

**DRAFT**

**REGULATIONS ON THE BOARD OF DIRECTORS  
OJSC CenterTelecom**

(Thirdth edition)

2007

Moscow region, Khimki

\* Amendments and supplements are stressed **in bold print**

## 1. GENERAL PROVISIONS

- 1.1 These Regulations On the Board of Directors (hereinafter the “Regulations”), according with the Civil Code of the Russian Federation, the Federal Law ‘On Joint Stock Companies’ and the Company Charter, establish the procedure for convening and holding sessions of the Board of Directors and the amount and procedure of payment of rewards and compensation to members of the Board of Directors of the Company.
- 1.2 The Board of Directors is a collective management body of the Company responsible for the general management of the activities of the Company, save for resolution of matters referred to the authority of the General Meeting of Shareholders of the Company pursuant to the federal laws and the Charter of the Company.

## 2. PURPOSE AND PRINCIPLES OF THE BOARD OF DIRECTORS

- 2.1 The purpose of the Board of Directors is to ensure maximum profit and asset growth for the Company, to protect the rights and legal interests of shareholders and to ensure that public information about the Company is complete, accurate and impartial.
- 2.2 In order to achieve its purpose the Board of Directors shall be governed by the following principles:
  - adoption of resolutions on the basis of accurate information about the activities of the Company;
  - elimination of restrictions with respect to rights of shareholders to participate in management of the affairs of the Company, receive dividends and obtain information about the Company;
  - achievement of a balance of interests of the various groups of shareholders and adoption by the Board of Directors of resolutions that are as impartial as possible in the interests of all shareholders of the Company.

## 3. RIGHTS AND DUTIES OF MEMBERS OF THE BOARD OF DIRECTORS, PROCEDURE FOR PERFORMING DUTIES

- 3.1 Members of the Board of Directors have the right:
  - 3.1.1 **Refer to the Company with written demands for the provision of information (documents) pertaining to Company affairs, notwithstanding such information is in the public domain or is considered by the Company insider information, in accordance with the procedures set out in the Company internal documents.** *(The suggestion of the Corporate Governance Committee)*
  - 3.1.2 **Be reimbursed for expenses incurred in connection with the performance of the duties as a member of the Company Board of Directors in accordance with the procedures provided for herein.**

**Absent any prohibition on his/her participation for a fee in activities of a commercial organization executive body imposed by the effective legislation of the Russian Federation,** be remunerated with a fee for performing his/her duties as a member of the Company Board of Directors in accordance with the procedures set out herein, **or perform the functions of a member of the Board of Directors on a grant basis.** *(The suggestion of the Corporate Governance Committee)*

3.1.3 to demand that their own opinions concerning matters on the agenda and resolutions adopted be reflected in the minutes of sessions of the Board of Directors.

3.2 Members of the Board of Directors must:

3.2.1 be loyal to the Company, i.e. refrain from using their position within the Company in the interests of other persons;

3.2.2 act within their authorities, in accordance with the purposes and principles of the Board of Directors;

3.2.3 act reasonably and in good faith in respect of the affairs of the Company;

3.2.4 not disclose any confidential information about the activities of the Company that they becomes aware of;

3.2.5 **Initiate meetings of the Board of Directors for passing resolutions on urgent issues, and the right to enter additional issues in the agenda of the appointed meeting;** *(The suggestion of Lindsell and Hand)*

3.2.6 participate in adoption of resolutions of the Board of Directors by voting on matters on the agenda of its sessions;

3.2.7 adopt well-founded resolutions, to which end they shall study any necessary information (materials);

3.2.8 assess risks and detrimental consequences in adopting resolutions;

3.2.9 promptly inform the Company of their affiliate status and changes therein;

3.2.10 make the Board of Directors aware of details of contemplated transactions with respect to which they might interested persons.

