

# Sistema-Hals JSC

**APPROVED:**

by the General Shareholder Meeting of

Sistema-Hals JSC

dated June 29 , 2010

Minutes # 21

REGULATION OF THE MANAGEMENT BOARD  
OF THE OPEN JOINT-STOCK COMPANY SISTEMA-HALS

**I. General**

1.1. The Management Board of the Open Joint-Stock Company Sistema-Hals (hereinafter referred to as the “Management Board” and, the “Company”, respectively) shall be the collective executive body for management of the Company.

1.2. This Regulation shall define procedures for formation, rights, obligations and responsibility of members of the Management Board of the Company, procedures for planning, preparation, convening and conduct of meetings of the Management Board of the Company, procedures for adopting and, rules for execution of resolutions made and, control over their fulfillment, procedures for keeping and providing minutes (excerpts from minutes) of meetings of the Management Board of the Company.

1.3. This Regulation has been drawn up in accordance with the Civil Code of the Russian Federation, the Federal Law “On Joint-Stock Companies”, the Charter of the Company.

1.4. In its activities, the Management Board of the Company shall be guided by the current legislation, the Charter of the Company and, this Regulation.

1.5. The Management Board of the Company shall be subordinate and, shall report to the Board of Directors and the General Shareholder Meeting of the Company.

**II. Composition of and procedures for formation of the Management Board of the Company**

2.1. The Management Board shall be formed by the Board of Directors in the quantity of 5 (five) persons including the President, and for a term of 3 (three) years.

2.2. The Company shall secure, for its shareholders and for all other concerned persons, access to information on membership of the Management Board of the Company, the fraction of the Company’s shares owned by members of the Management Board of the Company, by means of placing this information on the website of the Company.

2.3. The Board of Directors of the Company shall, upon its own initiative and at any time, decide on termination of powers of individual members of the Management Board of the Company or all members of the Management Board of the Company and, on election of new members of the Management Board of the Company.

2.4. Every member of the Management Board of the Company must have higher education, must be a high-quality expert in his/her domain, must have impeccable reputation, must not have any previous convictions in the domain of economy or, crime against the state and morality.

2.5. Combination, by a member of the Management Board, of offices in management bodies of other organizations shall be allowed only upon consent of the Board of Directors of the Company.

2.6. A contract made with each member of the Management Board shall be signed, on behalf of the Company, by the Chairman of the Board of Directors of the Company or, by the person authorized

by the Board of Directors of the Company. Terms and conditions of the contract shall be approved by the Board of Directors of the Company.

**III. Authority of the Management Board of the Company. Rights, obligations and responsibility of members of the Management Board of the Company**

3.1. Authority of the Management Board of the Company shall be defined by the Charter of the Company.

3.2. When exercising their functions, members of the Management Board of the Company shall have the right to:

- freely express their views, vote on all issues of the agenda, demand their special opinion in the writing to be attached to the minutes of the meeting of the Management Board of the Company;
- request and obtain, from units of the Company, documents and information on activities of the Company, on issues relating to authority of the Management Board of the Company;
- submit written proposals to the agenda of meetings of the Management Board of the Company, proposals on formation of the work plan of the Management Board of the Company, request extraordinary meetings.

3.3. Members of the Management Board of the Company must:

- attend meetings of the Management Board of the Company;
- fulfill decisions made by the General Shareholder Meetings, the Board of Directors, the Management Board of the Company; demand compliance with the Charter and inner documents of the Company;
- act in the interests of the Company, implement their rights and execute their obligations in respect of the Company in good faith and reasonably;
- secure confidentiality of information which became accessible to members of the Management Board of the Company in the course of their duties;
- never use inside information for personal purposes, never transfer inside information to third parties, never make transactions using inside information;
- members of the Management Board of the Company must inform the Board of Directors of the Company on the number of securities they own in the Company, its subsidiaries and dependent companies and, on their intent to make transactions involving shares of the Company, its subsidiaries and dependent companies, as well as on facts of purchases/alienation of such shares;
- timely become aware of internal regulatory documents of the Company and, comply with requirements of these documents;
- inform the Company about legal entities in whose respect the member of the Management Board of the Company owns (independently or jointly with its affiliates) 20 per cent of voting stock (shares, stakes) or more, on legal entities in whose management bodies the member of the Management Board of the Company holds offices, as well as on transactions being made or intended to be made, in which the member of the Management Board of the Company may be recognized interested.

