

APPROVED
by the Board of Directors of
IDGC of North-West
as of August 22, 2008
Minutes No.35/3

CORPORATE GOVERNANCE CODE
of
«INTERREGIONAL DISTRIBUTION GRID COMPANY OF NORTH-WEST»,
JOINT STOCK COMPANY
(revised version)

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2008]

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1. Introduction

The goals of the present Corporate Governance Code (hereinafter referred to as the Code) are the improvement and systematization of the corporate governance of «Interregional Distribution Grid Company of North-West», Joint Stock Company (hereinafter referred to as IDGC of North-West, the Company), provision of greater transparency of the Company's governance and confirmation of the permanent readiness of the Company to follow proper corporate governance standards. In particular:

- the Company shall be governed at a proper level of responsibility and accountability so that the shareholder value is maximized;
- the Board of Directors and executive bodies shall work efficiently, for the benefit of the Company and its shareholders and create the conditions for the sustainable growth of shareholder value;
- proper information disclosure, transparency of decisions taking and efficient operation of risk management and internal control systems shall be secured.

Adopting, regularly improving and rigorously adhering to the provisions of this Code, the Charter of the Company and other internal documents the Company confirms its intent to contribute to the development and improvement of proper corporate governance practices.

To further strengthen the confidence on the part of shareholders, employees, investors and the public the Company in preparing this Code went beyond the Russian legislative norms and included in the Code additional provisions based on generally accepted Russian and international corporate governance standards, in particular, the Corporate governance principles of Organization for Economic Cooperation and Development.

The Company shall assume the obligations provided for by this Code and undertakes to meet the norms and principles established herein.

2. Information about the Company

«Interregional Distribution Grid Company of North-West», Joint Stock Company was established within the framework of reforming of the Russian power sector and registered on December 23, 2004 in the Unified State Register of Legal Entities of St. Petersburg Interdistrict inspectorate of Ministry for Taxes and Levies of the Russian Federation No. 15.

On December 2007, they took the decision concerning the reorganization of the Company in the form of the following companies merging to it: JSC «Arkhenergo», JSC «Vologdaenergo», JSC «AEK Komienergo», JSC «Karelenergo», JSC «Kolenergo», JSC «Novgorodenergo», JSC «Pskovenergo»– distribution grid companies being in the configuration of IDGC of North-West, and from April 1, 2008 IDGC of North-West has been functioning as the united operation company.

IDGC of North-West is the power company whose shareholders are both Russian and foreign legal and physical bodies.

Strategic goals of IDGC of North-West creation is the forming of the reliable and productive distribution grid complex which is capable to present the high quality service concerning the electric power transition, creation of price for shareholders and increase of the

investment attractiveness of the company and ensuring of the high level of the corporate ethics in relations both inside the Company and between the participants of the market.

Recognizing such a responsibility and the importance of the corporate governance high level for the Company's successful business and the achievement of mutual understanding between the parties interested in the Company's activity, the Company takes the obligation to go on its activity taking into consideration the abovementioned principles and take reasonable measures for their implementation in its everyday activity.

3. PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE IN THE COMPANY

3.1. Definition and Principles

By corporate governance the Company implies a set of processes ensuring corporate governance and control of its activity and including relations among the shareholders, the Board of Directors and executive bodies of the Company for the benefit of its shareholders. The Company views corporate governance as a means of efficiency improving of the activity of the Company, strengthening its reputation and reducing costs associated with capital raising by the Company.

This Code, in accordance with which corporate governance shall be carried out in the Company, shall be based on the Russian Federation law, the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r as of April 4, 2002 (hereinafter referred to as the FCSM Code) and internationally accepted corporate governance principles such as the OECD (Organization for Economic Cooperation and Development) Principles of Corporate Governance.

