptive parents, children, including adopted children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and/or cohabitants.
8. In order to prepare and submit reports and disclose information required by the SEC and the NYSE, the Company uses the following terms:
 - "*Control*" shall mean the right to directly or indirectly manage or issue managerial instructions on the conduct of business and determination of the strategy of a person or organization either through the ownership of voting securities under a contract or otherwise.

A person shall be deemed to be in control of the Company or any subsidiary if he or she is an executive officer or Director of the Company or such subsidiary.

A company shall be deemed to have control over an organization if such company is the beneficial owner, directly or indirectly, of more than 10 percent of the organization's issued and outstanding voting securities (when such organization is a joint stock company), or if such company is the beneficial owner of more than 10 percent of the distributable profits or losses of such organization (when it is a partnership).

A company shall be deemed controlled by a person or organization if such person or organization or persons related to such organization are the beneficial owners of more than 10 percent of the organization's issued and outstanding voting securities (when it is a joint stock company), or if such person or organization is the beneficial owner of more than 10 percent of the distributable profits or losses of such organization (when it is a partnership).

- "*Subsidiary*" – an organization controlled by the Company directly or indirectly through one or several intermediaries.
- "*Affiliate*" or a person "*affiliated*" with such person shall mean a person, directly or indirectly, through one or several intermediaries controlling such person or controlled by such person or being under common control with such person.

In order to prepare and submit the report and disclose information required by the FSFM of Russia and Russian stock exchanges, the Company uses the term "*affiliate*" and "*subsidiary*" as required by Russian law, the FSFM of Russia, and Russian stock exchanges.

9. "*Stakeholders*" – Shareholders, clients, partners, government agencies, Company employees, investors, financial institutions and other natural and legal persons interested in the financial and business activities of the Company.
10. "*Information disclosure*" – to give all interested persons access to previously undisclosed information to the extent necessary to make a reasonable decision on the Company's

participation or its other actions that may influence the Company's financial and economic performance.

11. "*Confidential Information*" – information with actual or potential commercial value due to the fact that it is unknown to third parties, that legal access to it is absent and the holder of such information acts to protect its confidentiality.
12. "*Insider Information*" – material, non-public information (e.g. information which could reasonably be expected to affect the price of the Company's shares or that a reasonable investor would find the most relevant in the total mix of information, such as information on the operation of the Company, shares and other securities of the Company and transactions herewith).
13. "*The Company's internal documents*"- the Charter of Rostelecom, the Regulation of the Audit Commission of Rostelecom, the Regulation of General Shareholders' Meeting, the Regulation of the Board of Directors of Rostelecom, the Regulation of the Management Board and other documents which approved by General Shareholders' Meeting or the Board of Directors.
14. "*Audit Commission*" (in accordance with the Russian legislation) - is the Company's independent controlling body elected at the annual General Shareholders' Meeting for the period until the next annual General Shareholders' Meeting and consisting of three (3) members. Membership in the Audit Commission may be held by a Shareholder or by any person proposed by a Shareholder or the Board of Directors in the event no candidates or an insufficient number of candidates are proposed by Shareholders for membership in the Audit Commission. Members of the Audit Commission may not simultaneously serve as members of the Board of Directors, CEO, members of the Management Board or the liquidation commission.
15. "*Annual report*" – one of the reports disclosed by the Company based on the fiscal year results: (i) public annual report, (ii) Materials for the annual General Shareholders' Meeting, (iii) Form 20-F filed to SEC.
16. "*Registrar*" – an organization that is a professional participant in the securities market, maintaining the register of the Company's shareholders, recording the transfer of ownership rights to shares, sending out materials to shareholders, paying dividends, etc.
17. "*Depository bank*" – an organization registering the rights to ADRs, the transfer of ownership rights to the ADRs, sending out materials to ADR holders, paying dividends, etc.

III. BASIC PRINCIPLES OF ROSTELECOM CORPORATE GOVERNANCE CODE

The Company undertakes to be guided in its operation by the following principles underlying the corporate governance system of the Company:

- compliance with the rights and interests of its Shareholders as laid down under all applicable laws, rules and regulations;
- accountability of the Board of Directors, CEO and the Management Board to Shareholders;
- maintenance of an effective system of internal audit and controls;
- transparency of the Company with respect to financial and other information;

- compliance with ethical standards of business conduct stipulated in the Code of Ethics OJSC Rostelecom;
- effective cooperation with Company employees in tackling of security issues and provision of proper working conditions.

IV. THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

OJSC Rostelecom corporate governance is a set of mechanisms for maintaining a reasonable balance between the rights of Shareholders and the activities of the Board of Directors and other governing bodies to manage the company. In accordance with the Company's Charter the Company's governing bodies are:

- the General Shareholders' Meeting shall be the highest governing body of the Company;
- the Company shall be generally managed by the Board of Directors elected by the General Shareholders' Meeting;
- for the purposes of day-to-day management the Board of Directors shall appoint a Management Board and CEO; and
- the Corporate Secretary appointed by the Board of Directors upon the Chairman's proposal (before the appointment of the Corporate Secretary his/her functions shall be performed by the Secretary of the Board of Directors and the Management Board, as well as Securities Department).

