

POLICY
ON REMUNERATION AND COMPENSATIONS FOR MEMBERS OF THE
BOARD OF DIRECTORS OF SISTEMA PJSFC

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1. GENERAL PROVISIONS

1.1. Purpose of the document

This Policy on Remuneration and Compensations for Members of the Board of Directors of Sistema PJSFC (hereinafter referred to as "the Policy") establishes the principles, grounds, conditions, and procedure for the payment to the members of the Board of Directors of Sistema PJSFC (hereinafter referred to as "the Corporation") of remuneration for the performance of such duties of members of the Corporation's Board of Directors as are determined by Russian law and the Corporation's internal regulations, as well as compensations for any expenses incurred in relation to the performance of such duties.

1.2. Terms and abbreviations

Table 1. List of abbreviations

| Abbreviation | Definition |
|--------------|--------------------|
| Russia | Russian Federation |

Table 2. List of terms

| Term | Definition |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Remuneration | Cash, securities, other property, or services provided to members of the Board of Directors as a reward for their participation in the Board of Directors. |
| Director / Member of the Board of Directors | A person elected to be a member of the Corporation's Board of Directors in accordance with such procedure as is prescribed by law and the Corporation's internal regulations. |
| Executive Director | A member of the Corporation's Board of Directors who is also the Corporation's Chief Executive Officer, a member of its management board, or the head of any of its departments. |
| Board Committee | A committee formed in accordance with the Corporation's internal regulations to preview reports and matters to be further elevated to the Board of Directors for consideration. |
| Sistema Group Company | A company where Sistema is entitled to influence decision-making and/or governance on grounds of possessing a majority equity interest, a special agreement signed to that effect, or otherwise. |
| Compensations | Cash amounts paid to members of the Corporation's Board of Directors as reimbursement of their expenses or paid to third parties to cover the expenses of the Corporation's Board Members incurred in relation to their participation in the meetings of the Board of Directors. |
| Corporation | Sistema Joint-Stock Financial Corporation. |
| Corporate Year | The period between two annual General Meetings of the Corporation's shareholders. |
| Independent director | A board member meeting such criteria of independence as are determined by applicable law, the rules of applicable regulators and stock exchanges, and the Corporation's internal regulations. |
| Non-executive director | A board member who is not also an executive director or an independent director. |
| Federal Law on Joint-Stock Companies, the | Federal Law dd 26 December 1995 No.208-FZ <i>On Joint-Stock Companies</i> as amended from time to time. |

1.3. General principles

1.3.1. This Policy was developed in accordance with the Federal Law on Joint-Stock Companies and establishes the amounts and procedure for the payment of remuneration and compensations to members of the Corporation's Board of Directors.

1.3.2. This Policy requires approval by the General Meeting of the Corporation's Shareholders and provides grounds for the accrual and payment of remuneration and compensations to members of the Corporation's Board of Directors.

1.3.3. Unless otherwise stipulated by Russian law, in making payments to Board Members the Corporation shall act as a tax agent as defined in Russian law, and shall, *inter alia*, withhold the individual income tax from amounts so paid to Board Members hereunder, where the applicable law so requires.

1.3.4. Should the powers of any member of the Board of Directors terminate before any annual general meeting of the Corporation's shareholders, or should any member of the Board of Directors be elected after any annual general meeting of the Corporation's shareholders, any remuneration as per clauses 2.1., 2.2. and 2.3 hereof shall be paid to such member of the Board of Directors pro rata to such number of days between two annual general meetings of the Corporation's shareholders during which such board member was performing his/her duties.

2. REMUNERATION COMPONENTS

Remuneration to be paid to the members of the Corporation's Board of Directors shall comprise the following components:

- 2.1. basic remuneration;
- 2.2. chairperson fee;
- 2.3. additional remuneration.

3. BASIC REMUNERATION

3.1. Each member of the Board of Directors shall receive a basic remuneration of 13,700,000 (thirteen million seven hundred thousand) roubles per Corporate Year.

3.2. Each member of the Board of Directors shall receive such basic remuneration in equal quarterly instalments in cash.

4. CHAIRPERSON FEE

4.1. Any member of the Board of Directors acting as its chair shall receive an additional RUB 350,000 per quarter for the performance of such additional duties in such procedure as is described herein.

5. ADDITIONAL REMUNERATION

5.1. The General Meeting of Shareholders may pass a decision that any member of the Board of Directors be paid any additional remuneration. The Nomination, Remuneration and Corporate

Governance Committee shall in this case issue a recommendation regarding the amount and form of payment of any such additional remuneration.

6. ADDITIONAL METHODS OF REMUNERATION AND COMPENSATIONS

6.1. Benefits

6.1.1. The Corporation shall provide non-executive and independent directors who are not CEOs of Sistema Group companies benefits similar to those provided to the Corporation's top executives pursuant to the Corporation's internal regulations.

6.2. Professional indemnity

6.2.1. The Corporation shall conclude and maintain director liability insurance policies for the indemnification of any potential damage or losses that may result from any actions or omissions of Board members in their capacity as such and/or as members of the governance bodies of any Sistema Group companies, including damage and losses caused to the holders of any securities issued by Sistema or any Sistema Group company, their counterparties, or other persons who, pursuant to law, a court ruling or on any other grounds, may be entitled to receive indemnity for any incurred loss, damage, expenses, etc.

