

 АКЦИОНЕРНАЯ ФИНАНСОВАЯ КОМПАНИЯ СИСТЕМА	REGULATION Employee Whistleblowing Programme SISTEMA'S HOTLINE	for public access
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APPROVED

Order dd _____ 2014 No.

POLICY
Employee Whistleblowing Programme
SISTEMA's
HOTLINE

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1. PURPOSE OF THE DOCUMENT

- 1.1. This whistleblowing programme SISTEMA'S HOTLINE (hereinafter referred to as "the Programme") has been updated and approved at the request of the management of Sistema JSFC (hereinafter referred to as "the Corporation") in order to improve the efficiency of measures designed for:
 - 1.1.1 obtaining information about potential instances of failure to observe/improper observance of (a) legal requirements; (b) rules prescribed by regulatory authorities; (c) internal regulations and/or job descriptions, in each case, by governance body members and/or employees of the Corporation and its subsidiaries and affiliates (hereinafter referred to as "S/As") (hereinafter "Whistleblowing Messages");
 - 1.1.2 identification, elimination and prevention of possible irregularities, violations or omissions in the work of the Corporation and S/As.
- 1.2. The HOTLINE is designed to receive Whistleblowing Messages from any persons including shareholders, counterparties, partners, governance body members, and employees of the Corporation and its S/As.

2. GOALS OF THE DOCUMENT

- 2.1. Countering potential instances of abuse during implementation of various projects and business activities, including the procurement of products, works, and services.
- 2.2. Prevention of potential corrupt practices or fraud.
- 2.3. Mitigation of financial, legal, reputational and other risks.
- 2.4. Identification and elimination of instances of unauthorised obtainment, disclosure and/or use of information constituting trade secrets, insider information, or other restricted information.
- 2.5. Collection of information about potential irregularities of business processes and response to such irregularities.
- 2.6. Improvement of internal control systems and other procedures/documents.
- 2.7. Initiation of internal investigations and use of disciplinary measures and other measures prescribed by law with respect to offenders.
- 2.8. Improvement of the quality of corporate governance in the Corporation and its S/As.

3. APPLICATION

- 3.1. Information on the Programme, its objectives and conditions must be available to a broad group of people who may possess information on actual and potential violations, irregularities, and omissions in the activities of the Corporation and/or its S/As and who must be granted the opportunity to report particular facts, circumstances, and potential risks to the Corporation's management.

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3.2. Whistleblowers may use both SISTEMA'S HOTLINE and the HOTLINES (whistleblowing programmes) of S/As for reporting potential irregularities in the activities of S/As.

4. GENERAL PROVISIONS

4.1. Key principles of the Programme

4.1.1. The Programme represents a system of measures and procedures enabling any person to send/leave Whistleblowing Messages to the Corporation and allowing the Corporation's management to initiate response measures.

4.1.2. When implementing the Programme, the Corporation adapts best corporate governance practices existing in Russia, Great Britain, and the USA to the governing law and the Corporation's long-term strategy. This enables the Corporation to improve the quality of corporate governance, internal control and risk management, which is of paramount importance to a company whose securities are traded on Russian and foreign capital markets and who has to keep up with high reporting and transparency standards.

4.1.3. The communication channels organised by the Corporation for transmitting and receiving Whistleblowing Messages ensure adequate anonymity of whistleblowers (if they wish to remain anonymous).

4.1.4. The Corporation's governance body members and employees have no right to impede the progress of the Programme or the dedicated communication channels or to try to determine the identity of the anonymous whistleblower, except when such identification is legally required.

4.2. Areas for application of the Programme and identification of potential violations, irregularities, and/or omissions:

4.2.1. Statutory and tax accounting and reporting, including financial and management reports.

4.2.2. Procurement and sale of goods, works and services.

4.2.3. Asset management and use of property.

4.2.4. Observance of regulatory requirements with regard to transactions involving securities.

4.2.5. Financial, credit and investment transactions, M&A deals, arrangement of financing, and logistic operations.

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- 4.2.6. Contractual relations, settlements with counterparties and third parties, and other processes that are crucial for the business and operating activities.
- 4.2.7. Compliance with legal requirements (including anti-corruption laws) of Russia, UK and other countries where the company conducts its business, trades securities or makes deals.
- 4.2.8. Compliance with the principles and requirements of the Anticorruption Policy, Ethics Code, and other internal regulations of the Corporation and its S/As.
- 4.2.9. Observance of trade secret non-disclosure requirements and insider information exchange principles, including those with respect to unauthorised disclosure, commenting, transmission, and use of information.