The Company shall implement an effective system of internal controls over the financial and business operations of the Company. Such system of control shall be upheld through:

- the Audit Commission;
- the independent auditor;
- the Audit Committee appointed by the Board of Directors; and
- the Company's Corporate Control Department.

V. PROMOTION OF DIALOGUES WITH THE COMPANY'S STAKEHOLDERS

The interests and rights of the Company's Shareholders shall be upheld through the General Shareholders' Meeting and through the operation of the Board of Directors, the Management Board, the Audit Commission, the Registrar and the Depositary Bank.

Registrar and Depositary Bank

Shareholders shall have the right to dispose of shares or ADRs at their discretion in accordance with all applicable laws, rules and regulations.

The Company shall uphold the right of Shareholders to registration of their title to shares by engaging a Registrar to maintain the register of Shareholders. The Registrar shall be a leading Registrar and possess up-to-date technical facilities and control systems.

The Company shall also uphold the rights of the holders of ADRs to the registration of their title to ADRs by engaging one of the world's leading depositary banks.

- ***Participation of Shareholders in the Management of the Company***

OJSC Rostelecom complies with the required procedures to equally exercise Shareholders' rights to participate in managing the Company by making decisions at the General Shareholders' Meetings.

The Company shall observe the following principles with respect to its General Shareholders' Meeting:

- maintenance of fair and effective procedures for submitting proposals for agenda items, including proposals for the nomination of candidates to the Board of Directors and the Audit Commission;
- preparation of the necessary information for the General Shareholders' Meeting in Russian and English and its simultaneous circulation among the Shareholders;
- disclosure of information on the General Shareholders' Meeting matters through the media, the Company's website, and direct mailing of information to Shareholders upon request as required by applicable laws, rules and regulations;
- availability of contact information in distributed materials and accessibility of Corporate Secretary (before the appointment of the Corporate Secretary his/her functions shall be performed by the Secretary of the Board of Directors and the Management Board, as well as Securities Department) to ensure compliance with the rights of Shareholders;
- selection of the time and venue of the General Shareholders' Meeting so as to balance the need of the Company to run the meeting cost-effectively while encouraging widespread attendance of the General Shareholders' Meeting; and
- invitation of the members of the Board of Directors, the Management Board, CEO, the Audit Commission and a representative of the independent auditor.

- ***Payment of Dividends***

Shareholders shall have the opportunity to share in the Company's net profits through the dividends for the prior fiscal year, subject to the declaration of such dividends by the Board of Directors and its approval by the annual General Shareholders' Meeting.

The Company shall pay declared dividends prior to the established deadlines through its registrar.

- ***Responsibility of Shareholders***

The Company shall regard those holding a block of common (voting) shares comprising 2 or more percent of the total value of common (voting) shares as major Shareholders of the Company.

The Company expects Shareholders, especially major ones, to act responsibly with respect to:

- non-use of insider information;
- not bringing pressure to bear on the Board of Directors and the Management Board of the Company for the attainment of their objectives at the expense of other Shareholders;
- acknowledgement of their holding of Company shares and disclosure of information on affiliates;

- election of the Company's Board of Directors in accordance with all applicable laws, rules and regulations.

- ***Relations with the Investor Community***

The Company seeks to enhance the investment appeal of its securities through openness and transparency with respect to its disclosures. The Company seeks to maximize the market value of its securities by enhancing its liquidity and reducing the risk premium related to non-transparency and uncertainty concerning the Company's prospects.

The key objective of relations of the Company with the investor community is to uphold prompt, accessible and detailed information disclosure in compliance with applicable laws, rules and regulations also to maintain an active dialogue with investor community.

The Company is taking a number of measures designed to make the Company more open in terms of information, including:

- meetings with and presentations for investors and analysts;
- road-shows and “one-on-one” meetings with investors;
- periodic conference calls;
- prompt circulation of press releases; and
- professional media publications.

The Company shall supervise disclosure by subsidiaries whose financial statements are consolidated by the Company and shall endeavor to ensure a coordinated policy on the release of information by the Company and its subsidiaries.

Subject to the need to maintain confidentiality of business opportunities, in accordance with applicable laws, rules and regulations, it is the Company’s policy to provide investors and analysts with an understanding as is reasonably possible of the Company’s business opportunities and development prospects.

- ***Public Relations***

The Company shall work to maintain and develop an effective dialogue with mass media representatives, state bodies and the public showing interest in the Company’s activities, and raise the level of information openness and transparency.