3.2.11 **Notify the Company in writing of imposition (release) of a prohibition on its participation for a fee in activities of a commercial organization executive body in accordance with the effective legislation of the Russian Federation.** *(The suggestion of the Corporate Governance Committee)*

3.2.12 **In the event that he/she intends to perform his/her duties as a member of the Board of Directors on a grant basis notify the Company of same in writing.**  
*(The suggestion of the Corporate Governance Committee)*

3.3 The office of member of the Board of Directors is continuous and is not limited to participation in adoption of resolutions of the Board of Directors.

3.4 The Company shall on a **written** request of a member of the Company Board of Directors, afford to such member access to the information (documents) referred to in clause 3.1.1 hereof.

The information and documents requested shall be provided to the member of the Board of Directors for examination within five days as from the date of the request, **unless another period is contemplated by Company internal documents regulating the procedures of furnishing information (documents).**

The Company shall on request of a member of the Company Board of Directors, provide the latter with copies of the required documents. *(The suggestion of the Corporate Governance Committee)*

3.5. The Company is entitled to require from the Board of Directors member proper fulfillment of his charges.

The Board of Directors member is liable to the Company for not fulfillment (un-proper fulfillment) of his charges to the extent of the caused losses.

The Company is entitled to bring a suit to Court against Board of Directors member on reimbursement of losses of the Company caused by not fulfillment (un-proper fulfillment) of his charges.

#### 4. CHAIRMAN OF THE BOARD OF DIRECTORS

4.1 The Chairman of the Board of Directors shall be elected by members of the Board of Directors from their number by a majority of votes of members of the Board of Directors of the Company participating in the session at the first session.

4.2 The person performing the functions of individual executive body of the Company may not simultaneously be Chairman of the Board of Directors.

4.3 The Board of Directors may at any time re-elect the Chairman of the Board of Directors.

4.4 Members of the Board of Directors may elect a deputy Chairman. In the absence of the Chairman of the Board of Directors of the Company all his functions (including signature of documents) shall be performed by his deputy or, in the absence of latter - by one of the members of the Board of Directors, pursuant to a resolution of the Board of Directors of the Company adopted by a majority of votes of members participating in the session.

4.5 The Chairman of the Board of Directors shall organise the work of the Board of Directors, convene and chair at its sessions and organise the keeping of minutes of sessions.

4.6 The Chairman of the Board of Directors may not delegate his functions to another person.

## 5. PROVISION OF THE BOARD OF DIRECTORS OPERATIONS

- 5.1 The Company's Corporate Secretary shall be responsible for the Board of Directors operations. Functions of the Corporate Secretary on provision of the Board of Directors operations are determined by the Regulations on Corporate Secretary and the Office of the Corporate Secretary.
- 5.2 In the absence of the Secretary of the Board of Directors the performance of his duties on provision of the Board of Directors operations shall be imposed on another person appointed by the Board of Directors for the period of the Corporate Secretary absence.

## 6. SESSIONS OF THE BOARD OF DIRECTORS

- 6.1 A session of the Board of Directors may be held in the form of joint attendance (including by conference call) or *in absentia* voting.
- 6.2 Sessions of the Board of Directors must be held regularly, in accordance with the work schedule approved at a session of the Board of Directors. If it is necessary, the Board of Directors shall consider matters that are not on the work schedule.
- 6.3 Meetings of the Board of Directors shall be convened by Chairman of the Board of Directors on His/her own initiative, on request of a member of the Company Board of Directors, Audit Commission, Company Auditor, Company sole or collegial executive body, as well as on request of shareholders (a shareholder) collectively holding at least 5 per cent of the Company voting stock.

