



Approved
by the Board of Directors
of OJSC Rostelecom

Minutes No. 07
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CODE OF ETHICS OF OJSC ROSTELECOM

I. INTRODUCTION

The Code of Ethics of OJSC Rostelecom (hereinafter referred to as the “Code” or “Code of Ethics”) sets forth the high standards of business conduct to be followed by all employees, officers, executives, members of the Board of Directors, the Management Board and the Audit Commission of OJSC Rostelecom.

The Code of Ethics is underpinned by Rostelecom corporate business values: expertise, responsibility, innovativeness, transparency and continuity.

Provisions of the Code supplement Rostelecom Charter as well as current corporate Regulations on the Board of Directors, Regulations on the Audit Commission, Regulations on the Management Board and Regulations on President, which establish the rights and responsibilities of members of the Board of Directors, the Audit Commission, the Management Board and President respectively.

The Company has also approved and adopted Internal Regulations governing, among other things, the principal rights, duties and liabilities of the parties to employment agreements and incentives and reprimands applicable to the Company’s Officers and Employees. For the purpose of implementation of the Code provisions the Company is guided by the internal documents and requirements of law.

Provisions of this Code have been prepared on the basis of the Civil and Labor Codes, the Federal Law “On Joint Stock Companies”, the Federal Law “On Combatting Corruption”, the Federal Law “On Preventing Abuse of Insider Information and Market Manipulation”, Rostelecom Charter, Rostelecom Corporate Governance Code and other internal documents of the Company, recommendations of the OECD Principles of Corporate Governance, recommendations of the Corporate Governance Code developed by the Bank of Russia, and requirements of foreign and Russian stock exchanges (the “Applicable Regulations”). Failure to comply with the Code terms can result in disciplinary liability pursuant to the Applicable Regulations.

Alongside the formal norms set forth in the Applicable Regulations this Code of Ethics establishes business conduct and ethics standards for the employees.

This Code of Ethics is primarily based on the assumption that the employees will comply with all applicable laws, rules and regulations.

II. TERMS AND DEFINITIONS

The following terms are used in this Code of Ethics:

- “*Officers*” shall be used with respect to the Company’s President, members of the Management Board, Vice Presidents, who are not members of the Management Board, Chief Accountant, Heads of branches and the Company representative offices, persons acting for them.
- “*Workers*” shall be used with respect to full-time employees, part-time employees, and persons temporarily engaged by the Company, etc. for the entire period of employment.
- “*Employees*” shall be used collectively with respect to Officers, Employees, members of the Management Board and Audit Commission.
- “*Subsidiary*” shall be defined as an entity controlled by OJSC Rostelecom and included in Rostelecom consolidated financial statements in accordance with International Accounting Standards (IAS 27).

- “*Confidential Information*” shall mean information having an actual or potential commercial value due to the fact that it is unknown to third parties for absence of legal access to it and due to measures undertaken by the holder of such information to protect its confidentiality.
- “*Insider Information*” shall mean accurate and specific non-public information (e.g., information which is a business or official secret or any secret protected by the law) the disclosure or provision of which can materially affect the value of the Company's securities which is included in the relevant list of the Company's insider information.
- “*Conflict of Interest*” shall mean a situation where the personal interests of one or more employees or their Immediate Family Members clash with the interests of the Company.
- “*Corruption*” shall mean inappropriate or illegal use of one's own position to obtain benefit for oneself or third parties, or illegal provision of such benefit to another person including actions taken on behalf or to the benefit of a legal entity.
- “*Money laundering*” shall mean giving a veneer of legality to ownership, use or disposition of cash assets or any other property received through committing a crime.
- “*Immediate Family Member*” shall mean (i) spouse, (ii) parents, including adoptive parents, (iii) children, including adoptive children, (iv) brother/sister, (v) mother/father-in-law, (vi) son (brother)-in-law/daughter (sister)-in-law, and (vii) anyone living together with the employee.
- “*Sponsorship*” shall mean provision or ensuring provision of funds for arrangement and (or) carrying out a sport, culture or any other event, making and (or) broadcasting TV or radio programs or making and/or using any other result of creative content.
- “*Supplier*” shall mean a party that provides goods, works, services for the Company including contractors and service providers who will provide services and perform works for the Company.
- “*Intellectual property*” shall mean works of science, literature and pieces of art; computer programs; databases; performances; sound records; transmission by air or cable of radio or TV programs (over-the-air or cable broadcasting); inventions; utility models; industrial samples; selection achievements; IC layout designs; production secrets (know-how); commercial names; trade and service marks; appellations of origin; trade names.

