

APPROVED

by the Annual General Meeting of the Shareholders
of the Open Joint-Stock Company
North-West Telecom
Minutes No. 01-05 of July 04, 2005

Chairperson of the General Meeting of the Shareholders

V.A. Akulich

PROVISIONS
on the Board of Directors
(version 03 – 05)

1. GENERAL

1.1. In accordance with Civil Code of the Russian Federation, the Federal Law on Joint Stock Companies and the Company's Charter (Articles of Association), the present Provisions on the Board of Directors (hereinafter referred to as the Provisions) shall determine the procedure for convening and holding meetings of the Board of Directors, the amount and procedure of paying remunerations and compensations to members of the Board of Directors of the Company.

1.2. The Board of Directors is a collective managing body of the Company, exercising the general management of its activities, except for resolving the matters assigned by the federal laws and the Charter of the Company in the terms of reference of the General Meeting of the Shareholders of the Company.

2. PURPOSES AND PRINCIPLES OF ACTIVITY OF THE OF THE BOARD OF DIRECTORS

2.1. Purposes of activity of the Board of Directors are to ensure the maximum profit and to increase the Company's assets, to protect the rights and legal interests of the shareholders, and to guarantee the completeness, reliability and objectivity of public information on the Company.

2.2. To implement the purposes of activity the Board of Directors shall be guided by the following principles:

- taking resolutions on the basis of reliable information on the Company's activity;
- precluding restrictions of the rights of shareholders to participate in managing of the Company's activities, receiving dividends and information about the Company;
- achieving the balance of interests between different groups of shareholders and taking the most objective decisions in the interests of all shareholders of the Company by the Board of Directors.

3. RIGHTS AND DUTIES OF A MEMBER OF THE BOARD OF DIRECTORS. PROCEDURE OF EXERCISING THEM

3.1. A member of the Board of Directors has the right to:

3.1.1. request from the Company's officials any information on the Company's activity, as well as the documents provided for under Art. 89 of the Federal Law on Joint Stock Companies in accordance with the procedure determined by the Provision;

3.1.2. receive a remuneration for fulfilling his duties and a compensation of expenses related to execution of functions of a member of the Board of Directors of the Company, in the cases and in the amounts determined by the present Provisions;

3.1.3. request entering into the minutes of the meeting of the Board of Directors his individual opinion on issues of the agenda and the decisions taken.

3.2. A member of the Board of Directors shall:

3.2.1. be loyal to the Company, i.e. abstain from using his position in the Company in the interests of other persons;

3.2.2. act within his rights in accordance with the purposes and principles of activities of the Board of Directors;

3.2.3. act reasonably and conscientiously with respect to the Company's affairs;

3.2.4. not disclose the confidential information on the Company's activity that has become known to him;

3.2.5. initiate meetings of the Board of Directors for resolving urgent matters;

3.2.6. participate in taking decisions by the Board of Directors by voting on the agenda issues of its meetings;

3.2.7. take grounded decisions, for which purpose to study all the necessary information (materials);

3.2.8. when taking decisions, to assess the risks and adverse consequences;

3.2.9. inform the Company in due time on his affiliation and changes therein; including the facts of his participation in the management bodies or in the capital of other legal entities;

3.2.10. inform the Company in due time (according to provisions of Chapter XI of the Federal Law "On Joint-Stock Companies"):

on legal entities, in which he owns independently or jointly with his affiliated party (parties) 20 (twenty) or more per cent of the voting shares (parts);
on legal entities, in the management bodies of which he holds positions;
on transactions being made or expected and known to him in which he may be considered as interested party.

The information shall be presented by a Member of the Board of Directors within 10 days (from the date it became known to a Member of the Board of Directors) to the Secretary of the Board of Directors, in writing and in computer-readable form. Control over timely distribution of the said information among divisions of the Company shall be the responsibility of the Secretary of the Board of Directors.

If, as a result of failure to provide the said information through the fault of a member of the Board of Directors or failure to provide it in due time, any property damage is inflicted to the Company, the liability of the member of the Board of Directors to the Company shall be equal to the amount of the damage inflicted.

In other cases a Member of the Board of Directors shall bear responsibility to the Company according to the procedure provided for by active laws of the Russian Federation.