**The agenda of the convened meeting shall be formulated by Chairman of the Board of Directors in consideration of the approved activity plan of the Board of Directors and the requests of persons listed in paragraph one of this clause. (*The suggestion of the Corporate Governance Committee*)**

- 6.4 A request for a session of the Board of Directors must contain the following information:
- 6.4.1 name of the person initiating convocation or name of the body or legal entity presenting the request;
- 6.4.2 if the request for a session originates from a shareholder, the quantity and category (type) of shares belonging to it;
- 6.4.3 form for the session (joint attendance or *in absentia* voting);
- 6.4.4 the date of the session to be held in the form of joint attendance, or, if the session is to be held in the form of *in absentia* voting, the final acceptance date of written opinions of members of the Board of Directors on matters on the agenda;
- 6.4.5 agenda for the session;
- 6.4.6 list of information (materials) to be provided to members of the Board of Directors in preparation for the session.

A request for a session of the Board of Directors may also include the following information:

6.4.7 time and venue of the session (if held in the form of joint attendance);

6.4.8 draft resolutions on matters on the agenda;

6.4.9 other information, at the discretion of the person initiating the session.

- 6.5 **The notice convening a meeting of the Board of Directors shall be sent to each Board member together with necessary materials at least 14 business days prior to the meeting.**

**The above term may be reduced in the event that an urgent resolution is required on any issue, provided that none of the Board members have any objections.**

**If in accordance with the effective legislation a meeting of the Board of Directors shall be arranged within a shorter period the term of the notice to be delivered together with necessary materials shall be reduced.**

**The notice convening a meeting of the Board of Directors shall be delivered to Board members in writing or with the use of any other method convenient to the latter (in particular, by means of mail, cable, teletype, telephone, electronic or other type of communication).**

**The notice convening a meeting shall contain information referred to in sub-clauses 6.4.3 to 6.4.8 hereof, as well as the reference to the address at which Board members may refer their written opinion.**

**On the initiative of bodies and persons entitled to request convening a meeting of the Board of Directors additional issues may be entered by Board Chairman in the agenda of the convened meeting, provided that none of the Board members have any objections. The suggestion for inclusion of an additional issue in the agenda of the convened meeting shall be submitted in writing and shall contain the wording of such an issue as well as the information referred to in sub-clauses 6.4.1, 6.4.2, and 6.4.6 hereof.**

**The bodies and persons initiating the convention of a meeting (inclusion of an issue in the meeting agenda) shall be entitled to recall their suggestion at any time prior to summarizing the results of the respective vote.**

**In case of any circumstances rendering impossible or hindering the holding of a meeting of the Board of Directors in the venue and (or) at the time of which Board members were notified, the meeting on the planned agenda may be held in another place and (or) at other time.**

**All members of the Board of Directors shall be notified of the changes to the place and (or) time of the Board meeting reasonably in advance of the meeting in order to ensure their timely arrival. The notice of the said changes shall be sent to Board members in any form which may guarantee receipt of the notice by a Board member at his/her residential or correspondence accommodation address.**

**All members of the Board of Directors shall be notified of any changes to the agenda of the meeting in accordance with the procedures established for notifying of meeting convention.**

**No convening notice is provided for the first (constitutive) meeting of the Board of Directors to be held on the date of the general shareholders' meeting electing the Board of Directors (in the event that the decision on the Board election issue as well as voting results on such issue were announced at the general shareholders' meeting at which the voting was conducted). (*The suggestion of the Corporate Governance Committee and Red Hand*)**

**6.5 (paragraphs 1 and 2) The notice convening a meeting of the Board of Directors shall be sent to each Board member together with necessary materials at least 14 business days prior to the date of the meeting.**

**The notice convening a meeting shall be delivered to members of the Board of Directors in writing with the use of an agreed upon method (in particular, with the use mail, cable, facsimile, or electronic communication).**

**Necessary materials pertaining to the meeting of the Board of Directors shall be sent at least 10 business days prior to the date of the meeting.**

**Each member of the Board of Directors shall have the right to refer to the Company Corporate Secretary within 4 days after receipt of the notice convening the Board meeting a suggestion for consideration of an additional issue together with a draft resolution on the same. Chairman of the Board of Directors shall upon receipt of such a suggestion enter it in the agenda of the planned meeting of the Board of Directors. (*The suggestion of Lindsell*)**

**6.6 In adopting resolutions by the Board of Directors, members of the Board of Directors attending the session shall express their opinion on matters on the agenda by voting.**

**6.7 If members of the Board of Directors cannot attend a session in person or if a session is held in the form of *in absentia* voting, members of the Board of Directors shall express their opinions on matters on the agenda in writing.**

If a written opinion of a member of the Board of Directors contains the vote of such member, it shall be taken into account in determining whether there is a quorum and the results of voting.

