

APPROVED  
Audit Committee  
of the MTS OJSC Board of Directors  
February 20, 2015

**POLICY**

**on accepting and processing the complaints regarding accounting procedures,  
internal control over preparation of financial statements and audit issues**

## **1. PURPOSE AND OBJECTIVES OF DOCUMENT**

The Audit Committee of the Board of Directors of Mobile TeleSystems Open Joint Stock Company (hereinafter «the Company») has established the following Policy in accordance with Rule 10A-3 (b) (3) of the Securities Exchange Act of 1934 (introducing section 301 of the Sarbanes-Oxley Act of 2002) as to (i) accepting, storing and processing of complaints regarding accounting, internal controls and audit matters and (ii) confidential anonymous submission by employees of reports on doubtful aspects of accounting and audit.

Any complaints of employees or other persons regarding accounting matters, internal controls and audit matters (hereinafter «Complaints») shall be considered by the Company according to the following procedures under the supervision of the Audit Committee.

The Company and its management shall comply with all the existing laws and regulations on securities, accounting standards and regulations on internal control over accounting procedures. Any employee of the Company who will submit with good intent a Complaint about accounting procedures shall have no fear of dismissal or persecution.

## **2. CONTENTS OF COMPLAINTS**

The provisions of the Policy shall apply to Complaints (or Complaints regarding suspected violations) in the following areas:

- Significant breaches of requirements with regards to accounting procedures, auditing and internal controls (including inaccurate accounting records that affect the reliability of the reporting of transactions on disposal of the property of the Company and its subsidiaries);
- Cases of falsification of financial and accounting statements where the Company or its subsidiaries are involved;
- Any type of fraud or intentional error in financial or accounting records of the Company, as well as intentional misuse of the generally accepted accounting principles;
- Any distortion of facts or misstatement made to or by a representative of the Company's top management or the Company's accountant related to financial records, financial statements or audit reports of the Company;
- Cases of non-compliance of legislation (including anti-corruption legislation);
- Cases of non-compliance of the Company's Code of Business Conduct and Ethics or other illegal actions.

## **3. SUBMISSION OF COMPLAINTS**

Employees can submit Complaints to:

- their line manager or higher level managers;

- Company's Internal Control and Audit Director (hereinafter «IC&A Director») authorized by the Audit Committee to accept, store and process Complaints addressed to his/her name or to the confidential e-mail (contacts of the Company's IC&A Director are noted in the section 8 of this Policy);
- Company's Audit Committee Chairman (contacts of the Company's Audit Committee Chairman are noted in the section 8 of this Policy).

If a sender wishes to remain anonymous, he/she should take measures to protect his/her anonymity. In compliance with the requirements of the Sarbanes-Oxley Act of 2002, the Company and the Audit Committee shall guarantee that all reasonable endeavors will be used to protect the sender's anonymity and they will not try to breach the sender's anonymity except as otherwise required by law.

Any person who is not the Company's employee can submit a Complaint directly to the Audit Committee Chairman or the IC&A Director.

A Complaint shall contain specific information that would contribute to fair assessment. Moreover, all complaints shall contain sufficient proofs for justifying the initiation of an investigation.

The Audit Committee or the responsible persons appointed for the processing of Complaints, based on the initial audit results, reserve the right to disregard Complaints beyond the Policy terms of reference as well as treat in the legally provided manner Complaints and information submitted to clearly unfair and illegal intentions.

#### **4. PROCESSING OF COMPLAINTS**

Upon accept of a Complaint the Audit Committee or responsible persons appointed for the processing of Complaints shall determine a degree of relevance and reliability of the Complaint and, where practical, acknowledge receipt of the Complaint to the sender.

Unless the Complaint has been submitted directly to the Audit Committee Chairman, the Chairman shall be immediately informed of any Complaints, which:

- are related or allegedly related to a significant fraud or other types of illegal activities which may affect the Company's ability to run business;
- are related or allegedly related to a material or widely distributed information about internal control deficiencies or inefficiency of a material process;
- allegedly may cause material damage to the Company's reputation in case of disclosure of facts or may result in significant deviations from public reporting of the Company, or allegedly may require introduction of amendments or preparation of updated public reporting of the Company.

A detailed procedure for dealing with Complaints, responsible persons and Complaints checking procedure, as well as the reporting procedure are determined by the relevant regulations of the Company (RP-319 Processing of complaints of the MTS Group companies Unified Hotline).

The Audit Committee shall be authorised to engage external legal advisers or accounting experts in any investigation, if it deems necessary to conduct investigation in accordance with the Policy on the Audit Committee of the Company.

The Audit Committee shall ensure that immediate and relevant corrective measures are taken by the Company based on the Audit Committee's decision including informing relevant regulatory bodies on Complaints where appropriate.

## **5. CONFIDENTIALITY AND PROHIBITION ON PERSECUTION**

Confidentiality should be observed to the maximum possible extent taking into account the need to conduct an adequate inspection. To avoid conflict of interests, the identity of a reporting person, if the Complaint is not anonymous, shall be known only to persons whose decisions are not related to the subject of the Complaint.

The Company shall not dismiss, demote, suspend, threaten, persecute or in any other way affect any employee or discriminate against him/her for legal acts related to the Complaint about accounting and reporting, submitted by him/her with good intent, or for other actions specified in Section 806 of Sarbanes-Oxley Act of 2002.

## **6. POLICY MANAGEMENT**

The Audit Committee shall be responsible for the amending and improving this Policy including any necessary and sufficient document updates.

In addition to the provisions provided herein the Company's management can set other additional procedures of acceptance, storage and processing Complaints on the matters related to internal control, ethics, compliance, and other areas. However these additional procedures shall not contradict the provisions of this Policy or modify them as a result of application of such additional procedures.

## **7. COMPLIANCE WITH THIS POLICY**

The Company shall provide a copy of this Policy to all employees immediately after the approval of the document and provide a copy of the document to new employees on the day when they are employed. Moreover, the current version of this Policy shall be available on the corporate site (portal) of the Company.

All employees shall perform the procedures described in this document, cooperate in case of any investigation initiated according to this Policy. The Company shall be able to investigate and remedy any alleged breaches of this Policy or respond to proposals and information from employees, and each employee shall be confident that the Company is capable to perform such an investigation.

## **8. CONTACT PERSONS**

Audit Committee Chairman

Thomas Holtrop

e-mail: [t.holtrop@t-online.de](mailto:t.holtrop@t-online.de)

Internal Control and Audit Director, Corporate Center, MTS OJSC

Mamonov Maxim Aleksandrovich

e-mail: [mamonov@mts.ru](mailto:mamonov@mts.ru)

Postal address: 5/2 Vorontsovskaya Street, Moscow

Internal Control and Audit Hotline: [control&audit@mts.ru](mailto:control&audit@mts.ru)

---