The Company shall participate on a regular basis in major international and national industry exhibitions and forums, arrange for the management of the Company to meet with representatives of the mass media and members of the public. .

The main principles of the Company’s PR activities are:

- clear and uniform information policy;
- continuous and up-to-date information flow covering all aspects of the Company’s activities with maximum completeness and objectivity;
- timely response to inquiries and requests submitted to the Company, subject to applicable law, rules and regulations;
- regular meetings among mass media and financial community and management of the Company.

- ***Development of Partner Relations with the Stakeholders and Clients of the Company***

The Company's activities are dependent not only on Shareholders' and investors' confidence in the management of the Company, but also on confidence of its clients, creditors, partners and other Stakeholders. Therefore, the corporate governance of the Company is also aimed at maintaining and developing stable and strong relations with the Company's Stakeholders.

The Company shall adhere to the principle of neutrality with respect to Stakeholders, state bodies, political parties and associations.

When building relations with clients, the Company shall endeavor satisfy their demands to the fullest extent possible, including in terms of quality and level of services, while at the same time keeping the cost of its services consistent with the present market conditions.

- ***Strengthening of the Company's Personnel***

The Company views its personnel as the basis for its long-term and sustainable development. The corporate culture of the Company shall be improved and strengthened so as to involve each employee in the accomplishment of the Company's strategic tasks.

The Company shall seek to create conditions that enable each employee to develop and apply his/her creative capacity and raise the level of his/her professional skills and education.

The Company shall attend to the matters of healthcare and safety of its employees. Individuals applying for a job with the Company shall not be discriminated for political, religious, national and other reasons that have no bearing on their professional skills.

VI. BOARD OF DIRECTORS OF THE COMPANY

Members of the Board of Directors of the Company shall be accountable to the General Shareholders' Meeting and are responsible for the successful development of the business of the Company.

The Board of Directors shall exercise its duties diligently and in good faith, provide for fair and equal treatment of all Shareholders of the Company through the exercise of their rights and respect for their interests, and shall seek to foster long-term enhancement of shareholder value.

The Board of Directors shall act in accordance with all applicable laws, rules and regulations and this Code.

- ***Chairman of the Board of Directors***

The positions of Chairman of the Board of Directors and Chief Executive Officer may not be held by the same person.

- ***Size of the Board of Directors***

The number of members of the Board of Directors shall be sufficient to make its operation effective as determined by the Board of Directors.

In accordance with the Company Charter the Board of Directors shall be composed of 11 persons.

The Board of Directors will periodically review the appropriate size of the Board of Directors, determine the size that is most effective towards future operations and include necessary amendments to Company's Charter approved by the General Shareholders' Meeting.

- ***Composition of the Board of Directors***

Members of the Board of Directors may either be Executive, Non-executive or Independent Directors.

In accordance with all applicable laws, rules and regulations and to ensure objectivity of adopted decisions and maintain the balance of interests of various, the Board of Directors shall be comprised of not less than three (3) Independent Directors.

No Director will be considered "Independent" unless the Board of Directors upon recommendation of the Nominating and Compensations Committee affirms that the Director has satisfied the applicable requirements stipulated in this Code in the titled section "Terms."

The Board of Directors shall include Non-executive Directors in a number that will allow for setting up the Board of Directors' committees consisting of only Non-executive Directors.

Persons who (i) have been administratively punished for legal violations related to business, finance, taxes, and securities market, or (ii) have been convicted of crimes (except for crimes not provided for by the Russian criminal legislation in force) cannot be elected to the Board of Directors.

Persons who are participants in, general directors (CEOs) of, or members of the governing bodies of, or employees of any legal entity that is viewed by OJSC Rostelecom as a competitor of the Company also cannot be elected to the Board of Directors.

- ***Term Limits and Retirement***

Members of the Board of Directors are elected by annual General Shareholders' Meeting to hold office for a term of one year. The term of office of members of the Board of Directors shall be counted from the moment of their election by the annual General Shareholders' Meeting until the moment of election of a new Board of Directors by the next annual General Shareholders' Meeting. Those elected to the Board of Directors may be re-elected for an unlimited number of terms.

- ***Authority of the Board of Directors and Committees of the Board of Directors***

The authority of the Board of Directors, including a list of matters constituting its exclusive authority, shall be determined in the Charter of Company and other internal documents.

The Board of Directors shall be required to have an Audit Committee, Nominating and Compensation Committee, Strategic Planning Committee and may create other committees.

Such committees shall apprise the Board of Directors of its activities on a regular basis. Committees of the Board of Directors shall comprise of Directors only.

The Audit Committee, Nominating and Compensation Committee shall be comprised of Independent Directors. When objective circumstances make this impossible, it is recommended that these committees should, as a minimum, be headed by an Independent Director and consist of Non-executive Directors.

