

APPROVED

by the Decision of the Board of Directors

OJSC North-West Telecom

Minutes No. 19-01/10 (09) of 23rd April 2009

PROVISIONS  
ON THE CORPORATE GOVERNANCE COMMITTEE  
OF THE BOARD OF DIRECTORS  
of the Open Joint-Stock Company  
North-West Telecom  
(version 03-09)

## **1. General**

1.1. These Provisions on the Corporate Governance Committee of the OJSC North-West Telecom (hereinafter referred to as the Provisions) are the basic document regulating the activities of the Corporate Governance Committee of the Board of Directors of the OJSC North-West Telecom (hereinafter referred to as “the Committee”) and setting forth the issues of its terms of reference, the procedure of creating the Committee, the procedure of convening and holding the Committee sessions, rights and obligations of the Committee members and the procedure of ensuring the Committee operation.

1.2. The Committee is an auxiliary body of the Board of Directors of the Open Joint-Stock Company North-West Telecom (hereinafter referred to as the Company). The Committee is not a body of the Company; the Company does not assume any civil rights or obligations through the Committee.

1.3. In its work, the Committee shall be guided by the active laws of the Russian Federation, the Articles of Association, the Provisions on the Company's Board of Directors, by these Provisions and other bylaws of the Company approved by the General meeting of the shareholders and the Company's Board of Directors.

## **2. Purpose of Creating and Terms of Reference of the Committee**

2.1. The purpose of creating the Committee is to improve the corporate governance as well as efficiency and quality of the work of the Company's Board of Directors through preliminary consideration of certain issues in the terms of reference of the Company's Board of Directors and preparation of recommendations to Board of Directors of the Company.

2.2. The Committee's terms of reference include the following issues:

2.2.1. recommendations to the Board of Directors on the matters decided in respect of the Corporate Secretary of the Company:

- a) appointing and dismissing the Corporate Secretary of the Company;
- b) approving the Provisions on the Corporate Secretary and the staff of the Corporate Secretary, introducing amendments and additions thereto;
- c) approving the conditions of contracts (additional agreements) with Corporate Secretary of the Company;

d) payment of awards to the Corporate Secretary in compliance with the terms of the contract with the Corporate Secretary;

2.2.2. recommendations to the Board of Directors of pre-agreeing upon combining positions in management bodies of other organizations by the General Manager of the Company and members of the Company's Management Board;

2.2.3. recommendations to the Board of Directors regarding the issue of permitting the General Manager to combine jobs in paid positions for other organizations;

2.2.4. recommendations to the Board of Directors related to convoking, preparing and holding annual and extraordinary general meetings of the shareholders taking into account the use of the Company's best practice of corporate governance;

2.2.5. recommendations to the Board of Directors on approving (amending) the bylaw(s) setting forth the rules and approaches towards disclosure of information about the Company, procedure of using information on the Company's activities, on securities of the Company and on transactions with them, which is not accessible to the general public;

2.2.6. recommendations to the Board of Directors where the Board of Directors raises at the General Meeting of the Shareholders the issue of approving (amending) the Articles of Association and bylaws of the Company;

2.2.7. recommendations to the Board of Directors on approving these Provisions and introducing amendments and additions thereto;

2.2.7.1. proposals to the committees of the Board of Directors regarding introducing amendments to the Provisions on the committees of the Board of Directors;

2.2.8. recommendations to the Board of Directors on approving the Corporate Governance Code and introducing amendments and additions thereto;

2.2.9. participation in the settlement of corporate conflicts arising in the process of resolution of issues by the Board of Directors within its terms of reference;

2.2.10. supervision over compliance with the ethical standards adopted at the Company, reflecting the social responsibility of the Company;

2.2.11. annual evaluation of the Company's compliance with the Corporate Governance Code recommended by the Federal Commission for the Securities Market of Russia, recommendations to the Board of Directors on the reflection of such evaluation in the Company's Annual Report;

2.2.12. recommendations for insuring the liability of members of the Company's Board of Directors, members of the Company's Management Board and the Company's General Manager as well as of the persons who occupy or will occupy these positions in the Company's management bodies;

2.2.13. recommendations to the Board of Directors regarding the approval of the Company's registrar.