4.3. **Unacceptable use of the Programme:**

- 4.3.1. Dissemination of defaming, misleading, or discrediting information.
- 4.3.2. Personal vengeance, pursuit of personal purposes or gains, coercion of executives, addressing the Corporation's management with issues other than whistleblowing, etc.
- 4.3.3. Pursuit of other goals inconsistent with the above purpose and goals of the Programme.

The Corporation's employees in charge of the Programme reserve the right to leave out of account, after preliminary analysis, any Whistleblowing Messages that are not directly related to the purpose and goals of the Programme and to take legally permissible measures with respect to Whistleblowing Messages of clearly unfair, defamatory, or illegal nature.

5. **COMMUNICATION CHANNELS AND PROCEDURES FOR PROVIDING WHISTLEBLOWING MESSAGES**

The Corporation makes available the following communication channels for transmission of Whistleblowing Messages:

5.1. **With guaranteed anonymity:**

-  (anonymous) e-mail to: report@sistema.ru
-  (anonymous) HOTLINE phone number for voice messaging: +7 (495) 228-15-02
-  (anonymous) address for mailing and delivery by courier service: 13 Mokhovaya St., bldg.1, 125009 Moscow, Russia, TO: Head of Internal Control and Audit Department (IC&AD), to mark: "Private and Confidential: HOTLINE"

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☎ (anonymous) websites addresses for text messages: www.sistema.ru and www.sistema.com, tab "HOTLINE" on the home page.

5.2. Without guaranteed anonymity:

Whistleblowing messages can be sent via any of the above described channels, stating the sender's full name or other identification (at the whistleblower's sole discretion), or given to the Head of the Internal Control and Audit Department personally or on behalf of the whistleblower.

Whistleblowers may independently select any means of sending messages to Sistema's Hotline that is the most convenient to them (with or without guaranteed anonymity).

5.3. General principles of accepting and processing Whistleblowing messages.

- 5.3.1. All Whistleblowing messages from any communication channels shall be received, processed, analysed and reviewed in compliance with the Corporation's internal regulations by its authorised employees who must maintain strict confidentiality of such messages.
- 5.3.2. During an audit following a whistleblowing message the facts stated in this message shall be analysed and checked for their truthfulness, reasons of the irregularities shall be studied and measures shall be taken to prevent them in the future and to identify offenders and initiate reasonable penalties against them as provided by law.
- 5.3.3. Following an internal investigation an authorised employee of the Corporation may inform the whistleblower about the results of such investigation and about the measures taken (if the whistleblower requested such information and left his/her contact details).
- 5.3.4. Members of the governance bodies and employees of the Corporation shall be strictly prohibited from taking actions that would identify whistleblowers acting within the limits of law or disclose their identity and from trying to use sanctions or penalties against them in retaliation for their reports.

The head and employees of the Internal Control and Audit Department shall procure compliance with the requirements of and fulfillment of steps set out in cl. 5.3.1-5.3.4.

5.4. Information for whistleblowers

- 5.4.1. The aim of the Programme is to make the process as efficient as possible. It provides all reasonably possible procedures and recommendations for protecting the anonymity of the whistleblower.

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5.4.2. The real level of your anonymity primarily depends on your actions when sending whistleblowing messages and on your compliance with the following recommendations that should ensure your proper anonymity if desired:

- ***e-mail** - use any public e-mail box from a public e-mail server, an Internet cafe or any other place that does not require user registration and does not use algorithms for identifying your personality; do not sign your report;*
- ***voice message** - do not name yourself, your department, your manager or other details in your report that could help to identify you, whether directly or indirectly; do not call from your office, home, mobile or other phones that could allow you to be identified;*
- ***ordinary letter** - do not sign it with your name; do not indicate details that could help to identify you, whether directly or indirectly; do not send the letter via the office mail service, if this may help to identify the whistleblower, use public places and mail services for sending the correspondence.*

6. **FORMAT OF WHISTLEBLOWING MESSAGES**

6.1. Whistleblowers may state facts known to them or their well-grounded suspicions in any format that is convenient for them.