Members of the Board of Directors must present their written opinions before the session of the Board of Directors is held or, if the session is held in the form of *in absentia* voting - no later than the final acceptance date of written opinions of members of the Board of Directors.

**6.8 Chairman shall prior to voting on a respective agenda issue announce a written opinion of a members of the Board of Directors absent at the Board meeting.**

**If the received written opinion (including any opinion received in absentia during the meeting of the Board of Directors) contains a suggested draft resolution which differs considerably from the original resolution suggested for vote, the Secretary of the Board of Directors shall prior to taking minutes of the meeting familiarize other Board members with the said opinion and propose to make known their opinion on the same, expressed through vote, in writing or in any other convenient form (in particular, with the use of mail, cable, teletype, telephone, electronic or other type of communication). (*The suggestion of Lindsell*)**

- 6.8. **At a meeting held in the presence of the directors, Chairman shall prior to voting on a respective agenda issue announce a written opinion of a members of the Board of Directors absent at the Board meeting.**

**If the received written opinion (of the Board member absent at the meeting held in the presence of the directors, as well as during an absentee vote) contains a suggested draft resolution which differs considerably from the original resolution suggested for voting, each Board member shall prior to taking minutes of the meeting deliver its opinion on such draft resolution to be expressed through vote. (*The suggestion of the Corporate Governance Committee and Red Hand*)**

- 6.9 Before a resolution is adopted on a matter that has been preliminarily considered by a committee of the Board of Directors, members of the Board of Directors must be given the opportunity to acquaint themselves with the opinions (recommendations) of the relevant committee.
- 6.10 Each member of the Board of Directors has one vote in adopting resolution at sessions of the Board of Directors.

Members of the Board of Directors may not assign their right to vote to any other party, including to another member of the Board of Directors.

If an equal number of votes of members of the Board of Directors is cast for and against a resolution the Chairman of the Board of Directors shall have the decisive vote.

- 6.11 **Minutes shall be kept of every meeting of the Board of Directors.**

**Minutes of the meeting of the Board of Directors shall be taken within 3 days after the date of the meeting held in the presence of the directors (deadline for receipt of written opinions in case of an absentee vote).**

**The minutes shall reflect the following details:**

- **the place and time of the meeting held in the presence of the directors, or, in case of an absentee vote, the place of minutes taking, and the deadline for receipt of written opinions of members of the Board of Directors;**
- **persons present at the meeting (in case of holding the meeting in the presence of the directors);**
- **persons having submitted written opinions on agenda issues;**
- **agenda of the meeting;**

- **draft resolutions on agenda issues put to vote and the vote results;**
- **resolution passed.**
- **special opinions expressed by members of the Board of Directors.**

**The minutes of the Board of Directors shall be**

**signed by meeting Chairman and the Company Corporate Secretary**

**The signed minutes shall within 3 days be sent to all members of the Board of Directors.** *(The suggestion of Lindsell)*

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- **persons present at the meeting (in case of holding the meeting in the presence of the directors);**
- **persons having submitted written opinions on agenda issues;**
- **agenda of the meeting;**
- **draft resolutions on agenda issues put to vote and the vote results;**
- **resolution passed.**
- **special opinions expressed by members of the Board of Directors (in case of any request submitted by a members of the Board of Directors in accordance with sub-clause 3.1.3 hereof).**

**The minutes of the Board of Directors shall be signed by meeting Chairman and the Company Corporate Secretary**

**Copies of the signed minutes shall within 3 days after the signature date be sent to all members of the Board of Directors.** *(The suggestion of Red Hand)*