2.3. Upon decision of the Board of Directors of the Company, other issues may be proposed for consideration by the Committee, too.

### **3. Creation of the Committee**

3.1. The creation of the Committee, election as well as early termination of the Committee's members and Chairperson shall be effected by the decision of the Company's Board of Directors.

3.2. The Committee shall consist of at least three members.

3.3. Both the members of the Company's Board of Directors and persons who are not members of the Company's Board of Directors may act as members of the Committee.

3.4. A Chairperson of the Committee shall be elected by the Company's Board of Directors for the management of the Committee's activities. The main task of the Chairperson of the Committee is to ensure objectivity in the development of recommendations to the Board of Directors by the Committee.

3.5. A member of the Company's Board of Directors who is not a Company employee shall be elected a Chairperson of the Committee.

The Chairperson of the Company's Board of Directors cannot act as the Chairperson of the Committee. The Chairperson of the Committee cannot be elected the Chairperson of another Committee of the Company's Board of Directors.

3.6. Upon resolution of the Board of Directors a Deputy Chairperson may be elected. In case the Chairperson of the Committee is absent, all his functions provided for by these Provisions shall be performed by his Deputy; and if the latter is absent, by one of the members of the Committee elected by the majority of votes of its members attending the session.

3.7. Any member of the Committee (including the Chairperson) cannot be elected to more than two Committees of the Company's Board of Directors.

3.8. The decision on creating the Committee, and on electing its members and the Chairperson of the Committee shall be taken by the Company's Board of Directors after the Board of Directors is re-elected.

From the time the Board of Directors is re-elected until the decision is made on the creation and formation of committees of the newly elected Board of Directors, the Committee shall continue to operate, if all members of the Committee meet the requirements of these Provisions to the members of the new Committee.

Otherwise the Committee shall act until a new Board of Directors of the Company is elected.

The Company's Board of Directors may change the composition of the Committee at any time.

3.9. By the Committee's decision adopted by a majority of votes of the Committee's members participating in the session, the functions of the Committee's Secretary shall be performed

by the Company's Corporate Secretary or any officer of the Corporate Secretary's staff and of the Company, based on the proposal of the Corporate Secretary or the Committee's Chairperson.

3.10. The main functions of the Committee's Secretary shall be as follows:

- 3.10.1. deciding organizational issues in respect of holding the sessions of the Committee in compliance with the requirements of the legislation and the Company's bylaws;
- 3.10.2. notifying the Committee's members and invited persons of the convocation of the Committee's sessions;
- 3.10.3. organizing the preparation of, and sending materials on the agenda of the Committee's sessions to the Committee's members;
- 3.10.4. keeping the minutes at the Committee sessions;
- 3.10.5. collecting written opinions of the Committee members;
- 3.10.6. submitting the Committee's recommendation on the agenda of the Board of Directors sessions to the Corporate Secretary.

#### **4. Sessions of the Committee**

4.1. Sessions of the Committee can be held in the form of joint attendance (including the use of conference telecommunication facilities) or absentee voting.

The quorum for a session of the Committee shall be over half of elected members of the Committee.

4.2. Sessions of the Committee shall be held regularly in accordance with the work plan. If necessary, the Committee shall consider the matters not included into the work plan.

The Committee's work plan shall be approved by the Committee based on the Board of Directors' Work Plan, taking into consideration that the Committee has to prepare recommendations within its terms of reference for the Board of Directors.

4.3. A session of the Committee shall be convoked by the Chairperson of the Committee upon his/her own initiative, upon request of a member of the Committee, upon request of bodies and persons entitled to request holding a session of the Board of Directors as well as upon instructions of the Company's Board of Directors.

The agenda of the session being convoked shall be determined by the Committee's Chairperson, taking into consideration the Committee's Work Plan, Board of Directors' assignments and the requests received.