III. BASIC ETHICAL PRINCIPLES

The Company image depends on the conduct of each employee.

Violation of laws or improper conduct of any of its employees can materially damage the image and financial position of the Company.

All Company employees shall care for establishing, maintaining and promotion of the Company's goodwill regardless of their title, responsibilities and region of activities.

The employees shall undertake to act honestly and abide in their operation by the following principles underlying the Company's Code of Ethics:

- *lawfulness* – full compliance with the requirements of all applicable laws, rules and regulations;
- *due care* – compliance with high standards of business ethics and facilitation to resolution of any overt and covert Conflict of Interest arising out of mutual impact of personal and professional activities. Ensuring protection, and sound, proper and fair use of the Company assets.
- *transparency* – prompt and full disclosure within one's capacity of information to be submitted to Russian and foreign government and regulatory authorities, stock exchanges, shareholders, investors and other stakeholders;

- *confidentiality* – compliance with requirements of the Company's internal documents with respect to safekeeping and use of the Confidential Information obtained in the course of performance of official duties;
- *involvement* – timely reporting to the Company of any instances of violation of this Code and contributing to promotion of the Company's goodwill.

The Company may conduct its business globally including countries where applicable laws, rules, regulations, customs and social requirements may differ from those applicable in Russia. It is the Company's policy to abide by the national and local laws. The fact that certain standards of legal conduct are prohibited by law, but these prohibitions are not enforced in practice, or their violation is not subject to public criticism or censure, will not excuse any illegal action by an employee. In the event of any conflict between provisions of applicable law and this Code, or any situation where an employee is in doubt about the proper course of conduct, it is incumbent upon such person to immediately contact the Asset Protection Department or the Audit Commission of the Board of Directors.

IV. CONFLICT OF INTEREST

The employees shall use their best efforts to avoid situations which lead or may potentially lead to a Conflict of Interest. Such situations may arise in relations with business partners and customers of the Company, including suppliers, and governmental agencies.

None of the employees or their Immediate Family Members may have a personal interest in any business partner of the Company. This rule shall apply with respect to any type of expected benefit from the Company's business partners, including participation in capital and direct or indirect personal interest in a transaction involving the Company.

No employees may engage in any outside activity that materially detracts from or interferes with the performance by such person of his or her duties in the Company.

All actual and potential Conflicts of Interests arising from material transactions or business relationships must be promptly reported using one of the ways practiced by the Company – to the Audit Commission of the Board of Directors of OJSC Rostelecom, to the Asset Protection Department or to the e-mail of the “Compliance with the Code of Ethics Hotline” at ethics@rostelecom.ru.

Before giving consent to take up a position in governing bodies of other entities the President and members of the Management Board shall notify of their intention the Board of Directors of Rostelecom reasonably in advance to avoid a conflict of interest.

The employees shall be entitled to engage in any political, educational and public activities provided that such activity shall not interfere with performance by them of their direct job duties and shall not contradict or damage the Company interests.