6.2.2. Such director liability insurance policies shall require preliminary approval by the Board of Directors.

6.3. Compensation of expenses

6.3.1. Members of the Board of Directors of the Corporation shall receive compensation for their expenses incurred in relation to the performance of their duties in their capacity as such. Such expenses shall include, but not be limited to travel, accommodation, and transportation costs incurred by such Board members as a result of their participation in any event on the Corporation's initiative or on their own initiative with the Corporation's consent and in the Corporation's best interest. Such compensation shall be paid either on an ex-post basis against proper evidence, or provided in advance of such expenses where necessary, and shall in any case be provided in respect of expenses that are reasonably incurred.

6.3.2. Events referred to in cl.6.3.1. include, but are not limited to, the Corporation's general meetings of shareholders, meetings of the Board of Directors, and meetings of Board Committees.

6.3.3. The principles and procedures for determining the amount of reasonable compensation and for the payment thereof shall be in accordance with the Corporation's internal regulations approved by its Board of Directors.

6.3.4. The Corporation shall keep each Board member indemnified (whether on an ex-post or ex-ante basis) for his/her litigation costs and other expenses and losses related to any lawsuits; claims; civil law, administrative, or criminal proceedings; or regulatory or any other official investigations, claims, proceedings, etc. (hereinafter, "Claims") that may be initiated or brought against Board members in respect of their actions or omissions in their capacity as members of the Corporation's Board of Directors and/or members of the governance bodies of Sistema Group companies and/or any other capacity at the Corporation and/or Sistema Group companies (including that of the CEO) performed simultaneously with that of the Corporation's Board member and/or member of a governance body of a Sistema Group company, including possible fines, taxes, and other expenses associated with the

settlement of claims or the enforcement of any judgment or order of a court, government authority, regulator, etc. that any of the Board members may have to incur as a result of any Claim(s) filed against him/her. The aggregate amount of compensations or advance payments that can be provided to all Board members of the Corporation, including pursuant to individual indemnity agreements that may be signed between them and the Corporation for this purpose, shall not exceed 2 (two) percent of the book value of the Corporation's assets as of the latest reporting date preceding the date of such compensation or advance payment, and in the case of indemnity agreements, preceding the date of such agreement.

6.3.5. Such compensation or advances shall be paid only against proper documents evidencing the incurrence or legal grounds for the incurrence of such litigation and other expenses or losses of Board members, including their liability to pay any fees to legal counsels, experts, witnesses, translators and any other persons or companies involved in such litigation of any Claim and/or any court or any other competent authority serving such Board member with a writ of execution (or another instrument having the force identical to that of a writ of execution in any jurisdiction) ordering the enforcement of such Claim.

6.3.6. No compensation or advance payment shall be paid if such action or omission of the Board member serving as grounds for such Claim is determined by the competent court to be an instance of gross negligence or a wilful breach of official duties and/or recognised as an action aimed at any improper personal benefit or the premeditated infliction of any damage on the Corporation or any Sistema Group company.

6.3.7. Compensations and advance payments referred to in cl.6.3.4. hereof shall be paid by the Corporation's accounting department within a reasonable time on receipt of such written request from a member of the Corporation's Board of Directors enclosing a report and documented proof of such legal and other costs that such Board member has incurred or is sure to incur. Compensations or advance payments intended for the satisfaction of any Claim made against a member of the Corporation's Board of Directors shall be paid within a reasonable time after the receipt from such Board member of a writ of execution issued by a court or another competent government authority (or another instrument having the force identical to that of a writ of execution in any jurisdiction) ordering the enforcement of such Claim.

7. PROCEDURE FOR THE ACCRUAL AND PAYMENT OF REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

7.1. For the purposes of payment of remunerations and compensations to members of the Corporation's Board of Directors, the Corporation's Corporate Secretary shall prepare a statement containing a calculation of the amounts of all remunerations and compensations to be paid to Board members and submit this statement to the Chair or Deputy Chair of the Board of Directors within 10 (ten) business days after the end of each quarter to be signed and further submitted to the Corporation's President or Vice President for Finance.

7.2. The Corporation's President or Vice President for Finance shall make arrangements for the payment of remunerations to the members of the Corporation's Board of Directors in accordance with such statement received from the Corporate Secretary within 15 (fifteen) business days after the end of each quarter.

8. FINAL PROVISIONS

8.1. This Policy may be amended, supplemented, or cancelled by resolution of the general meeting of the Corporation's shareholders only.

8.2. Where law, the rules of any regulator, or the Corporation's internal regulations require any approval or consent to be received from any public authority, regulator, or any of the Corporation's governance bodies as a prerequisite for the payment of any remuneration and compensation to the members of the Corporation's Board of Directors hereunder, the Corporation's duty to pay such remuneration to Board members hereunder shall only arise once all the necessary approvals and/or consents are obtained.

8.3. This Policy is prepared in accordance with Russian law as of the date hereof. Should any applicable provision of Russian law be modified, this Policy is required to be updated accordingly.

8.4. In case of any conflict between this Policy and applicable law, including conflicts resulting from any law modifications not reflected herein, Russian law shall prevail, with all provisions hereof that are in no conflict with current Russian law remaining in full legal force and effect.