4.4. A request on convening the session of the Committee shall contain the following information:

4.4.1. name of the initiator of convening or name of the body or legal entity making the request, and should a request on the convocation be made by a shareholder, the number and category (type) of the shares belonging to him;

4.4.2. form of holding the session (joint attendance or absentee voting);

4.4.3. date of holding the session in the form of joint attendance or, in case of holding the session in the form of absentee voting, final date for members of the Committee to vote on agenda items;

4.4.4. agenda of the session;

4.4.5. list of information (materials) provided to members of the Committee for the session.

Besides, the request on convening the session of the Committee may contain the following information:

4.4.6. time and place of holding the session (in case of holding the session in the form of joint attendance);

4.4.7. draft resolutions on agenda items;

4.4.8. other information at the discretion of the initiator of convening the session.

4.5. Notification of convening the session of the Committee shall be sent to each member of the Committee together with the necessary materials at least 7 working days before holding the session (and in case the session is held in the form of absentee voting – before the voting final date). Such a period may be reduced, if it is necessary to urgently solve any issues, provided neither

member of the Committee objects. The objection shall be the opinion of a member of the Committee received by the Company in writing in one of the ways provided by this clause for sending the notice of the session, not later than the specified time in case the notice of consideration of issues in a shortened time is sent to members of the Committee.

If the session of the Committee shall be held within a tighter time schedule upon the instructions of the Board of Directors, the time period for sending a notification together with the necessary materials shall be shortened.

A notification of holding the session shall be sent to the members of the Committee in writing or by any other method convenient for them (including mail, telegraph, teletype, telephone, electronic or other telecommunication).

A notification of holding the session shall contain the information indicated under sub-clauses 4.4.2.-4.4.5 of the present Provisions, time and place of holding the session (in case of holding the session in the form of joint attendance) as well as an indication to the address, to which the members of the Committee can send their written opinion, and may also contain the information indicated under sub-clauses 4.4.7, 4.4.8 of the present Provisions.

On the initiative of the bodies and persons entitled to request the convening of a session of the Committee, additional items may be included by the Chairperson of the Board of Directors in the agenda of the convened session, provided that no member of the Committee objects. The proposal to include an additional item in the agenda of the convened session shall be submitted in writing and contain a formulation of such item as well as the information under clauses 4.4.1, 4.4.5 hereof.

The objection against the inclusion of an additional item in the agenda of the convened session shall be the opinion of a member of the Committee received by the Company in writing in one of the ways provided by this clause for sending the notice of the session, not later than the specified time in case the notice of inclusion of the additional item in the agenda is sent to members of the Committee.

If additional issues are included in the agenda of the convened session on the instructions of the Board of Directors providing a shorter period of consideration of the issue by the Committee, no objections of the Committee's members shall be accepted.

The bodies and persons on the request of which the session is convened (the issue is included in the agenda of the session) shall have the right to revoke in writing their proposal and the Board of Directors may revoke its assignment at any time before the votes on the proposed issues are counted.

If circumstances arise that make it impossible or difficult to hold a session of the Committee in the place and (or) in the time, of which the members of the Committee have been notified, the session with the planned agenda may be held in a different place and (or) in a different time.

All members of Committee shall be notified on changes in the place and (or) time of the session of the Committee, taking into account the time that is normally required for the members of the Committee to arrive at the session. A notification of the said changes shall be sent to the members of the Committee in any form guaranteeing that a member of the Committee will receive the notification at his place of business or at the address to which he receives his mail.

All members of the Committee shall be notified on changes in the agenda according to the procedure for notification of the session.

4.6. When decisions are taken by the Committee at the session held in the form of joint attendance, the members of the Committee attending the session shall express their opinion on the agenda items by voting. If a member of the Committee cannot attend in person the session held in the form of joint attendance, as well as in case of holding the session in the form of absentee voting, the member of the Committee shall have the right to express his opinion on the agenda items in writing.

4.7. The written opinion of a member of the Committee may be expressed in one of the following ways:

4.7.1. submission of a written statement on the agenda items.

The written statement must contain the vote of the member of the Committee on each agenda vote he is entitled to vote on, expressed using the formulations "for", "against" or "abstained". In case of voting "for", the draft decision for which the member of the Committee votes must be formulated (draft decision proposed at the time of notification of the session, or the draft decision modified by the member of the Committee at his discretion).