Corporate governance in the Company shall be based on the following principles:

- **Accountability.** The Code shall stipulate the accountability of the Board of Directors and Management of the Company to all shareholders in accordance with the applicable law and shall serve as a guide for the Board of Directors in developing the strategy, managing and exercising control of the activity of the executive bodies of the Company.
- **Fairness.** The Company undertakes to protect the rights of its shareholders and ensure the equal treatment of all shareholders. The Board of Directors shall provide to all shareholders an opportunity to receive effective protection in case of violation of their rights.
- **Transparency.** The Company shall ensure the timely disclosure of reliable information about all material facts concerning its activities, including its financial condition, social and environmental indicators, performance, ownership structure and governance of the Company and provide free access to such information for all interested parties.
- **Responsibility.** The Company shall recognize the rights of all interested parties provided for by the applicable law and seek to cooperate with such parties for the purposes of its development and ensuring financial sustainability.

3.2. Internal Documents.

This code shall present a set of principles regulating the corporate governance in the Company. Specific structures, procedures and practices of corporate governance shall be regulated by the Charter and internal documents of the Company, in particular:

- Regulation on the order of preparation and holding of the General meeting of shareholders of IDGC of North-West;
- Regulation on the order of convening and holding of the meeting of the Board of Directors of IDGC of North-West;
- Regulation on the Management Board of IDGC of North-West;
- Regulation on Audit Committee of IDGC of North-West.

The above-listed internal documents of the Company are prepared in accordance with the law and with due account for the principal provisions of the Corporate Governance Code of FCSM. All documents listed above can be found on the website of the Company at <http://www.mrsksevzap.ru>.

3.3. Overall Structure of Corporate Governance

The system of management bodies of the Company shall include:

General Meeting of Shareholders, a supreme management body of the Company through which the shareholders shall exercise their right to participate in Company's management;

Board of Directors, a management body responsible for the development of the Company's strategy, the overall management of its activity and control of the activity of executive bodies. The Board of Directors of the Company may also establish committees under the Board of Directors.

Committees under the Board of Directors, advisory bodies under the Board of Directors of the Company established for the prior consideration of critical issues falling within the jurisdiction of the Board of Directors.

General Director and Management Board are management bodies, governing the current activity of the Company and implementing the strategy defined by the Board of Directors and shareholders of the Company.

Audit Committee, a body exercising control over the financial and economic activities of the Company, reporting directly to the General Meeting of Shareholders of the Company.

4. CORPORATE GOVERNANCE PRACTICES IMPLEMENTED BY THE COMPANY

The Company views the professional Board of Directors as an essential element of effective corporate governance. The Board of Directors shall influence the performance of the Company by carrying out overall strategic direction and exercising control of the operation of executive bodies for the benefit of the Company and its shareholders.

The executive bodies of the Company responsible for managing the daily operations of the Company shall also play an important role in the governance process. Effective interaction between these two bodies and clear distinction between their powers shall be among the key factors for ensuring proper corporate governance practices.

4.1. Board of Directors.

4.1.1. Election, term and termination of powers of members of the Board of Directors

Members of the Board of Directors shall be elected at the General shareholders meeting for the period until the regular Annual Meeting of Shareholders. The Board of Directors of the Company shall be elected by cumulative voting.

The Company believes that imposing limitations on the number of re-elections for members of the Board of Directors shall not meet the interests of the Company or its shareholders. Members of the Board are familiar with the activities of the Company shall play an important role in ensuring proper governance.

The powers of the Board of Directors shall be governed by the Charter of the Company in accordance with the applicable law and the FCSM Code recommendations.

The total number of members of the Board of Directors shall be defined in the Charter of the Company.

The General Meeting of Shareholders may terminate the powers of all members of the Board of Directors of the Company.

4.1.2. Independence. The law prohibits combining the positions of the sole executive body and the Chairman of the Board of Directors. The Company believes that the Board of Directors should be headed by a director which simultaneously shall not act as the sole executive body and/or member of the collegial executive body of the Company, since it shall allow the Board of Directors to perform its functions more effectively.

The structure of the Board of Directors shall ensure the proper fulfillment of duties related to exercising control and defining the strategy and main directions for the development of the Company.

The Board of Directors shall be composed of not more than 25% of executive directors who simultaneously shall act as employees of the Company.

To ensure the objectivity of adopted decisions and maintain the balance of interests of various groups of shareholders the Company shall seek to have at least 3 (three) independent directors in the Board of Directors.