V. ABUSE OF OFFICE, GIVING AND ACCEPTING GIFTS

The employees are not allowed to use their positions in the Company to gain personal benefits, which include:

- accepting any gifts, remunerations or other benefits for oneself or other persons in exchange for any service or action of the Company, or disclosure of any Confidential or Insider information;
- accepting any gifts, remuneration or other benefits for oneself or other persons in the course of performance by the Company' of its commercial activities both prior to or after negotiating a transaction or agreement;
- accepting any gifts, remuneration or other benefits for oneself or other persons in the course of performance of one's official duties on the grounds different from the ones stipulated in the internal documents, decisions of the General Shareholders' Meetings or employment agreements;

- accepting any services, including loans and borrowings, from persons directly or indirectly associated with the Company, except for lending institutions or service providers offering loans or similar services to third parties under similar terms in the course of their routine business activities.

The offered or accepted gifts or entertainment shall not be intended to influence the fairness of a decision. A gift or entertainment shall not be perceived as an inducement of any action to be carried out by the accepting person.

Acceptance or offer of gifts in a monetary form is unacceptable.

No gifts, hospitality or entertainment can be accepted or offered if accepting or offering such a gift will put the accepting person under obligation.

Employees shall report any cases of offering or accepting gifts, where appropriateness of such gifts is doubtful, using one of the ways practiced in the Company: to the Audit Commission of the Board of Directors, to the Department of Asset Protection or to the e-mail address of the "Compliance with the Code of Ethics Hotline" at ethics@rostelecom.ru.

VI. CONFIDENTIAL AND INSIDER INFORMATION

Employees who have access to the Confidential or Insider Information (whether or not made available to them by the Company) shall only use it in connection with the performance of their official duties. The employees shall not permit Confidential Information to be disclosed to third parties, including immediate Family Members or the Company's employees other than in cases where such disclosure is authorized by law or the Company's internal documents.

The obligation to protect Confidential Information continues after the end of employment or service.

Making transactions with the Company's shares and securities the employees must comply with the terms of Regulations governing access to Insider information, rules for protection of its confidentiality and supervising compliance with requirements of the law pertaining to Insider information of OJSC Rostelecom and Regulations governing transactions with Rostelecom securities.

The procedure of making transactions (including recommendations on transactions made to third parties) with Rostelecom securities and its subsidiaries by employees who have access to Confidential or Insider information shall be governed by Regulations governing transactions with Rostelecom securities approved by the Board of Directors of the Company, and Regulations on access to Insider information, rules for protection of its confidentiality and supervising compliance with requirements of the law pertaining to Insider information of OJSC Rostelecom.

VII. ANTI-CORRUPTION MEASURES AND IMPROPER PAYMENTS PREVENTION

The Company develops and implements measures aimed at prevention of corruption, including:

- appointment of units or employees responsible for prevention of corruption or other offences;
- cooperation with law enforcement agencies;
- elaboration and practical application of standards and procedures aimed at dedicated work;
- adoption of the Company's Code of Ethics and the Corporate Conduct Code for the Company's employees;
- making the employees aware of the contents of the Company's Code of Ethics and the Corporate Conduct Code;
- prevention and settlement of conflicts of interest;
- prohibition of any unofficial accounting and using forged documents.

The employees are not allowed to make any "improper payments", i.e. payments in any form (monetary funds, commissions, gift vouchers, services, discounts, loans) for the purpose of receiving benefits, settlement of any issues, performance of administrative procedures (including expedited resolution, facilitation) if such procedures are not contemplated by the law.

Any offer of an improper payment, request to make such payment, a guarantee or consent to accept an improper payment are likewise prohibited.

VIII. PREVENTION OF FRAUD, MONEY LAUNDERING AND FINANCING TERRORISM

Any fraud is unacceptable in the Company. The Company shall undertake steps to prevent and detect fraud activities. Compliance with the Code is one of the ways of fraud prevention.

OJSC Rostelecom reserves the right to report to law enforcement agencies any cases of fraud of which the Company becomes aware.

The Company abides by all requirements of law related to prevention of money laundering and financing of terrorism. The Company shall undertake adequate measures available under the circumstances regarding management of risks connected with money laundering and financing of terrorism.

IX. RELATIONS WITH COLLEAGUES, BUSINESS PARTNERS AND COMPETITORS

The employees shall treat with respect colleagues as well as all representatives of the Company's customers and business partners, regardless of their age, any disabilities, gender, nationality, ethnic background, race, religion or sexual affiliation or any other factors irrelevant to business interests of the Company.