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3.4. Members of the Management Board 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 stipulated by federal laws. Members of the Management Board of the Company who had voted against the resolution which resulted in losses for the Company or, who had not taken part in the voting, shall not be responsible.

3.5. Members of the Management Board of the Company shall act within authority defined by the Charter of the Company, internal documents of the Company, resolutions of the General Shareholder Meeting, the Board of Directors and/or, based on the power of attorney of the President of the Company.

3.6. The Company may decide on insurance of professional liability of members of the Management Board of the Company.

**IV. Chairman of the Management Board, secretary of the Management Board of the Company**

4.1. Functions of the chairman of the Management Board of the Company shall be performed by the single executive body of the Company – the President. The President shall organize work of the Management Board of the Company, shall hold meetings of the Management Board of the Company and, shall report to the Board of Directors of the Company on results of work.

4.2. Upon proposal of the President, the Management Board of the Company shall elect the Secretary of the Management Board of the Company. Until election of the Secretary of the Management Board of the Company, its functions shall be performed by the Corporate Secretary of the Company. The Management Board of the Company may at any time terminate powers of the Secretary of the Management Board of the Company and elect a new Secretary of the Management Board of the Company.

The Secretary of the Management Board of the Company shall:

- send to members of the Management Board of the Company the notice on the forthcoming meeting, as well as materials on issues of the agenda;
- arrange organizational and technical preparation of meetings of the Management Board of the Company;
- keep minutes of the meetings, prepare excerpts from the minutes;
- secure preservation of original copies of minutes and materials;
- keep electronic copies of minutes and materials of meetings;
- upon commission of the President – collect information on fulfillment of resolutions of the Management Board of the Company and, report on fulfillment of resolutions made earlier.

**V. Planning of work of the Management Board of the Company**

5.1. Meetings of the Management Board of the Company shall be held as and when necessary.

5.2. Agenda of a meeting of the Management Board of the Company must correspond to authority of the Management Board of the Company. All issues on the agenda must have formulation reflecting the essence of the issue.

5.3. Agenda of meetings of the Management Board of the Company may include both issues proposed for consideration by members of the Management Board of the Company, the President of the Company and those proposed by members of the Board of Directors of the Company.

5.4. Agenda of a meeting of the Management Board of the Company shall be approved by the President of the Company.

5.5. The President of the Company shall resolve on the place and time of the meeting of the Management Board of the Company. Visiting sessions of the Management Board of the Company shall be allowed.

**V. Procedures for meetings of the Management Board of the Company**

6.1. Meetings of the Management Board of the Company shall be held only in praesentia.

6.2. Members of the Management Board of the Company must attend meetings of the Management Board of the Company.

6.3. In case attendance of a member of the Management Board of the Company is impossible, he/she must notify the President of the Company about that in advance.

In that case, the member of the Management Board of the Company shall have the right to present his/her written opinion on issues on the agenda. The written opinions of absent members of the Management Board of the Company on issues of the agenda must be taken into account when determining quorum and results of voting.

6.4. Upon suggestion of the speaker, other persons may be invited to a meeting of the Management Board, for each issue on the agenda.

6.5. Speakers on issues of the agenda and persons invited for participation in consideration of issues of the agenda shall attend the meeting of the Management Board of the Company only during consideration of the respective issue.

6.6. The invited persons shall be admitted to the meeting of the Management Board of the Company according to the list approved by the President of the Company. The list of invited persons shall be recorded by the minutes.

6.7. A meeting of the Management Board of the Company shall be competent for making resolutions (shall have quorum) if at least half of members of the Management Board of the Company attends it. In the absence of quorum, the President of the Company shall set a new date for the meeting of the Management Board of the Company.

6.8. A meeting of the Management Board of the Company shall consider issues included in the approved agenda.

6.9. Upon a decision of the President of the Company, additional issues, not included in the earlier approved agenda, may be considered at a meeting of the Management Board of the Company.