If any Director ceases to satisfy the independence requirements while serving on such committee of the Board of Directors, he or she will promptly provide notice to the Nominating and Compensation Committee.

A committee shall operate in accordance with its individual regulations to be approved by the Board of Directors in accordance with all applicable laws, rules and regulations.

If necessary, experts who possess the professional background and expertise required for the activities of a specific committee may be engaged in committees' work.

Information about committees' activities shall be disclosed as per the Information Disclosure Policy of the Company and applicable laws, rules and regulations.

- ***Requirements for members of the Board of Directors***

Criteria for membership of the Board of Directors include the requirement of high professional and personal integrity and the possession of the knowledge, skills and experience required to make serve the interests of the Company.

The Board of Directors considers the submitted proposals in according with applicable laws, rules and regulations and decides whether to include them in the nominated candidates list for voting on elections to the Board of Directors on the annual General Shareholders' Meeting.

The Company shall furnish its Shareholders with all necessary information about each candidate for the Board of Directors in accordance with all applicable laws, rules and regulations.

In the first quarter of every year, members of the Board of Directors, candidates for the Board of Directors, as well as persons who were members of the Board of Directors during the last five years shall fill out a Questionnaire for Members of the Board of Directors in accordance with the requirements of all applicable laws, rules and regulations so that information stated in the Questionnaire can be used in the Company's annual reports.

The Nominating and Compensation Committee is responsible for establishing in accordance with all applicable laws, rules and regulations, and reviewing with the Board of Directors the criteria for membership to the Board of Directors set forth in the Nominating and Compensation Committee Charter.

- ***Responsibility of Directors***

Each member of the Board of Directors is expected to represent the interests of all Shareholders and not the interests of a particular Shareholder or a group of Shareholders.

Upon accession to the Board of Directors, a member of the Board of Directors shall assume responsibility to all Shareholders and the Company for the performance of his/her duties as set out in the Company's Charter and other internal documents of the Company.

All members of the Board of Directors must exercise their business judgment and act in a manner they reasonably believe to be in the best interests of the Company and its Shareholders.

In discharging their obligations, the members are entitled to rely on the Management Board and the advice of the Company's outside advisors and auditors, but must at all times have a reasonable basis for such reliance.

Each member is expected to devote sufficient time and effort to learn the business of the Company and public disclosures, and must ensure that other existing and planned future commitments do not materially interfere with his or her service as a member of the Company's Board of Directors.

Members of the Board of Directors are expected to attend meetings of the Board of Directors and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

In order to protect the Shareholder's value of the Company from inappropriate actions made by Directors and Officers which lead to lawsuits brought against the Company, the Board of Directors has right to insure the Company's Directors & Officers liability.

Each member of the Board of Directors must abstain from actions that will lead to or could lead to a conflict of interest involving Board members and the Company itself; if such a conflict of interest occurs, this Board member shall disclose information about this conflict to the Nominating and Compensation Committee and/or to the Company's Board of Directors.

Each member of the Board of Directors members shall give written notice to the Board of Directors about his/her intention to make a transaction with securities of OJSC Rostelecom or OJSC Rostelecom affiliated companies of which they are members of the Board of Directors, and disclose information about transactions with such securities to the Board of Directors as required by the Insider Trading Policy of OJSC Rostelecom approved by the OJSC Rostelecom Board of Directors.

- ***Operating procedure of the Board of Directors***

The operating procedures of the Board of Directors are detailed in the Charter and Regulations on the Board of Directors, which are approved by the General Shareholders' Meeting.

Meetings of the Board of Directors may be held in the form of meeting of members of the Board of Directors or by absentee voting, but no less than once in 6 weeks.

The Chairman of the Board of Directors shall decide on the date and form of meeting on the basis of importance of items proposed for the agenda.

The meeting of the Board of Directors or absentee voting shall be deemed valid if it is attended by or opinions are submitted in writing by at least 6 members of the Board of Directors including a half the current Independent Directors.

To make its operation efficient, members of the Board of Directors shall be granted access to all relevant information. Members of the Board of Directors shall not divulge nor use confidential information about the Company for their benefit or the benefit of third parties.

- ***Review of Distributed Materials***

Pursuant to the Regulations on the Board of Directors and regulations on the committees of the Board of Directors, a member of the Board of Directors must have enough time to review materials sent out prior to the meetings of the Board of Director or its committees in order to formulate their position on agenda items.

Before discussing matters that are subject to preliminary consideration by committees of the Board of Directors, members of the Board of Directors should have an opportunity to review the findings of the appropriate committees in advance.

- ***Executive Sessions of Non-Executive Directors***

The Independent Directors and Non-executive Directors will meet at least twice annually in executive sessions (including committees meetings) without the participation of the Executive Directors.

The Independent Directors of the Board of Directors will meet at least once annually in an executive session (including committees meetings) without the participation of the Non-executive and Executive Directors.