6.2. To ensure maximum efficiency of processing of whistleblowing messages and the following internal investigations, we recommend that whistleblowers should use the following format and procedure for presenting the information (regardless of the chosen way of reporting):

6.2.1. **Specify the suspected violation, irregularity or noncompliance;**

6.2.2. **Name those who you believe are responsible for this irregularity or noncompliance** (their name and/or division of the Corporation or S/A);

6.2.3. **Describe in simple terms** the concrete material facts and important details known to you about **the suspected violation, irregularity or noncompliance;**

6.2.4. **You may name yourself (at the whistleblower's sole discretion): give your name or simply state "an employee of department of Sistema JSFC" or "an employee of (name of the S/A)";**

6.2.5. **You may leave your contact details without giving your name** (at the whistleblower's sole discretion) and ask to be notified about the results of the internal investigation.

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**6.3. Sample voice messages sent to the anonymous answering machine:
(for the telephone number of the Hotline please refer to cl. 5.1 above)**

...Hello, I am calling from ...^(a)

(a) if possible, indicate the department of Sistema or its subsidiary; you may introduce yourself as "an employee of" as it is important for us to understand where the message comes from - an employee of Sistema, employees of Sistema's subsidiaries or other persons. However, it is left wholly to the discretion and the will of the whistleblower to provide such information.

... I would like to draw your attention to the fact that, as far as I know, (any person or persons, or otherwise describe who you are referring to) (commit/engage/participated) in^(b)

(b) the report should include concrete facts known to the whistleblower, rather than any unfounded suspicions or speculations; we also expect to receive help and information, primarily with respect to the offences already committed, which could serve as the basis for an official or any other investigation.

... as far as I know (any person or persons, or a department in general) do not comply/breach (requirements, regulations on or a law on ...; specify what exactly)^(c)

(c) it is very desirable that you specify what regulation or standard exactly was breached, in your opinion, and what was the specific reason for making a whistleblowing report so as to make it easier for us to grasp the main point of the problem and hold an inquiry in the right area; if possible, please specify other important facts and circumstances.

... according to my estimates (it seems to me) and proceeding from the relevant data known to me, the potential damage (if known, indicate the amount) is in the range of (thousands/millions/billions of rubles/US dollars/other currency)^(d)

(d) it is very important for us to understand the "importance/materiality" of the issue, if possible - in money terms, provided the problem has a cash equivalent.

... in my opinion, these facts damage/may damage Sistema and/or its subsidiaries with regard to (reputation, image in the eyes of counterparties or investors, pose the risk of _____, loss of _____, financial losses, noncompliance etc.).....^(e)

(e) we will also appreciate it if you indicate the potential impact of irregularities, deficiencies and noncompliance other than the financial damage.

... I would like to ask you to contact me (by phone at _____, by email _____ @ _____ or otherwise (entirely at the discretion of the whistleblower), if the reported facts are confirmed; and I am asking you to inform me about the result of the investigation or to let me know if my report helped to solve the problem or what is being done in order to solve^(f)

(f) this feedback request and contact details are provided entirely at the discretion of the whistleblower; if it is possible and the relevant instructions are given by the management,

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an authorized representative of Sistema will try to contact you and provide the required information on this issue.

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7. QUESTIONS AND ANSWERS

7.1. Question:

Why do we need the Hotline and what is its usefulness for the Corporation?

Answer:

The opportunity to receive Whistleblowing Reports is an efficient additional tool for identifying and eliminating deficiencies, noncompliance and irregularities with the aim of fighting misconduct, corruption etc.

The Whistleblowing Reports received by the Hotline will be used on top of the existing measures of internal and external control and audit of the Corporation.

Sistema's Whistleblowing Programme was developed with the aim of following the best corporate practices of Russia, the UK, the USA and other countries with advanced legal systems, and to ensure strong protection of the Corporation and its subsidiaries, shareholders, partners, counterparties, members of governance bodies and employees from the risks outlined above, as well as other potential risks, and with the aim of improving corporate governance.

7.2 Question:

How is the anonymity of Whistleblowers ensured?

Answer:

The proposed methods of sending Whistleblowing Reports to the Corporation via the channels outlined above, in combination with: (a) whistleblowers having the tools (optional) for preserving their anonymity and (b) the Corporation's assuming the obligation to refrain from any attempts at the identification of the personality of the whistleblower, grant a sufficient guarantee of anonymity.

7.3. Question:

Is Sistema's Hotline intended exclusively for the employees of Sistema and its subsidiaries or it may be used by anyone?

Answer:

The Hotline is available to everyone. Any persons including the counterparties of the Corporation and its subsidiaries, partners, suppliers and employees may send their reports to the Hotline.

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