6.10. At a meeting of the Management Board, the President of the Company shall:

- organize work of the Management Board of the Company;
- give the floor for questions, speeches and reports;
- arrange disputes;
- express his/her own point of view on the issue being considered;
- sum up discussion, generalize and formulate the proposals received;
- put to vote draft resolutions of the Management Board of the Company, proposals of members of the Management Board of the Company on the issues being considered at the meeting, arrange voting and counting of votes and, announce results of the voting;
- decide on setting control deadlines for fulfillment of resolutions of the Management Board of the Company;
- arrange the keeping of the minutes and, as and when necessary, audio recording of the meeting, sign the minutes.

6.11. When deciding on issues at a meeting of the Management Board of the Company, each member of the Management Board of the Company shall have one vote. Transfer of votes by a member of the Management Board of the Company to another person, including another member of the Management Board of the Company, shall not be allowed.

6.12. When necessary and upon a decision of the President of the Company, the meeting of the Management Board of the Company or consideration of an issue included in the agenda of the meeting of the Management Board of the Company may be suspended (postponed to a new date).

6.13. A resolution shall be deemed made if it is voted for by more than half of the members of the Management Board of the Company attending the meeting. In case of equality of votes of members of the Management Board of the Company, the vote of the President of the Company shall be decisive.

6.14. Votes shall be counted by the Secretary of the Management Board of the Company.

6.15. Issues shall be discussed at the meeting of the Management Board of the Company in the Russian language.

## **VII. Minutes of the meeting of the Management Board of the Company and other documents**

7.1. The Secretary of the Management Board of the Company shall execute minutes of the meeting of the Management Board of the Company and, shall present them for signature of the President of the Company no later than 3 (three) business days after the meeting.

7.2. Minutes of meetings of the Management Board of the Company shall be executed in the Russian language and in two copies.

7.3. Minutes of the meeting shall specify:

- number of the minutes (numbering on an accrual basis);
- full name of the Company;

- place and time of the meeting;
- persons attending the meeting (members of the Management Board of the Company and invited persons);
- availability of quorum;
- persons who presented their written opinions on issues of the agenda;
- the agenda of the meeting;
- issues considered and, results of voting on them;
- resolutions made, deadlines for their execution and, persons in charge of execution.

7.4. In case written opinions of members of the Management Board of the Company who are absent from the meeting are taken into account when determining quorum and results of voting on issues of the agenda, these written opinions received from members of the Management Board of the Company shall be attached as appendices to the minutes.

7.5. Original copies of minutes of meetings of the Management Board of the Company shall be kept with the Secretary of the Management Board of the Company. Minutes of the Management Board of the Company shall be attached with the materials provided to members of the Management Board of the Company during consideration of the respective issues of the agenda, as well as presentations of reports.

7.6. Shareholders owning more than 25% of stock of the Company, as well as members of the Board of Directors of the Company, members of the Management Board of the Company, the Department of Internal Control and Audit, members of the Revision Commission and the Company's auditor may become aware with Minutes of meetings of the Management Board of the Company, by addressing the Secretary of the Management Board of the Company.

7.7. Upon written request of the persons mentioned by Clause 7.6 of this Regulation, the Secretary of the Management Board of the Company shall make copies of minutes of meetings of the Management Board of the Company and/or, excerpts from such minutes certified by the Secretary of the Management Board of the Company and, and provide them with such copies and/or such excerpts.

7.8. The Secretary of the Management Board of the Company shall keep account of requests received and copies provided and excerpts made from minutes of meetings of the Management Board of the Company in a special log.

### **VIII. Fulfillment of resolutions of the Management Board of the Company**

8.1. Resolutions of the Management Board of the Company shall be obligatory for members of the Management Board and for employees of the Company.

8.2. The President of the Company shall control over fulfillment of resolutions of the Management Board of the Company. Upon commission of the President of the Company, the Secretary of the Management Board of the Company shall collect information on fulfillment of resolutions of the Management Board.

8.3. The Secretary of the Management Board of the Company shall prepare excerpts from minutes of the meeting of the Management Board of the Company and, shall send them to the persons

named by the minutes of the meeting of the Management Board of the Company as those in charge of fulfillment of the resolutions made.

**IX. Procedures for amending the Regulation of the Management Board of the Company**

9.1. Amendments to this Regulation shall be approved by the General Shareholder Meeting of the Company.

9.2. In case provisions of this Regulation conflict with requirements of the current Russian Federation legislation, provisions of the current Russian Federation legislation shall apply. However, this Regulation shall keep its force in part not conflicting with the Russian Federation legislation.