

**APPROVED:**  
by the General Shareholder Meeting of  
Sistema-Hals JSC

Minutes # 21  
dated June 29 , 2010

**REGULATION OF  
THE BOARD OF DIRECTORS**

of  
Sistema-Hals JSC

**Moscow, 2010**

## **1. General**

1.1. This Regulation shall define the legal status, procedures for formation and work of the Board of Directors of Open Joint-Stock Company Sistema-Hals (hereinafter referred to as the “Board of Directors”), authority and responsibility of its members.

1.2. The Board of Directors shall be a collective management body and, shall exercise general management of activities of the Open Joint-Stock Company Sistema-Hals (hereinafter referred to as the “Company”) within its authority stipulated by the Federal Law “On Joint-Stock Companies”, the Charter of the Company and this Regulation.

1.3. The main goals of the Board of Directors shall be:

- securing rights and legitimate interests of shareholders;
- forming an efficient organization structure and the management system of the Company;
- defining long-term- and priority aspects of activities of the Company;
- developing and implementing tactical and strategic goals of the Company;
- achieving and preserving the Company’s competitiveness.

1.4. In its activities, the Board of Directors shall be guided by the Federal Law “On Joint-Stock Companies”, other legal regulatory acts of the Russian Federation, the Charter of the Company, resolutions of the General Shareholder Meeting, this Regulation and internal documents of the Company.

1.5. The Board of Directors shall report to the General Shareholder Meeting.

1.6. Resolutions of the Board of Directors shall be obligatory for execution by management bodies of the Company.

1.7. The Company shall, at its expense, insure liability of members of the Board of Directors, in order that, in case action of members of the Board of Directors incurred losses to the Company or to third parties, those losses could be recovered at the expense of the insurance company.

## **2. Authority of the Board of Directors**

2.1. Authority of the Board of Directors shall include issues stipulated by the Charter of the Company currently in effect.

2.2. Issues within authority of the Board of Directors of the Company may not be transferred for consideration to management bodies of the Company.

## **3. Composition of the Board of Directors**

3.1. A quantitative composition of the Board of Directors shall be specified by a decision made by a General Meeting of shareholders.

Only individuals, either they are shareholders of the Company or not, may be elected as members of the Board of Directors.

3.2. In case the number of members of the Board of Directors of the Company is less than half of the number of elected members of the Board of Directors of the Company, the Board of Directors of the Company must resolve on an extraordinary General Shareholder Meeting for election of a new Board of Directors of the Company. The remaining members of the Board of Directors of the Company shall be entitled to resolve only on convention of such extraordinary General Shareholder Meeting.

3.3. The Company shall, within its authority, take relevant measures for securing the necessary number of independent directors in the Board of Directors, in accordance with applicable provisions of corporate conduct.

## **4. Procedures for election and termination of powers of members of the Board of Directors**

4.1. Members of the Board of Directors shall be elected by the General Shareholder Meeting, by cumulative voting, for a term till the next annual General Shareholder Meeting.

In case a new Board of Directors is elected at the extraordinary General Shareholder Meeting, powers of the newly elected Board of Directors shall be effective till the next annual General Shareholder Meeting.

If an annual General Shareholder Meeting is not held within timeframes set by the Charter of the Company then powers of the Board of Directors of the Company shall terminate, except for powers in preparation, convening and conduct of the annual General Shareholder Meeting.

4.2. Members of the Board of Directors shall be elected according to procedures stipulated by the Charter of the Company and the Regulation of the General Shareholder Meeting.

4.3. The person who exercises functions of the single executive body may not be the Chairman of the Board of Directors at the same time.

4.4. When electing members of the Board of Directors, the Company shall provide shareholders with the following information on the candidates:

- family name, first name and patronymic, passport data;
- information on presence/absence of the written consent of the candidate to run for the Board of Directors.

## **5. Rights, obligations and responsibility of members of the Board of Directors**

5.1. A member of the Board of Directors must be loyal in respect of the Company.

5.2. Members of the Board of Directors must:

- provide the Company with information about themselves and about their affiliates, as well as other information, data and documents necessary for the Company in order to fulfill requirements of the current Russian Federation legislation and, to achieve the Company's goals;
- disclose information on ownership of the Company's securities, as well as on sales and/or purchases of the Company's securities, notify the Chairman of the Board of Directors of the Company about his/her intent to make a transaction involving the Company's shares;
- inform the Company on ownership of securities of the Company's subsidiaries and dependent companies which are owned by members of the Board of Directors, on his/her intent to make transactions involving shares of its subsidiaries and dependent companies, as well as on purchases/alienation of such shares.

5.3. Members of the Board of Directors shall refrain from action which would or could result in a conflict between their interests and the Company's interests and, in case of presence or emergence of such conflict – shall disclose information about it to the Board of Directors.

5.4. A member of the Board of Directors shall have the right to:

- become aware of the Company's internal documents, as well as request and obtain, from executives of the Company, any information on the Company's activities;
- obtain explanations on issues of the Company's activities from the Company's executives.

5.5. A member of the Board of Directors shall not have the right to disclose information which comprises, in accordance with internal documents of the Company, commercial secrets.

5.6. Members of the Board of Directors of the Company, when exercising their rights and fulfilling their obligations, must act in the interests of the Company and, exercise their rights and fulfill their obligations in respect to the Company in good faith and reasonably.