3.2.11. to notify the Board of Directors in writing on the fact of holding the securities of the Company, on any intention to make a transaction with any securities of the Company or of its affiliates (subsidiaries), and on any transactions with any such securities.

3.3. Activity of a member of the Board of Directors shall be continuous and shall not be restricted by participation in decision-making by the Board of Directors.

3.4. On request of a member of the Board of Directors, expressed orally or in writing, the Company shall ensure for him access to the information and documents provided for under paragraph 3.1.1 of the present Provisions.

The requested information and documents shall be presented for familiarization to a member of the Board of Directors within five days after filing the corresponding request.

The Company shall, on request of a member of the Board of Directors, present to him the copies of documents necessary for him.

4. CHAIRPERSON OF THE BOARD OF DIRECTORS

4.1. The Chairperson of the Board of Directors shall be elected by members of the Board of Directors from among them at the first session by the majority of votes of members of the Board of Directors of the Company attending the meeting.

4.2. The person exercising the functions of the one-person executive body of the Company cannot at the same time be the Chairperson of the Board of Directors.

4.3. The Board of Directors shall have the right to re-elect the Chairperson of the Board of Directors at any time.

4.4. Members of the Board of Directors shall have the right to elect a Deputy Chairperson. In case the Chairperson of the Board of Directors of the Company is absent, all his functions (including the right of signing documents) shall be performed by his Deputy; and if the latter is absent, one of the members of the Board of Directors on resolution of the Board of Directors of the Company taken by the majority of votes of its members attending the meeting.

4.5. The Chairperson of the Board of Directors shall organize the work of the Board of Directors, convene its meetings, take chair at them, and organize keeping of the minutes at the meetings.

4.6. The Chairperson of the Board of Directors shall have no right to delegate the execution of his functions to another person.

5. SECRETARY OF THE BOARD OF DIRECTORS

5.1. The Secretary of the Board of Directors shall be nominated by members of the Board of Directors at the first meeting by the majority of votes of members of the Board of Directors attending the meeting.

5.2. The Board of Directors shall have the right at any time to exempt the Secretary of the Board of Directors from execution of his duties and nominate a new Secretary of the Board of Directors.

5.3. In case of absence of the Secretary of the Board of Directors, the execution of his duties shall be delegated to another person elected by the majority of votes of members of the Board of Directors attending the meeting.

5.4. The Secretary of the Board of Directors shall have the right to:

5.4.1. request from the Company's officials the information and documents necessary for preparation of the materials on agenda items of the meeting of the Board of Directors;

5.4.2. receive for execution of his duties the remuneration and compensation of the expenses, related to the execution of functions of the Secretary of the Board of Directors, in the amount and following the procedure determined by resolution of the Board of Directors.

5.5. Secretary of the Board of Directors shall:

5.5.1. keep and draw up the minutes of the meetings of the Board of Directors;

5.5.2. keep records and store the ingoing documents and copies of outgoing documents of the Board of Directors;

5.5.3. inform members of the Board of Directors on holding meetings of the Board of Directors in accordance with the procedure and within the time periods determined by the present Provisions;

5.5.4. circulate among the members of the Board of Directors the materials necessary for considering the agenda items of the meetings of the Board of Directors, in accordance with the procedure and within the time periods determined by the present Provision;

5.5.5. perform other functions provided for by the present Provisions.

6. MEETING OF THE BOARD OF DIRECTORS

6.1. A meeting of the Board of Directors can be held in the form of joint presence (including the use of conference communications) or absentee voting.

6.2. Meetings of the Board of Directors can be held regularly in accordance with the job schedule approved by the meeting of the Board of Directors. If necessary, the Board of Directors shall consider the matters not included into the job schedule.

6.3. A meeting of the Board of Directors shall be convened by the Chairperson of the Board of Directors on his own initiative, on request of a member of the Board of Directors, Auditing Committee, Company Auditor, one-person or collective executive body of the Company, as well as on request of the shareholder(s) jointly owning at least 5 percent of the Company's voting shares.

