

## Association of Institutional Investors (API)

1st Schemilovsky per. 17, Moscow 127473, Russia – phone no. + 7 (495) 510 5306;  
[polovnev@ipa-moscow.com](mailto:polovnev@ipa-moscow.com); [www.ipa-moscow.com](http://www.ipa-moscow.com)

### API General Meeting voting recommendations

**Company:** Sistema JSFC (AFKS)

**Meeting date:** February 17, 2015

**Record date:** December 29, 2014

### Agenda and API voting recommendations:

#	Agenda item	API voting recommendations
1	Approval of the restated Regulations on the General Shareholders' Meeting of Sistema Joint-Stock Financial Corporation	FOR
2	Approval of the restated Regulations on the Board of Directors of Sistema Joint-Stock Financial Corporation	AGAINST

### Company overview

The Company established in 1993 is one of the largest public holdings worldwide. Sistema JSFC's investment portfolio mainly contains Russian companies operating in various economy sectors including telecommunications, oil and gas, power industry, consumer sector, high technologies, etc.

The Company's shares represented by Global Depositary Receipts (GDRs) are traded on the London Stock Exchange (LSE). The GDRs are on the LSE quotation list under the 'SSA' ticker. One GDR represents 20 common shares. The company's shares are also traded on Moscow Exchange under the 'AFKS' ticker.

Sistema JSFC's authorized capital consists of 9,650,000,000 common shares with a face value of RUB 0.09 each.

## In-depth review of the agenda

### Item 1: Approval of the restated Regulations on the General Shareholders' Meeting of Sistema Joint-Stock Financial Corporation

#	Draft shareholder resolution	API voting recommendations
1	Approve the restated Regulations on the General Shareholders' Meeting of Sistema Joint-Stock Financial Corporation	FOR

The proposed restated Regulations on the General Shareholders' Meeting of Sistema Joint-Stock Financial Corporation do not contain any provisions or innovations impairing the positions or affecting the rights of shareholders. The document contains provisions referring to the Regulations on the Board of Directors of Sistema Joint-Stock Financial Corporation.

API therefore recommends that the shareholders vote FOR the approval of the restated Regulations.

### Item 2: Approval of the restated Regulations on the Board of Directors of Sistema Joint-Stock Financial Corporation

#	Draft shareholder resolution	API voting recommendations
2	Approve the restated Regulations on the Board of Directors of Sistema Joint-Stock Financial Corporation	AGAINST

The proposed restated Regulations on the Board of Directors of Sistema Joint-Stock Financial Corporation contain a number of innovations expanding the list of information on candidates to the Company's Board of Directors provided to the Company, changing candidate requirements and obliging the candidate and the Company shareholders nominating the candidate to act in a way not provided for by the laws of the Russian Federation.

In particular, item 2.6.10 is proposed to include the following sub-items:

(10) formal decision of the legal entity's governance body to nominate the candidate, in case the shareholder is a legal entity;

(11) appraisal of the candidate nominated for election to the Company's Board of Directors by the shareholder(s) nominating such a candidate;

(12) appraisal of the candidate nominated for election to the Company's Board of Directors prepared by the Board of Directors Committee authorized to carry out preliminary review of the nominees for election to the Company's Board of Directors.

For the purpose of sub-item (12), the shareholders nominating candidates to the Company's Board of Directors are obliged to submit a Questionnaire signed by the candidate to the Company within 65 days following the termination of the fiscal year and to make sure the candidate is interviewed by members of the said Committee.

According to item 2.6.11 of the Regulation the shareholders' failure to provide to the Company any part of information on the candidates nominated for election to the Company's Board of Directors may constitute a ground for the Company to decline the candidates. The absence of formal candidate appraisal criteria for the Board of Directors Committee enables the Company to decline unwanted candidates after an interview.

API believes that the innovations proposed by the Company aim to hamper, to the greatest extent possible, the nomination of candidates independent of the Company to the Board of Directors of Sistema JSFC, to prevent registration of unwanted candidates on the list of nominees for voting at the general shareholders' meeting, hence impairing the positions of minority shareholders and infringing upon their rights.

API therefore recommends that the shareholders vote AGAINST the approval of the restated Regulations on the Board of Directors of Sistema Joint-Stock Financial Corporation.

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For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: [polovnev@ipa-moscow.com](mailto:polovnev@ipa-moscow.com)