The written statement of a member of the Committee may contain:

- remarks on the submitted materials (information) requiring specific corrections in the submitted materials (information);
- comments (interpretations) for the submitted materials (information), descriptive or critical remarks not requiring corrections in the submitted materials (information) on which the decision is to be made;
- requests to the Company or to the initiators of consideration of a specific agenda item for additional reference information pertaining to the issue, but not mandatory for decision-making, the provision of which does not affect his vote;

4.7.2. written questioning of the member of the Committee on draft decisions on the agenda items proposed at the time of notification of the session. Such questioning shall be carried out only in the absence of written statements of members of the Committee for the session held in the form of absentee voting.

4.7.3. written questioning of the member of the Committee for the session held in the form of absentee voting, on draft decisions on the agenda items formulated in the written statements submitted by members of the Committee. If no written statement contains the vote (proposal to vote) “for” in respect of any agenda item, the questioning for such item shall be carried out on the draft decision proposed at the time of notification of the session.

4.7.4. written questioning of the member of the Committee intending to be absent from the session held in the form of joint attendance, on draft decisions on the agenda items proposed at the time of notification of the session.

4.7.5. written questioning of the member of the Committee absent from the session held in the form of joint attendance, on draft decisions on the agenda items developed by the members of the Committee attending the session.

The written questioning of members of the Committee shall be carried out by their completion of the questionnaires prepared by the Committee’s Secretary.

4.8. In case the session is held in the form of absentee voting, the questionnaires shall be prepared and sent to the members of the Committee on the last business day before the end date of the members of the Committee voting. Accepted for questioning on written statements shall be the written statements of the Committee’s members received before the date the questionnaires were sent.

If one written statement is received in the time specified in paragraph 1 of this clause, the questionnaires shall be prepared for each member of the Committee, except the one who submitted the written statement. Such questionnaires shall include draft decisions on the agenda items contained in the written statement received as well as the draft decisions proposed at the time of notification of the session, on those agenda items for which the written statement contains the vote “against” or “abstained”.

If two or more written statements are received in the time specified in paragraph 1 of this clause, the questionnaires shall be prepared for all members of the Committee, including those who submitted the written statements. Such questionnaires shall include draft decisions on the agenda items contained in each of the written statement received as well as the draft decisions proposed at the time of notification of the session, on those agenda items for which any of the written statement contains the vote “against” or “abstained”.

4.9. In case the session is held in the form of joint attendance, the member of the Committee intending to be absent from the session and express his opinion in writing shall have the right to submit a written statement on the agenda item or request that the Committee’s Secretary prepare for him a questionnaire with draft decisions on the agenda items proposed at the time of notification of the session. The questionnaire shall be prepared and sent to the member of the Committee not later than 1 working day following the receipt of the request. If in accordance with paragraph 3, clause 4.11 hereof the member of the Committee, who is absent from the session and has submitted his written opinion before the session, must be questioned on the draft decisions on the agenda items developed by the Committee’s members present at the session; the questionnaire shall be prepared and sent to the Committee’s member without delay, as soon as the draft decisions are developed.

4.10. If the session is held in the form of absentee voting, the quorum and the vote results shall be determined, depending on the number of written statements submitted, subject to the following written opinions of the Committee's members:

4.10.1. In case one written statement is received in the time specified in paragraph 1, clause 4.8 of this Article, account shall be taken of:

- written statement;
- duly completed questionnaires received not later than the vote completion date, in which not more than one vote option ("for", "against", "abstained") is left for each option of draft decision on the agenda items.

4.10.2. In case two or more written statements are received in the time specified in paragraph 1, clause 4.8 of this Article, account shall be taken of the duly completed questionnaires received not later than the vote completion date, in which not more than one vote option ("for", "against", "abstained") is left for each option of draft decision on the agenda items. The option "for" may be left only for one option of draft decision on the agenda item. The Committee's member who has earlier submitted his written statement shall have the right to confirm his position or change it by voting otherwise.

The Committee's member's questionnaire shall be deemed duly completed, if it is signed by the Committee's member and does not contain any notes or entries other than as provided by the questionnaire form.