The employees in their relations with colleagues, customers and business partners shall refrain from any kind of manipulation, hiding or misrepresentation of information, abuse of official position or other improper ways of conducting business.

The Company adheres to the principle of fair and open competition. All employees shall follow the rules of fair competition and comply with the applicable antimonopoly law.

Any illegal receipt of competitive information by employees as well as dissemination of false information about competitors and their activities are prohibited.

X. PROCUREMENT PRACTICES AND RELATIONS WITH SUPPLIERS

The Company expects that Suppliers share the Company's ethical principles and that their activities comply with applicable law. The Company seeks to work only with those suppliers that adhere to the principles of legality, do not accept corruption, respect human rights and care for protection of labor safety and health of the employees.

In its procurement management practice the Company is guided by the following principles:

- transparency of information about procurements;
- equal, fair, non-discriminative and unrestricted competition among procurement participants;
- appropriate and cost effective spending of funds allocated for purchases of goods, works and services and taking steps aimed at saving customer costs;
- no restrictions in admittance to participation in procurements by means of setting unreasonably strict requirements to procurement participants.

All employees shall exercise maximum transparency and fairness in the course of procurement arrangements and execution.

All employees shall pay particular attention to compliance with the Federal law "On Procurement of Goods, Works and Services by Certain Legal Business Entities", the Federal law "On the Contract System in the Sphere of Procurement of Goods, Works, Services for State and Municipal Needs" and other laws and regulations and the Company's internal documents governing public procurement practices.

XI. DONATIONS TO POLITICAL ACTIVITIES, CHARITY AND SPONSORSHIP

The Company does not offer donations to political activities.

The Company realizes its responsibility to society and supports charity and public initiatives. The Company approves of private participation of its employees in private and public initiatives provided that such activities are not in conflict with the Company's values, do not violate provisions of applicable law and this Code and do not result in a conflict of interests.

The Company does not make any donations that may damage the Company's image, including any donations to for-profit organizations. All donations shall be made in compliance with the Regulations on, donations and charity activities of Rostelecom.

The employees are not allowed to offer their own donations to be made on behalf of the Company.

All donations shall be open and transparent, the goal of the use of donation shall be clear. Any donation shall comply with the law and be properly recorded.

All sponsor's contributions shall have documentary evidence and be transparent. Sponsor's donations shall be made solely for lawful purposes and based on a written agreement. The amount of sponsor's contributions shall be sized as appropriate to the sponsored event.

It is not allowed to make donations to gain improper competitive advantages.

XII. ENVIRONMENTAL PROTECTION AND LABOR SAFETY

The Company shall contribute to the protection and sustainable development of the environment. The Company shall support the efforts of the Russian and international public in this respect.

As the Company participates in various projects, it shall not ignore or evade compliance with applicable environmental protection laws.

The Company shall not allow any restrictions in labor rights and freedoms or gaining any advantages from one's gender, race, skin color, ethnic background, spoken language, origin, property, marital, social status or job title, age, residency, religion, views, affiliation to any public organizations or social groups as well as from any other factors not related to business qualities of an employee.

The Company shall comply with all legal requirements with regard to labor safety. The Company shall elaborate and implement a set of measures aimed at protection of labor including guarantee of labor safety, training of employees and supervisory measures.

XIII. PROTECTION AND USE OF COMPANY'S ASSETS

The employees shall ensure protection, safekeeping and appropriate and fair use of Company's assets, both tangible and intangible.

The employees shall use their best efforts to prevent any negligent, illegal or ineffective use of the Company's assets. The use of the Company's assets for personal gains is unacceptable.

The Company's intellectual property is one of its key assets. Disclosure of information designated for internal use to any third party can damage the Company's assets.

The employees shall respect the legal rights and interests of third parties and shall not allow any illegal use of third parties' intellectual property in their work.