Such regularly scheduled executive sessions shall be held at such times as may be determined by the Chairman of the Board of Directors or by any Independent Director.

- ***Service on Other Boards***

The Board of Directors does not believe that its members should be prohibited from serving on boards and/or committees of other organizations, and the Board of Directors has not adopted any guidelines limiting such activities.

However, the Nominating and Compensation Committee and the Board of Directors shall take into account the nature of and time involved in a Director's service on other boards in evaluating the suitability of individual Directors for election and making their recommendations to the annual General Shareholders' Meeting.

Directors should advise the Chairperson of the Board and the Nominating and Compensation Committee in advance of accepting an invitation to serve on the board of directors of another public company.

- ***Conflict of interests***

Members of the Board of Directors are required to disclose to the Board of Directors and the Nominating and Compensation Committee any financial interest or personal interest if an organization affiliated with a member is to enter an agreement with the Company.

After such disclosure and responding to any questions the Board of Directors may have, the interested director should abstain from voting on the matter. Disclosed conflicts of interest shall be documented in the minutes of the meeting.

If Director is involved in a serious conflict of interest that cannot be settled by an approval of the Company's Board of Directors, this Director shall submit notification of resignation from the Board of Directors.

- ***Director Orientation and Continuing Education***

Each new member of the Board of Directors shall be given in a thorough orientation with respect to his or her duties as a member of the Board of Directors, including this Code.

Each new member shall meet with the Management Board and the representatives of internal and independent auditors to familiarize yourselves with the Company's business, its strategic plans, its significant financial, accounting and risk management issues and other issues of particular significance to the Company.

In addition, all members of the Board of Directors shall pay attention to ongoing corporate governance issues and educational opportunities related to their service on the Board of Directors that may be recommended by the Nominating and Compensation Committee, thereby enabling them to better perform their duties and recognize and address various issues that may arise during their tenure as directors.

- ***Selection, Evaluation and Retention of the CEO and members of the Management Board***

The Board of Directors, with assistance from the Nominating and Compensation Committee, has the responsibility to select, evaluate the performance of, and make decisions about the retention of the CEO and other members of the Management Board. The Nominating and Compensation Committee will conduct an annual review of the performance of the CEO, as well as

other members of the Management Board and will submit the results for consideration by the Board of Directors at the meeting on the results of the financial year held prior to the Board of Directors meeting.

When approving the terms of an agreement with the CEO, the votes of Board of Directors' members who are Executive Directors of the Company are not counted.

The Board of Directors will review the Nominating and Compensation Committee's report in order to ensure that the CEO and Management Board are providing the best leadership for the Company in the long and short term. Results of this evaluation are communicated to the CEO and each respective member of the Management Board by the Chairperson of the Nominating and Compensation Committee.

The Board of Directors, with assistance from the Nominating and Compensation Committee, has the responsibility to plan for the succession of the CEO or other members of the Management Board. The Nominating and Compensation Committee shall make an annual report to the Board on succession planning which should include, without limitation:

- methods allowing for maintaining succession of the Company's leadership, including nomination principles and assessment of the performance of the CEO and members of Management Board;
- committee members' opinions of candidates to the position of CEO of OJSC Rostelecom if the current CEO resigns.

- ***Communications between the Board of Directors and the Management Board***

The members of the Board of Directors shall have full and free access to CEO, members of the Management Board and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Corporate Secretary (or the Board of Directors' Secretary) or directly by the Director.

The members of the Board of Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent deemed appropriate by the Director, inform the CEO that such communications are taking place.

- ***Independent Advisors***

The Board of Directors may as necessary and appropriate and in its sole discretion, hire and retain independent legal, financial or other advisors, in according with the Board of Directors' and its committees annual budget, as they deem necessary to assist the Board of Directors or any of its committees in carrying out its duties.

- ***Annual Performance Evaluation***

The Nominating and Compensation Committee conducts an annual evaluation of the performance of the Board of Directors and committees. The Nominating and Compensation Committee will establish a process for the evaluation of the performance of the Board and each of its committees, which may include suggestions of any Director.

The Nominating and Compensation Committee will report annually to the Board of Directors on the results of this evaluation. This will be discussed with the full Board of Directors at a meeting held prior to the Board of Directors meeting on the financial year results.

The assessment will focus on the contribution of the Board of Directors or the relevant committee to the Company and specifically focus on areas in which the Board or management

believes that the Board of Directors or the committee could improve. In addition, each member of the Board of Directors shall perform a self-evaluation of his or her individual performance to be personally reviewed with the Chairperson.

- ***Compensation of the Board of Directors***

Compensation of the Board of Directors shall be determined in accordance with the Company's Charter and Regulations on the Board of Directors of the Company to be approved by the General Shareholders' Meeting.