4.11. If the session is held in the form of joint attendance, the quorum and the vote results shall be determined, subject to the written opinions of absent members of the Committee, submitted not later than the session commencement.

At the session held in the form of joint attendance the Committee's Chairperson shall read out the written opinion of the Committee's member absent from the session, before starting the voting on the agenda item on which this opinion was submitted. Each member of the Committee present at the session shall vote on the draft decisions on which the absent member of the Committee has voted.

If the Committee's members present at the session develop such draft decisions on the agenda items which are different from those specified in the written opinion of the absent member of the Committee, such member of the Committee must be questioned on each draft decision put to the vote. For this purpose, the questionnaire shall include draft decisions on the agenda items contained in his written opinion received earlier as well as the draft decisions developed by those present at the session. The vote results shall be determined, taking into consideration the questionnaires of the absent members of the Committee, which were duly completed and received not later than the end of the session day. Otherwise, the absent member of the Committee shall be deemed to have not participated in the vote on the draft decision developed by the members present at the session. In his questionnaire, the absent member of the Committee must leave not more than one vote option ("for", "against", "abstained") for each option of draft decisions on the agenda items. The option "for" may be left only for one option of draft decision on the agenda item. The absent member of the Committee may confirm his position or change it by voting otherwise.

The Committee's member's questionnaire shall be deemed duly completed, if it is signed by the Committee's member and does not contain any notes or entries other than as provided by the questionnaire form.

4.12. All decisions of the Committee shall be taken by the majority of votes of the members of the Committee taking part in the session. Each member of the Committee shall have one vote. Transfer of the voting right by a member of the Committee to another person, including another member of the Committee, shall not be allowed.

4.13. A session of the Committee shall be conducted by the Committee Chairperson.

Minutes of a session of the Committee shall be kept. The minutes of the session shall be kept by the Committee's Secretary.

The minutes of the Committee's session shall be prepared not later than 3 days after the session is held in the form of joint attendance (after the voting of the Committee's members is finished, in the case of absentee voting), or at a later date when copies of the minutes (extract from the minutes) must be submitted to the Board of Directors in accordance with clause 4.14 hereof.

The following information shall be given in the minutes of the session:

- its venue and date of holding in the form of joint attendance, or, in case of absentee voting, the place of drawing-up the minutes and final date for voting by members of the Committee;
- persons attending the session (in case of holding it in the form of joint attendance); - members of the Committee and invited persons;
- Committee members who have presented written opinions;
- agenda of the session;
- draft resolutions on the items of the agenda put to the vote and voting results on them;
- resolutions taken;
- special opinions expressed by members of the Committee (if requested so by a member of the Committee).

In case a session of the Committee is held using conference communication facilities, the venue of the session shall be deemed to be the Company's location.

The minutes of the Committee's session shall be signed by the Chairperson of the session and the Committee's Secretary.

4.14. Copies of minutes (extracts from minutes) of the Committee's sessions at which decisions on recommendations to the Board of Directors are made, shall be sent to the members of the Board of Directors as part of materials for the session of the Board of Directors the agenda of which contains the issue for which the Committee's recommendation is required.

Copies of minutes (extracts from minutes) of the Committee's sessions at which proposals to the Company's Management Board are developed shall be sent to the Chairperson of the Company's Management Board.

4.15. The minutes of the Committee's session shall be stored by the Corporate Secretary, who must ensure access to the Committee's minutes and to the materials considered at a session of the Committee for the members of the Board of Directors and of the Committee.

4.16. Persons other than the Committee's members may be invited to the Committee's sessions with the consent of the Committee's Chairperson.

## **5. Joint sessions of the committees**

5.1. To decide on matters relating to the terms of reference of two or more committees of the Board of Directors with the purpose of developing a joint recommendation for the Board of Directors, joint sessions of persons being members of such committees may be held (hereinafter the joint session of committees).

5.2. Joint sessions of the committees shall be convoked by Corporate Secretary upon request of bodies and persons entitled to request holding a session of the Committee.

5.3. The quorum for a joint session of the committees shall be over half of elected members of the committees. If a member of a committee is also a member of another committee, then for the purpose of determining the quorum for a joint session of the committees he shall be counted only once.