5.7. Members of the Board of Directors of the Company shall be responsible to the Company for losses incurred by the Company from their guilty action (inaction), unless other grounds or size of liability are not stipulated by federal laws. Members of the Board of Directors who voted against the resolution which resulted in losses for the Company or, who did not take part in the voting, shall not be responsible.

5.8. When determining grounds and size of responsibility of members of the Board of Directors, ordinary course of business and other circumstances of significance for the matter must be taken into account.

5.9. Responsibility for preservation of documents of meetings of the Board of Directors and General Shareholder Meetings of the Company shall be with the Chairman of the Board of Directors.

## **6. Organization of work of the Board of Directors**

6.1. The Board of Directors shall elect, from among its members and by simple majority, the Chairman of the Board of Directors.

6.2. The Chairman of the Board of Directors shall:

- carry out general organization of activities of the Board of Directors;
- convene meetings of the Board of Directors and, chair at them;
- define the form of the meetings;
- arrange for keeping minutes at the meetings of the Board of Directors;
- chair the General Shareholder Meeting.

6.3. In case of equality of votes when considering issues at a meeting of the Board of Directors, the Chairman of the Board of Directors shall have the deciding vote.

6.4. The Board of Directors shall have the right to reelect, at any time, its Chairman by majority of votes of the total number of members of the Board of Directors.

6.5. For purposes of preliminary preparation and consideration of issues which are brought up to the meeting of the Board of Directors, for purposes of control over fulfillment of the decisions made, the Board of Directors shall have the right to create Committees of the Board of Directors. The list and membership of the created Committees of the Board of Directors shall be defined by the Board of Directors.

Employees of the Company and independent experts may be attracted to work in the Committees.

Committees of the Board of Directors shall carry out their activities based on the Regulation of Committees of the Board of Directors.

6.6. Upon a proposal of the Chairman, the Board of Directors shall appoint the Corporate Secretary of the Company.

6.7. Upon a decision of the Chairman of the Board of Directors, meetings may be held either in presentia or in absentia.

6.8. A meeting of the Board of Directors of the Company shall be convened by the Chairman of the Board of Directors upon his/her own initiative, upon demand of a member of the Board of Directors, the Revision Commission of the Company or, the Company's auditor, as well as executive bodies of the Company.

6.9. When holding a meeting of the Board of Directors upon initiative of a member of the Board of Directors, the Revision Commission, the auditor, the President, the Management Board of the Company, as well as in case an issue is brought up to the agenda upon initiative of the said persons, the initiator shall provide the Chairman of the Board of Directors with a written request including:

- name of the initiator of the meeting or, of bringing the issue up to the agenda of the planned meeting;
- formulation of the issue and, the draft resolution on it;
- substantiation of necessity to consider the said issue;
- necessary materials.

The Chairman of the Board of Directors shall have the right to deny the meeting or, deny inclusion of the suggested issue to the agenda of the meeting in cases where:

- the demand on holding the meeting or bringing an issue up to the agenda is presented by an unauthorized person;
- the issue brought up is not within authority of the Board of Directors;
- the demand on bringing up an issue to the agenda of the planned meeting was received after the agenda of and materials to the forthcoming meeting had been circulated to members of the Board of Directors.

6.10. The meeting of the Board of Directors may not consider issues not included in the agenda specified by the notice of the meeting, except for cases where the resolution to consider an extra issue (extra issues) is made by majority of members of the Board of Directors present at the meeting.

## **7. Procedures for making resolutions**

7.1. Resolutions at the meeting of the Board of Directors of the Company shall be made by majority of votes of those present at the meeting, except for cases envisaged by the current legislation and the Charter of the Company.

Each member of the Board of Directors shall have one vote. Transfer of votes by a member of the Board of Directors to another person, including that to another member of the Board of Directors, shall not be allowed.

7.2. Quorum for holding a meeting of the Board of Directors shall be 50 per cent of elected members of the Board of Directors, except for cases envisaged by legislation.

When determining the quorum and results of voting, written opinions of absent members of the Board of Directors shall be taken into account, which opinions shall be attached to the minutes.

7.3. If unanimity of the Board of Directors of the Company on the issue of making a major transaction has not been achieved then, upon a resolution of the Board of Directors of the Company, the issue of making the major transaction shall be presented for consideration of the General Shareholder Meeting.

7.5. Minutes of the meeting of the Board of Directors shall be kept by the Secretary of the Board of Directors, whose functions shall be performed by the Corporate Secretary of the Company. Minutes of the meeting of the Board of Directors shall be executed no later than 3 (three) days after the meeting. Minutes of the meeting of the Board of Directors shall be signed by the chairperson of the meeting, who shall be responsible for correctness of execution of the Minutes.

## **8. Restrictions of rights of members of the Board of Directors**

8.1. A member of the Board of Directors may not be a member of the Revision Commission at the same time.

8.2. Members of the Board of Directors may not be members of the Counting Commission at the same time.

8.3. Shares of the Company which are owned by newly elected members of the Board of Directors may not take part in the voting when electing the Revision Commission of the Company.

## **9. Remuneration of members of the Board of Directors**

9.1. Upon a resolution of the General Shareholder Meeting, members of the Board of Directors of the Company shall, during the term of execution of their obligations, be remunerated and, the expenses related to their performance of functions of members of the Board of Directors of the Company shall be compensated. Size of and procedures for paying remuneration and compensation to members of the Board of Directors shall be defined by a resolution of the General Shareholder Meeting.