The amount, structure and terms of compensation of members of the Board of Directors shall be determined so as to motivate members of the Board of Directors to ensure a long-term and sustainable growth of quotes of Company shares and shareholders value and, at that, receive a just and adequate compensation for the time, efforts and results of their work.

The Board of Directors determines the exact amount of compensation of each member of the Board of Directors within the limits approved by the General Shareholders' Meeting.

The amount of compensation of each of the Board of Directors members is disclosed in accordance with applicable laws, rules and regulations.

VII. MANAGEMENT BOARD AND CEO

- ***General Director (CEO)***

The main standards regulating the activities of the General Director are laid out in the Charter and the Regulations on the General Director of the Company.

Additionally, requirements on the activities of the General Director and the Management Board are stipulated in the Ethics Code of OJSC Rostelecom and the Insider Trading Policy of OJSC Rostelecom and are approved by the Board of Directors pursuant to applicable laws, rules and regulations.

In order to maintain the succession of the Company's General Director, the General Director must be ready to evaluate prospective successors, report to the Nominating and Compensation Committee, and give recommendations related to the further professional development of each candidate.

The General Director must also submit an annual report finalized with the Nominating and Compensation Committee to the Board of Directors; the report contains the General Director's plans related to possible candidates to management and key positions in the Company.

- ***The Management Board and its Committees***

The main standards regulating the activities of the Management Board are laid out in the OSCJ Rostelecom Charter, the Regulations on the Management Board and other internal documents of the Company.

The Board of Directors shall be responsible to the Shareholders for selection of members of the Management Board.

Persons who are participants, general directors (CEOs), members of the governing body or employees of a legal entity viewed by the Company as a competitor of OJSC Rostelecom cannot be members of the Company's Management Board.

Persons who (i) have been administratively punished for legal violations related to business, finance, taxes, and securities market, or (ii) have been convicted of crimes (except for crimes not provided for by the Russian criminal legislation in force) cannot be elected to the Management Board.

Each of the members of the Management Board must abstain from activities that will lead to or could lead to a conflict of interest involving members and the Company itself; in case such conflict of interest occurs, the member must report to the Nominating and Compensation Committee and/or the Company's Board of Directors.

The Management Board may create committees including Budget and Investment Committee, Tariff Committee, Disclosure Committee, Compensation Committee and others.

Each committee shall operate in accordance with its individual Regulations to be approved by the Management Board in accordance with all applicable laws, rules and regulations.

When concluding agreements with the CEO and the members of the Management Board, the Company shall sign a corresponding confidentiality agreement.

- ***Responsibility of the Management Board***

The Company's Management Board is aware of its responsibility to the shareholders and the Board of Directors to the Company and views its primary goal to be fair and competent fulfillment of its obligations on the management of OJSC Rostelecom to guarantee successful development of the Company.

The Management Board shall be responsible for timely submission of necessary data to and for regular informing of the Board of Directors of the Company about the Company's activities, which includes but is not limited to:

- submitting for approval by the Board of Directors transactions with a value equal to, or in excess of, 10 percent of the total value of the Company's assets (except when the Company customarily engages in such transactions in the ordinary course of business);
- submitting for approval by the Board of Directors transactions that, during the process of approving revisions of the annual budget, fall outside the approved annual budget; this information must be submitted within a year if the company's annual budget is reviewed upwards.

The Management Board complies with the procedures for regularly providing the members of the Board of Directors with timely information related to significant aspects of the Company's activities, forecasted development of the telecommunication industry, and changes in corporate governance standards, and is liable for failure to provide the specified information pursuant to Russian law.

- ***Compensation of the Management Board***

When exercising their rights and performing their duties, members of the Management Board shall act in good faith and for the benefit of the Company and its Shareholders and with due regard to the interests of the Company and its Stakeholders.

The compensation of members of the Management Board shall be determined in accordance with the Company's Charter and Regulations on the Management Board of the Company approved by the General Shareholders' Meeting. The Board of Directors determines the exact amount of compensation for each member of the Management Board on the basis of the total sum approved by the Company's Board to be paid out as compensation to members of the Management Board.

VIII. COMPANY LOANS AND CORPORATE OPPORTUNITIES

The Company will not make any personal loans or extensions of credit to directors or executive officers, other than consumer loans or credit card services on terms offered to the general public.

Directors and executive officers shall make business opportunities related to the Company's business available to the Company before pursuing the opportunity for the his/her own or another's account.

IX. CORPORATE SECRETARY FUNCTIONS

The Company is aware that confidence in the Company rests on the existing mechanisms of exercising rights and observing interests of the Company's Shareholders.

Responsibility for maintaining the effectiveness of this mechanism is placed on the Corporate Secretary. Requirements for candidacy to the position of Corporate Secretary and the position's functions are laid out in the Regulations on the Corporate Secretary of the Company. Until the position of the Corporate Secretary is introduced, his/her functions are to be performed by the Secretary of the Board of Directors and the Securities Department.