6.4. A request on convening the meeting of the Board of Directors shall contain the following information:

6.4.1. name of the initiator of convening or name of the body or legal entity making the request;

6.4.2. should a request on the convocation be made by a shareholder, the number and category (type) of the shares belonging to him;

6.4.3. form of holding the meeting (joint presence or absentee voting);

6.4.4. date of holding the meeting in the form of joint presence or, in case of holding the meeting in the form of absentee voting, final date for receiving written opinions on agenda items from members of the Board of Directors;

6.4.5. agenda of the meeting;

6.4.6. list of information (materials) provided to members of the Board of Directors for the meeting.

Besides, the request on convening the meeting of the Board of Directors may contain the following information:

6.4.7. time and place of holding the meeting (in case of holding the meeting in the from of joint presence);

6.4.8. draft resolutions on agenda items;

6.4.9. other information at the discretion of the initiator of convening the meeting.

6.5. Notification of convening the meeting of the Board of Directors shall be sent to each member of the Board of Directors together with the necessary materials at least 14 working days before holding the meeting.

If, in accordance with the current legislation, the meeting of the Board of Directors shall be held within a tighter time schedule, the time period for sending a notification together with the necessary materials shall be shortened.

All the above time limits can also be reduced if it is necessary to urgently resolve any matters provided none of the members of the Board of Directors objects.

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

A notification of holding the meeting shall contain the information indicated under subparagraphs 6.4.3.-6.4.8 of the present Provisions as well as an indication to the address, to which the members of the Board of Directors can send their written opinion.

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

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

Without preliminary circulation of notifications on the date of the General Meeting of the Shareholders, at which the Board of Directors is elected, the first (organizational) meeting of the Board of Directors shall be held (if the resolution on election of members of the Board of Directors as well as the voting results on it were announced at the General Meeting of the Shareholders, in the course of which the voting was held).

6.6. When decisions are taken by the Board of Directors, the members of the Board of Directors attending the meeting shall express their opinion on the agenda items by voting.

6.7. If a member of the Board of Directors cannot attend the meeting in person, as well as in case of holding the meeting by absentee voting, the member of the Board of Directors shall express his opinion on the agenda items in writing.

Should the written opinion of the member of the Board of Directors contain his voting, it shall be taken into account when determining the quorum and voting results.

The written opinion shall be presented by a member of the Board of Directors before holding the meeting of the Board of Directors or, in case the meeting is held in the form of absentee voting, not later than the final date for accepting written opinions of members of the Board of Directors.

6.8. The Chairperson shall read out the written opinion of the member of the Board of Directors not attending the meeting of the Board of Directors before starting the voting on the agenda item on which this opinion was presented.

Should the received written opinion contain a proposal on the draft resolution differing substantially from that initially put to the vote, the Secretary of the Board of Directors shall, before drawing-up the minutes, acquaint other members of the Board of Directors with the said opinion, proposing to express their views on it by voting, in writing or other way convenient for them (including mail, telegraph, teletype, telephone, electronic or other communications).

6.9. Before taking a decision on the matter, the preliminary consideration of which was accomplished by the committees of the Board of Directors, members of the Board of Directors shall have the possibility of getting acquainted with resolutions (recommendations) of the relevant committees in advance.

6.10. When resolving matters at a meeting of the Board of Directors, each member of the Board of Directors shall have one vote.

Transfer of the voting right by a member of the Board of Directors to another person, including another member of the Board of Directors, shall not be allowed.

In taking decisions by the Board of Directors, the Chairperson of the Board of Directors shall have the right of the casting vote in case of parity of votes of members of the Board of Directors.

6.11. The Secretary of the Board of Directors shall keep the minutes at the meeting of the Board of Directors.

Minutes of the meeting of the Board of Directors shall be made up within 3 days after holding it in the form of joint attendance (the date when the acceptance of written opinions in case of correspondence voting is over).

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

- its venue and date of holding in the form of joint presence, or, in case of absentee voting, the place of drawing-up the minutes and closing date for receiving written opinions of members of the Board of Directors;

- persons attending the meeting (in case of holding it in the form of joint presence);
- persons who have presented written opinions on matters of the agenda items;
- agenda of the meeting;
- matters put to the vote and voting results on them;
- resolutions taken.

The minutes of the meeting of the Board of Directors shall be signed by the person taking chair at the meeting.

If a written opinion of a member of the Board of Directors is taken into account when determining the quorum and voting results on the agenda items, the written opinions on matters related to the agenda items received from the members of the Board of Directors shall be attached as supplements to the minutes.