- 6.12 **If pursuant to the Charter of the Company, a resolution must be adopted by a majority of three quarters of votes or unanimously by all members of the Board of Directors, not counting the votes of former members of the Board of Directors, former members of the Board of Directors shall be deemed those deceased, missing or legally incapable.**

**7. REWARDS OF MEMBERS OF THE BOARD OF DIRECTORS, COMPENSATION OF EXPENSES INCURRED IN PERFORMANCE OF THEIR DUTIES**

**7.1 The Company shall bear expenses connected with the activities of the Board of Directors, including reimbursement of the Board members for all documented expenses incurred in connection with the performance of their duties as Board members.**

**A remuneration shall be calculated and paid to a member of the Company Board of Directors performing his/her duties for a fee for performance of such duties, together with a premium to the remuneration contemplated by clause 7.7 of this Article. *(The suggestion of the Corporate Governance Committee)***

**7.2 A remuneration due to a member of the Board of Directors shall consist of a quarterly and annual remuneration fees. *(The suggestion of the Corporate Governance Committee)***

**7.3 A quarterly fee due to a member of the Board of Directors shall be equal to 200,000 RUR.**

**A remuneration due to Chairman of the Board of Directors shall be increased by the ratio of 1.5.**

**A quarterly fee due to 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 presence of the directors;**

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

**If during a quarter any changes occurred with respect to the personal composition of the Board of Directors and/or the conditions on which Board members performed their duties (for a fee or on a grant basis), the remuneration shall be calculated and paid pro rata to the duration of the period in which the Board member was performing his/her duties for a fee. *(The suggestion of the Corporate Governance Committee)***

**7.4 An annual fee for all members of the Company Board of Directors shall be calculated as a sum of deductions made in accordance with the ratios (percentages) from:**

**- Company EBITDA in accordance with financial statements for the reporting year prepared as per IFRS requirements;**

**- Company net profit as of the end of the reporting year earmarked for payment of dividends.**

**An annual remuneration due to one member of the Board of Directors shall be determined as a value calculated in accordance with the provisions of paragraphs 1 through 3 of this clause divided by the number of persons elected to the Board of Directors.**

**If during the period from the election of Board of Directors by the annual general shareholders' meeting till the next annual general shareholders' meeting any changes to the personal composition of the Board of Directors and/or the conditions on which members of the Board of Directors performed their duties (for a fee or on a grant basis) occurred, the remuneration shall be calculated and paid pro rata to the duration of the period in which Board members performed their duties for a fee.**

**An annual remuneration due to a members of the Board of Directors, calculated in accordance with the provisions of paragraphs 4 and 5 of this clause, shall be reduced by 50% in case of his/her presence at less than Half of all meetings held during the period of his/her performance of the duties as a Board member. *(The suggestion of the Corporate Governance Committee)***

- 7.5 **Ratios (percentages) of deductions for calculation of an annual remuneration amount shall be established by the decision of the annual general shareholders' meeting and shall be applied for the determination of the remuneration amount for persons performing duties of Board members up to the next annual general shareholders' meeting. *(The suggestion of the Corporate Governance Committee)***
- 7.6 Members of the Board of Directors have the right to participate in Company option plans.

## 8. PROCEDURE FOR APPROVING AND INTRODUCING AMENDMENTS TO THE REGULATIONS

- 8.1 These Regulations shall be approved by the General Meeting of Shareholders by a majority of votes of shareholders holding voting shares of the Company.
- 8.2 These Regulations may be supplemented or amended by the General Meeting of Shareholders by a majority of votes of shareholders holding voting shares of the Company.
- 8.3 If individual clauses hereof become inconsistent with the legislation of the Russian Federation or the Charter of the Company pursuant to amendments thereto, these Regulations shall apply in that part not contradicting effective legislation or the Charter of the Company.