The Secretary of the Board of Directors is responsible for serving of the meeting of the Board of Directors and Management Board and their Committees.

The Securities Department cooperates with the Secretary of the Board of Directors and has responsibility for the following duties:

- compliance with the procedure for convening the General Shareholders' Meetings;
- preparation of answers to Shareholders' inquiries in compliance with applicable laws, rules and regulations;
- maintenance of a transparent and effective procedure for paying out dividends in compliance with applicable laws, rules and regulations;
- coordination with an independent Registrar and Depositary bank in order to protect and register ownership rights for shares and ADRs;
- monitoring of compliance with this Code with applicable laws, rules and regulations;
- disclosure and filing of information about the Company in compliance with the requirements of with applicable laws, rules and regulations.

X. INTERNAL CONTROL AND AUDIT SYSTEM

• *Audit Commission*

The Audit Commission shall monitor financial and economic activities of the Company, including those of its branches and representative offices, in accordance with the Regulations on the Audit Commission of the Company to be approved by the General Shareholders' Meeting.

In the course of its activities, the Audit Commission shall cooperate with the Audit Committee and Internal Control Department.

- ***Independent Auditor***

To ensure maximum objectiveness and accuracy of its financial and accounting statements, the Company shall retain an independent and qualified auditor to audit and verify its annual financial and accounting statements on an annual basis.

The procedure for appointing, compensating, retaining and replacing an auditor shall be determined solely by the Audit Committee. The Audit Committee shall also pre-approve the engagement terms and any audit and non-audit services performed by such auditor for the Company. Upon recommendation from the Audit Committee, the OJSC Rostelecom Board of Directors submits a candidate for independent auditor for approval by the General Shareholders' Meeting.

The Audit Committee will have direct responsibility for monitoring the performance of such auditor, as well as overseeing the financial statements prepared by the Management Board, with the goal of assuring that they fairly present the Company's financial condition, results of operations, cash flows and related risks in a clear and understandable manner making appropriate recommendations to the Board of Directors based on the results achieved.

The auditor of the Company shall attend the General Shareholders' Meeting and provide Shareholders with explanations on the questions they may have in respect of the auditor opinions submitted to the General Shareholders' Meeting.

- ***Audit Committee of the Board of Directors***

The Audit Committee shall operate in accordance with the Regulations on the Audit Committee approved by the Board of Directors and in compliance with all applicable laws, rules and regulations.

The Audit Committee of the Board of Directors has been created to assist the Board of Directors of the Company in discharging its duty to monitor compliance with applicable procedures of drawing up of financial and accounting statements of the Company, their accuracy and conformity with applicable standards for financial and accounting statements and any applicable laws, rules and regulations.

Primary tasks of the Audit Committee of the Board of Directors are:

- prepare recommendations for the Board of Directors on a candidate for independent auditor and the cost of its services;
- conduct an annual evaluation of the independent auditor's performance, and consider the independent auditor's the conclusion on the results of the audit of financial and economic activities of the Company prior to submitting the evaluation to the General Shareholders' Meeting;
- evaluate the effectiveness of internal control procedures operative in the Company and make suggestions for their improvement.

The Audit Committee shall consist of at least three members, each of which shall be Independent Directors. Also, one member of the Audit Committee can be a Shareholder, or representative of a Shareholder or group owning more than 50 percent of the voting securities, if the "no compensation" prong of the independence requirements is satisfied, the member in question has only observer status on, and is not a voting member or the chair of, the Audit Committee, and he/she is a Non-executive Director.

A member of the Audit Committee signs an agreement on non-disclosure of confidential information that the Company provides to a member of the Audit Committee to perform his/her duties.

At least one member of the Committee must have the qualification of “financial expert.” This qualification is confirmed by the Company’s Board proceeding from requirement set by applicable laws, rules and regulations. .

Members of the Audit Committee are elected by the Board of Directors from among the members of the Board. Acknowledging the demanding role and responsibilities and the time commitment attendant to membership on the Audit Committee, members of the Audit Committee are encouraged by the Board of Directors to limit the number of committees on which they serve.

The Board of Directors shall determine whether such simultaneous service would not impair the ability of such member to effectively serve on the Company’s Audit Committee.

In addition to being an Independent Director, each member of the Audit Committee must not, except in his or her capacity as a member of the Audit Committee, the Board of Directors or any other committee of the Board of Directors:

- accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company; or
- be an affiliated person of the Company or its subsidiaries, in each case as such requirements are defined under applicable U.S. securities laws.

Each member of the Audit Committee must be financially literate, as determined by the Board of Directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee, in accordance with all applicable laws, rules and regulations.

- ***Internal Control Department***

Basic requirements for the activities of the Internal Control Department are laid out in the OJSC Rostelecom Charter and the Regulations on the Internal Control Department approved by the Company’s Board.