The Company shall store the minutes of the meetings of the Board of Directors in the place where its executive body is located in accordance with the procedure and for the time periods established by the federal executive authority for the securities market. If no such time period is determined, the Company shall permanently store the minutes of the meetings of the Board of Directors.

The Company shall provide to the shareholders as well as members of the Board of Directors, the Auditing Committee, the Company Auditor access to the minutes of the meetings of the Board of Directors.

6.12. In the event that in accordance with the Company's Charter the decision is passed by the majority of three quarters of votes or unanimously by all members of the Board of Directors without taking into account the votes of the retired members of the Board of Directors, then the deceased, missing and incapable members shall be regarded as retiring members of the Board of Directors

7. REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS AND COMPENSATION FOR EXPENSES RELATED TO EXECUTION OF THEIR DUTIES

7.1. During their term of office, members of the Board of Directors of the Company shall receive a remuneration and compensation for the expenses related to execution of the functions of members of the Board of Directors.

7.2. The remuneration of members of the Board of Directors shall comprise quarterly and annual remuneration.

7.3. The quarterly remuneration to each member of the Board of Directors shall be 200,000 roubles.

The remuneration of the Chairperson of the Board of Directors shall have a factor of 1.5.

The quarterly remuneration of a member of the Board of Directors shall be reduced by:

30% - in case of his/her presence at less than half of the meetings of the Board of Directors held in the form of joint attendance;

100% - in case of his/her participation in less than half of all held meetings of the Board of Directors.

The remuneration of a member of the Board of Directors for the quarter, in which reelection of the Board of Directors took place, shall be paid in proportion to the time of his/her work in the quarter.

7.4. The annual remuneration for the entire Board of Directors of the Company shall be established as the sum total of deductions according to the standards (percentage):

- from EBITDA of the Company on the basis of the accounting data according to the International Accounting Standards (IAS) for the year under report;

- from the amount of Company's net profit allocated for dividend payment according to the results of the year under report.

The annual remuneration shall be distributed among all members of the Board of Directors in equal shares.

The annual remuneration of a member of the Board of Directors shall be reduced by 50% in case of his/her participation in less than half of all meetings of the Board of Directors held for the time of his/her term of office.

7.5. The standard (percentage) of deductions for calculating the annual remuneration shall be determined by the decision of the general meeting of the shareholders electing this Board of Directors.

7.6. The annual remuneration shall be adjusted taking into account changes in the capitalization of the Company for the year (starting from 1st April of the previous year till 1st April of the current year) in US dollars relative to the average growth of capitalization of all inter-regional companies in the industry. The remuneration shall be increased by 25% in case of an excess of the Company's capitalization growth for the period under report over the average level of capitalization of all inter-regional companies. The remuneration shall remain unchanged in case of an increase in the Company's capitalization below the average level for all inter-regional companies. The remuneration shall be reduced by 25% in case of a decrease in the Company's capitalization with the growth of capitalization in the industry.

7.7. The annual remuneration to a member of the Board of Directors shall be paid within 3 months after expiry of the term of office of this composition of the Board of Directors.

7.8. An extra pay to the quarterly remuneration shall be paid to the members of the Board of Directors who are members of a committee of the Company's Board of Directors in connection with their discharge of the duties of members of a committee of the Company's Board of Directors in the amount of 40,000 roubles (for participation in each committee), a member of the Board of Directors being eligible for no more than 2 committees of the Board of Directors.

This extra pay to the Chairperson of a committee of the Board of Directors shall have a factor of 1.25.

7.9. Members of the Board of Directors shall have the right to participate in option programmes realized by the Company.

8. PROCEDURE OF APPROVING AND AMENDING THE PROVISIONS

8.1. The present Provisions shall be approved by the General Meeting of the Shareholders by the majority of the shareholders owning the voting shares of the Company.

8.2. The present Provisions may be supplemented and amended by the General Meeting of the Shareholders by the majority of shareholders owning the voting shares of the Company.

8.3. If in the event of changes in the RF legislation or the Company's Charter certain clauses of the present Provisions contradict it, the Provision shall be applied in the part, which does not contradict the current legislation and the Company's Charter.