When resolving matters at a joint session of the committees, any member of each committee shall have one vote. If a member of a committee is also a member of another committee, he shall have only one vote at the joint session of the committees.

All decisions at a joint session of the committees shall be taken by the majority of votes of the members of the committees taking part in the session. Transfer of the voting right by a member of a committee to another person, including another member of the committee, shall not be allowed.

5.4. The functions of the chairperson of the joint session of committees on a resolution to be passed by the majority of votes of committees' members participating in the session shall be performed by one of the committees' chairpersons.

5.5. The functions of the secretary of the joint session of committees on a resolution to be passed by the majority of votes of committees' members participating in the session shall be performed by the Corporate Secretary of the Company or by any officer of the Corporate Secretary's staff as proposed by the Corporate Secretary.

5.6. All other issues relating to the convocation and holding of the joint session of committees shall be resolved as provided by Article 4 hereof.

## **6. Rights and Obligations of the Committee Members**

6.1. Members of the Committee are entitled to:

6.1.1. submit written requests to the Company for the provision of the Company's information (documents), including information available to the public as well as other information classified by the Company as insider information, relating to the Committee's terms of reference and obtain such information as provided by the Company's bylaws;

6.1.2. request entering into the minutes of a session of the Committee his individual opinion on issues of the agenda and the decisions taken;

6.1.3. exercise other rights provided for by the present Provisions.

6.2. Members of the Committee must:

6.2.1. participate in taking decisions of the Committee by voting on the agenda issues of its sessions;

6.2.2. not disclose the confidential information on the Company's activity that has become known to him in performance of the Committee's member's functions, which information is not available to the public and may be accessed subject to the limitations established by Russian legislation and the Company's bylaws;

6.2.3. avoid any actions that might compromise the Committee or question the professionalism of its members;

6.2.4. act reasonably, in good faith and in the interests of the Company when performing his functions;

6.2.5. fulfil other obligations provided for by the present Provisions.

## **7. Arrangement of the Committee's activity**

7.1. The Company shall bear expenses relating to the Committee's activity, including compensation to the Committee's members for all documented expenses associated with the performance of their functions; in consideration of their performance of functions of the Committee's members the Company shall provide a payment as follows:

- to a Committee member who is not a member of the Board of Directors, quarterly remuneration in the amount of 126,000 roubles (considering 42,000 roubles per month)

- to the Committee members (Chairperson of the Committee) who are members of the Board of Directors – an extra pay to the quarterly remuneration for their discharge of duties of members of the Company's Board of Directors in compliance with the Provisions on the Company's Board of Directors.

If members of the Committee changed during the quarter, the remuneration shall be calculated and paid in proportion to the time during which the Committee member performed his functions.

7.2. Outside experts (specialists, organizations) may be engaged in the Committee's activity. The decision on the engagement of an outside expert shall be made at the Committee's session, based on the proposal of any member of the Committee.

Outside experts shall be engaged in return for a compensation on the basis of relevant contracts with the Company, provided that the Company has planned relevant expenses according to clause 7.4 hereof.

7.3. Special training may be provided for the Committee's members on issues relating to the Committee's terms of reference, provided that the Company has planned relevant expenses according to clause 7.4 hereof.

The decision on the necessity of such training shall be made at the Committee's session, based on the proposal of any member of the Committee.

7.4. The Company shall plan expenses on the services of outside experts engaged in the Committee's activities as well as on the training of the Committee's members. For these purposes,

the Committee shall submit to the Board of Directors its proposals on the planning of such expenses in the Company's budget within 2 months after the new members of the Committee are elected.

## **8. Final**

8.1. These Provisions shall be approved by the Company's Board of Directors.

8.2. All and any amendments or additions to these Provisions shall be introduced by the Company's Board of Directors.

8.3. If, as a result of changes in the legislation of the Russian Federation, in the Articles of Association, the Provisions on the Board of Directors and other bylaws of the Company, some articles of these Provisions contradict them, the Provisions shall be applied to the extent they do not contradict the active law, the Articles of Association, the Provisions on the Board of Directors and other bylaws of the Company.