The Internal Control Department shall provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with RAS/IAS/GAAP and includes those policies and procedures that:

- pertain to the maintenance of record that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with RAS/IAS/GAAP;
- provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of members of the Management Board and the Board of Directors;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company assets that could have a material affect on the financial statements.

The Internal Control Department also shall be responsible for (a) disclosing significant violations and internal problems arising in the course of operation of structure subdivisions of the Company, (b) assessing and analyzing the reasons responsible for the occurrence thereof and (c) developing mechanisms to prevent and minimize such violations.

In accordance with the Regulations on the Internal Control Department, the Internal Control Department has the right to cooperate with the Audit Committee of the Board of Directors, the

Independent Auditor, the Audit Commission and the Company's governing bodies and departments on all the above-specified matters.

XI. MAJOR CORPORATE ACTIVITIES

The Company makes transactions that are recognized by applicable laws, rules and regulations as major transactions in accordance to the procedure set by OJSC Rostelecom.

The procedure provides for the required approval of a major transaction prior to its execution by the Company's appropriate governing bodies and for the possible engagement of an independent appraiser to appraise the market value of the property that is the subject of the given transaction.

Upon acquiring major blocks of shares (acquisition), the Company shall not take any actions to protect the interests of the OJSC Rostelecom governing bodies or members of the OJSC Rostelecom Board of Directors, or any actions that could lead to deterioration of the shareholders' position in comparison to their present position. In case of acquisition of the Company, OJSC Rostelecom shall consider the possibility of engaging an independent appraiser to appraise the current market value of shares and change their market value as a result of the Company acquisition.

The Company shall hire an independent appraiser to define the ratio of shares conversion in case of reorganization of OJSC Rostelecom.

XII. INFORMATION AND FINANCIAL TRANSPARENCY

- ***Information Disclosure Policy of the Company***

Disclosure of information is an important element of the corporate governance of the Company, enabling Shareholders, investors and Stakeholders to receive an objective impression of the Company's activities, plans and development strategy.

The Company is obligated to meet all requirements set by current legislation, rules and regulations on information disclosure to issuers with an A level listing on Russian stock exchanges and listing on the NYSE, and takes on additional responsibilities for information disclosure.

The standing Disclosure Committee of the Management Board shall oversee the building and implementation of a uniform information policy corresponding to the strategy of the Company's development and requirements of all applicable laws, rules and regulations.

The rules and principles of disclosure, list of information subject to disclosure by the Company in accordance with all applicable laws, rules and regulations, information deemed by the Company necessary for disclosure in addition to that envisaged by all applicable laws, rules and regulations, and methods of disclosure shall be set forth in the Information Disclosure Policy and Information Procedures of the Company. These Regulations shall be approved by the Board of Directors of the Company.

The Company discloses information about transactions between OJSC Rostelecom and persons who are members of the Company's governing bodies and transactions between the Company and organizations where OJSC Rostelecom senior officials directly or indirectly own 20 percent or more of the authorized capital or can significantly influence such organizations.

According to the information specified in the OJSC Rostelecom Information Procedures the Company discloses information on transactions that can affect the market value of OJSC Rostelecom securities.

- ***Information Constituting Commercial and Official Secrets***

The Company shall maintain a reasonable balance between transparency of the Company's affairs and protection of the Company's commercial interests.

The Company's Board of Directors defines the content and amount of information constituting a trade secret and the procedure for its protection.

The duty of keeping confidential information safe shall rest with the Company's employees and members of the Board of Directors.

- ***Insider Information***

The Company shall seek to limit the risk of conflict of interests and misuse of insider information. For additional information, please see the Company's Insider Trading Policy and Code of Ethics.

XIII. CODE OF ETHICS OF THE COMPANY

The ethical principals adopted by the Company shall correspond to the highest standards of Russian and Western business practices and are set forth in the Code of Ethics of the Company.

The Code of Ethics shall contain the principal ethical norms of behavior, which the Company's managers shall follow upon the conflict of interests and use of insider information. The Code shall also contain ethical standards of corporate governance, principles of good-faith competition and conclusion of transactions, use of confidential information and other matters.

The Code of Ethics of the Company shall be approved by the Board of Directors of the Company. Amendments to the Code of Ethics made by the Board of Directors are disclosed by the Company pursuant to applicable legislation, rules and requirements.

XIV. DISCLOSURE OF CORPORATE GOVERNANCE

This Code, and the Code of Ethics and the Regulations on the Audit Committee, the Nominating and Compensation Committee and other internal documents can be obtained on the Company's website at www.rt.ru/en.

XV. CONCLUSION

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

In according with the applicable law, rules and regulations the Board of Directors will review this Code on an annual basis and may modify, rescind or suspend it by a majority vote, including a majority of the Independent Directors.