

Approved by  
the resolution of the Board of Directors  
of Sistema JSFC  
dtd 19 February 2005, Minutes No. 04-05,  
as amended by  
the resolution of the Board of Directors  
of Sistema JSFC  
dtd 26 June 2010, Minutes No. 06-10,  
the resolution of the Board of Directors  
of Sistema JSFC  
dtd 14 December 2013, Minutes No. 09-13

**TERMS OF REFERENCE  
OF THE STRATEGY COMMITTEE OF THE BOARD OF  
DIRECTORS**

Open Joint-Stock Company Sistema Joint-Stock Financial Corporation



Moscow, 2005

## **1. GENERAL PROVISIONS**

- 1.1. These terms of reference were developed in accordance with the applicable legislation, the Charter of Sistema JSFC, the Code of Corporate Conduct and other bylaws of the Company.
- 1.2. These terms of reference determine the status, the procedure for appointing members, the scope and the functions, the working procedures and the procedures for decision-making of the Strategy Committee (hereinafter the "Committee") of the Board of Directors of Open Joint-Stock Company Sistema Joint-Stock Financial Corporation (hereinafter "Sistema JSFC" or the "Company").
- 1.3. The Committee is a body of the Board of Directors of Sistema JSFC.
- 1.4. The purpose of the Committee is to discuss and analyze the issues of strategic development of Sistema JSFC, give recommendations to the Board of Directors of Sistema JSFC, provisionally approve the strategic transactions, projects related to entering new markets, as well as public and private partnerships.
- 1.5. The Committee is not a body of the Company, through the Committee the Company does not assume any civil rights or responsibilities.
- 1.6. In its activities the Committee shall be governed by the current legislation, the Charter, the bylaws of Sistema JSFC, the resolutions of the governance bodies and these Terms of Reference.

## **2. FUNCTIONS OF THE COMMITTEE**

- 2.1. The Committee shall discuss and analyze, when commissioned by the Board of Directors of Sistema JSFC or on its own initiative, the strategic issues related to the management of the Sistema Group, and monitor the strategic management cycles of Sistema JSFC and its subsidiaries including the following:
  - a) consideration of the methodology of strategic planning, allocation of the strategic planning roles among the subdivisions of Sistema JSFC and its business units;
  - b) preliminary approval of the Company's strategy;
  - c) preliminary approval of the Company's strategic goals;
  - d) consideration of M&A transactions and large investment projects of the Company;
  - e) following a proposal from the President of the Company, pre-approval of the candidates to the positions of the heads of (i) business units of the Company, and (ii) the Strategy and Development Function of the Company, and annual approval of their KPIs to be further submitted to the consideration of the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors of the Company.
- 2.2. The Committee shall be responsible for mandatory consideration of:
  - a) all the M&A transactions in the Sistema Group with value above \$ 100, 000, 000.00 (one hundred million);
  - b) All the projects of the Sistema Group related to entering new markets;
  - c) all the projects of the Sistema Group with significant equity holding of the Government (of Russia or other countries);
  - d) other deals commissioned by the Company's Board of Directors or initiated by the Committee.
- 2.3. Within the scope of its authority set out in p.2.2. of these Terms of Reference the Committee shall:
  - a) approve the concept and the goals of projects in principle, and assess project risks;

- b) prioritize the projects;
  - c) take decision regarding the initial funding to be allocated to the project group of the respective project;
  - d) if the management of Sistema JSFC issues an adverse opinion on the project, the Committee is authorized to take an independent decision with regard to the necessity of further project implementation (submit the project for consideration of the Board of Directors of the Company);
  - e) take decision on repeated consideration or adjustment of the projects reviewed earlier, irrespective of their completion status.
- 2.4. The Committee's decisions shall be non-binding for the Company's Board of Directors.
- 2.5. The Committee shall be entitled to give assignments to the members of the Company's management within its scope of authority.
- 2.6. Committee Chairman has a right to give additional assignments aimed at ensuring the implementation of the decisions made by the Committee. Such assignments from the Chairman will have the status of Committee assignments.

### **3. MEMBERSHIP OF THE COMMITTEE**

- 3.1. The membership of the Committee shall be formed in the first meeting of the Company's Board of Directors after the annual general meeting of the Company's shareholders.
- 3.2. The powers of the Committee members shall terminate at the moment of opening the annual general meeting of shareholders.
- 3.3. The Chairman of the Committee is the Chairman of the Company's Board of Directors.
- 3.4. The membership of the Committee shall be approved with a resolution of the Company's Board of Directors. Candidates to the Committee shall be nominated by the Chairman of the Company's Board of Directors. Committee members shall be elected by the Board of Directors by a simple majority vote.
- 3.5. The powers of any member of the Committee may be terminated at any time with a resolution of the Board of Directors taken on the initiative of the Board of Directors of the Company, the Chairman of the Committee or a member of the Committee.
- 3.6. For the purposes of organizing the work of the Committee, the Company's Board of Directors shall appoint the Secretary of the Committee from among the employees of the Company or members of the Committee.
- 3.7. In the event the Board of Directors takes no decision on the appointment of the Secretary of the Committee, or the previously appointed Secretary of the Committee can no longer fulfill their responsibilities for any reason, the Chairman of the Committee shall appoint another Secretary of the Committee from among the employees of the Company or the members of the Committee.