XIV. INFORMATION DISCLOSURE AND EXTERNAL COMMUNICATIONS

The employees shall do their utmost to ensure full and timely disclosure of information to Russian and foreign governmental and regulatory authorities, shareholders, investors and other stakeholders. Such disclosure must comply with all applicable legal and stock exchange requirements and shall be free of any material misstatements or omissions. This policy applies to all public disclosures of material information about the Company.

Particular attention shall be accorded to disclosure of information on the Company's financial position, and the following principles shall be adhered to in order to prepare such information:

- keeping of the Company's financial and accounting documents and records and preparation of the Company's reports and statements in conformance with applicable law;
- compliance with the requirements of applicable accounting standards and standards of the Company's internal control system in preparation of the Company accounts and financial statements;

- making accurate and complete records as required in the Company's financial and accounting documentation of events and completed financial transactions, as well as of all necessary additional information;
- fair recording of all the Company's assets, liabilities, profits and losses in the Company's financial and accounting documentation;
- no knowingly made misstatements and deliberate misrepresentations in the Company's financial and accounting documentation;
- recording of all transactions by way of making relevant entries in the designated accounts specifying necessary details and for relevant accounting periods; and
- efficient interaction with the Company's Audit Commission, the Audit Committee of the Board of Directors and independent auditor.

Disclosure of information shall be made by authorized personnel only within the timelines and in the manner stipulated by law and the Company's internal documents.

All employees shall comply with rules established in the Company for liaisons with mass media.

It is not allowed to discuss with representatives of mass media any matters related to the Company's activities or make any public statements about the Company's activities. Such actions are only allowed if they are stipulated by the duty regulations or agreed in compliance with the Company's internal documents.

Rules of liaisons between the Company's employees and mass media are governed by Regulations of Rostelecom on principles of cooperation with mass media.

XV. COMPLIANCE WITH THE CODE OF ETHICS AND VIOLATIONS REPORTING

Every employee shall comply with this Code of Ethics and shall report any instances of actual or potential breach of the requirements of this Code, applicable laws, rules and regulations of which he or she is aware. The sooner such report is made, the more potential risks it will be possible to avoid.

There are several ways of reporting any breaches of this Code of Ethics:

- contacting the Company's Asset Protection Department;
- making a report to the Audit Committee of the Company's Board of Directors;
- sending an e-mail to the Compliance with the Code of Ethics Hotline at ethics@rostelecom.ru.

The employees are able to make reports about their suspicions with regard to breaches of the Code of Ethics anonymously without providing their personal data. However if an employee specifies his/her name, the Company will be able to cooperate with him in conducting investigation and give feedback based on the results of the investigation.

The Company warrants that an employee's personal data as well as the information provided will be used confidentially solely for the purpose of conducting the investigation and only by the persons who are directly involved in the investigation.

The Company undertakes not to allow any retaliation measures against any person who acts in good faith in reporting any such breach. Any persecution or putting pressure on employees who have reported violations of the Code or take part in investigating such violations is prohibited.

All reports of breaches (actual or potential) shall be promptly investigated and, if the information turns out to be true, corrective actions shall be taken. If required by law, such reports shall be immediately forwarded to proper governmental agencies.

The employees shall not evade from working together with the Company in the course of performing investigations. Willful provision of false or misleading information is unacceptable.

Employees that breach applicable laws, rules, provisions of this Code may face appropriate, case specific disciplinary action in accordance with the Relevant Regulations and shall be made liable pursuant to Applicable Regulations. Members of the Board of Directors and the Audit Commission can be made liable through judicial proceedings.

Any questions with respect to compliance with this Code can be addressed by any employee to his or her immediate manager or one of the Company's Asset Protection Department staff.

XVI. FINAL PROVISIONS

The Code of Ethics of OJSC Rostelecom shall be approved and adopted by the Board of Directors of the Company.

At any time, with or without notice, the Board of Directors of the Company may make amendments and additions to this Code based on the interests of the Company, its shareholders, investors and other stakeholders.