### **4. RIGHTS AND RESPONSIBILITIES OF THE COMMITTEE MEMBERS**

- 4.1. The Committee members shall have the right to:
- a) directly participate in the work of the Committee and facilitate the implementation of decisions taken by the Committee;
  - b) request and obtain any documents of the Company;

- c) request the Company officers to provide information and explanations on any matters within the scope of authority of the Committee.
- d) be invited to working meetings, negotiations, sessions of commissions, working committees on any matters related to the Committee's scope, and to participate as members of working delegations of the Company in business trips and visits;
- e) for the purposes of exercising one's functions and as agreed with the Chairman of the Committee, use the services of external advisors paid with the Company's funds;
- f) demand that the Committee meeting be held and submit items for consideration of the Committee;
- g) request that their dissenting opinion be reflected in the Minutes of the Committee's meeting.

4.2. The Committee members are obliged to:

- a) attend the meetings and actively participate in preparation and discussion of items reviewed at the Committee meetings;
- b) take part in the Committee's decision-making by voting on the agenda items;
- c) take informed decisions by studying all the necessary data (materials), conducting investigations and updating all the Committee members on the information concerning the decisions taken;
- d) notify the Committee Chairman and provide the reasons for being unable to attend the meeting in person;
- e) act reasonably and in good faith when taking decisions in order to promote the interests of the Company's shareholders in conformity with the guidelines of the Russian Code of Corporate Conduct and best practice of corporate governance adopted abroad;
- f) fulfill the assignments given by the Committee Chairman;
- g) in accordance with the Company's bylaws on preventing the use of information whose disclosure may have a significant impact on the market value of the Corporation's securities, not to disclose insider information to third parties and not to use such information for personal ends or in the interests of family members or affiliated entities.

4.3. When the Committee deems it necessary to hire external consultants, the respective amendments to the budget of the Company must be suggested.

4.4. The Committee shall be entitled to give assignments to the members of the Company's management within its scope of authority.

## **5. PROCEDURES OF THE COMMITTEE**

5.1. The Chairman of the Committee is in charge of its activities.

5.2. Chairman of the Committee shall:

- a) organize development of the Committee's work plan and submit it for the Committee's approval;
- b) convene the Committee meetings and preside over them;
- c) determine the format of the meeting and approve the agenda of the meetings;
- d) make the lists of persons invited to attend the Committee meeting;
- e) arrange keeping of the minutes of the Committee meetings and sign them;

- f) distribute responsibilities among the members of the Committee; give assignments to the members relating to in-depth research on the matter and preparing the materials to be reviewed at the Committee meeting;
  - g) report on the Committee's performance to the Company's Board of Directors;
  - h) supervise over fulfillment of the taken decisions;
  - i) use the available resources of the Company to achieve the Committee's goals, including by means of engaging external expertise;
  - j) perform other functions proceeding from the goals and tasks of the Committee.
- 5.3. Secretary of the Committee shall:
- a) draw up the work plan of the Committee;
  - b) send out notices of the forthcoming meetings and materials on the agenda items to the Committee members;
  - c) draw up the minutes of the Committee meetings and get them signed;
  - d) keep the minutes and prepare and sign abstracts from the minutes of the Committee meetings;
  - e) fulfill assignments given by the Committee Chairman;
- 5.4. The activities of the Committee are conducted according to plan.
- 5.5. The work plan of the Committee shall normally be made for one calendar year.
- 5.6. The work plan of the Board of Directors of Sistema JSFC may also include agenda items that must be preliminarily reviewed by the Committee. In this case the Committee must include such items on its work plan.
- 5.7. As necessary, the Committee may hold additional meetings to discuss what the Committee deems necessary within its scope of authority.
- 5.8. As necessary, the Committee may hold additional meetings, including closed sessions, with the purpose to discuss any items that the Committee believes to require confidential discussion.
- 5.9. The Committee may suspend any person (persons) from participating in the meeting or from discussing a specific agenda item if, as the Committee believe, there is a conflict of interests.
- 5.10. As decided by the Chairman of the Committee, other persons may be invited to participate in a Committee meeting.
- 5.11. The Committee shall perform its activities by considering the agenda items at the Committee meetings. The dates and procedures of the meetings shall be set by the Committee Chairman. No less than 50% of the Committee members constitute the quorum. Decision shall be taken by simple majority vote. In case of the equal number of 'for' and 'against' votes the Chairman of the Committee has the decisive vote.
- 5.12. It is allowed to hold Committee meetings in the form of letter ballots, teleconferences, or to take into account written opinions of absent members of the Committee on the agenda items considered. If a written opinion of an absent Committee member on all agenda items is available, it shall be taken into account when determining the quorum of the meeting.
- 5.13. The agenda of the Committee meeting shall be approved by the Chairman of the Committee. Each agenda item shall contain a wording of the item and specify the person responsible for preparing and submitting respective materials (the speaker).
- 5.14. The person responsible for preparing and submitting materials on the item of the Committee's agenda must submit the materials on the agenda item in advance to the Secretary of the Committee.

- 5.15. The notice of the Committee meeting shall be e-mailed to the Committee members by the Secretary of the Committee at least 3 (three) days before the meeting with materials on the agenda items attached.
- 5.16. Based on the results of the Committee meeting the Secretary of the Committee shall draw up the minutes of the meeting. The minutes of the Committee shall include:
  - a) Date, time and venue of the meeting;
  - b) attendees including the Committee members and the persons invited;
  - c) agenda of the meeting;
  - d) suggestions and remarks made in the process of discussion held on the agenda items;
  - e) the voting results and the decisions taken.
- 5.17. The minutes of the Committee meeting shall be drawn up within 2 (two) working days after the date of the meeting.

## **6. FINAL PROVISIONS**

- 6.1. These Terms of Reference, as well as amendments to them, shall be approved by a simple majority vote of the Company's Board of Directors.
- 6.2. The Committee shall report on its work to the Board of Directors on an annual basis.
- 6.3. The Terms of Reference of the Committee and the information on the membership of the Committee shall be posted on the Internet website of the Company.