During the determination of the certain requirements to the independent Director the Company considers that such a director shall be able to carry out the independent judgments. It requires the absence of any circumstances able to influence his/her opinion. According to it, by the definition of the Company, the independent are the directors meeting the following requirements for independence:

- do not act as executives or employees of the Company as of the election or during 3 years preceding the election;
- do not act as executives of any other business entity in which any executive of the Company is a member of the Personnel and Remuneration Committee under the Board of Directors;
- are not spouses, parents, children, brothers and sisters of executives of the Company;

- are not affiliates of the Company, with the exception of a member of the Board of Directors of the Company;
- are not parties to commitments with the issuer which oblige them to acquire property (receive cash resources) valued at 10 percent or more of the cumulative annual income of the abovementioned persons, with the exception of remuneration earning for participation in the activity of the Board of Directors of the Company;
- are not representatives of the state and/or local governments, i.e. persons who is to vote under written directives (instructions, etc) from duly authorized federal authorities, authorities of the constituent entities of the Russian Federation or local governments.

4.1.3. Structure of the Board of Directors and its committees.

The activity of the committees shall be governed by the local regulations of the Company which contain provisions on the structure, jurisdiction, procedure for operation of the committees and the rights and duties of their members, (to enumerate the names of the Regulations on committees)

Activity of all Committees are regulated by the local normative documents of the Company – Committees under the Board of Directors Regulations, regulating the activity, the order of forming, competence and the term of authorities of the Committees under the Board of Directors of the Company.

4.1.4. Procedure for operation. The Board of Directors shall hold meetings in accordance with the schedule prepared at the beginning of its term of office, thus ensuring the proper fulfillment of its duties. The Board of Directors shall hold meetings at least quarterly. Extraordinary meetings of the Board of Directors can be carried out if needed.

The procedure for operation of the Board of Directors shall be governed by the Regulation on the Board of Directors of IDGC of North-West.

The corporate secretary of the Company ensures the timely acquisition by all the directors of the Company of short, but sufficient information together with the notification on carrying out of the meetings of the Board of Directors, but at least 11 (eleven) working days prior to the date of each session carrying out (15 (fifteen) working days – in case of inclusion into the agenda of the Board of Directors of the issues which shall be preliminary considered by the Management Board and (or) correspondent Committee of the Board of Directors and by the moment of sending the decision (recommendations) notification of the Management Board of the Company and (or) Committee under the Board of Directors concerning given issues to the Board of Directors were not presented).

The Board of Directors shall take minutes of its meetings. The minutes shall be signed by the Chairman of the Board and the Executive Secretary who bear the responsibility for the correct making up of the minutes.

4.1.5. Remuneration. The remuneration of members of the Board of Directors shall meet the market conditions and shall be established so as to ensure the retention and involvement of top-notch specialists in the operation of the Company, encourage them to fair and efficient activity.

The amount and order of remuneration payment to the members of the Board of Directors of the Company are regulated by the Regulation on remuneration payment to the members of the Board of Directors of IDGC of North-West

The Company shall publicly disclose the information on the remuneration of members of the Board of Directors.

The Company shall not extend any loans to members of the Board of Directors except for the case when the member of the Board of Directors is the sole executive body or is a part of collegial executive body.

4.1.6. Duties of the members of the Board of Directors. Members of the Board of Directors shall act in good faith and with due care for the benefit of the Company and all its shareholders. Each director shall seek to participate in all meetings of the Board of Directors.

Members of the Board of Directors shall realize their responsibility to the shareholders and believe that their principal goal is the conscientious and relevant fulfillment of duties related to the governance of the Company, thus ensuring the maintenance and growth of the value of its stock as well as the protection of shareholder rights and the opportunity for the shareholders to exercise their rights.

Members of the Board of Directors shall seek to maintain the ongoing dialog with the shareholders.

Members of the Board of Directors shall secure the development and implementation of the Company development strategy.

Board of Directors creates and supports the necessary mechanisms of control of the activity of the executive bodies of the Company including the monitoring and assessment of its results.

Board of Directors creates the system of clear and transparent criteria and procedures of assignment and substitution of the executive bodies of the Company as well as the productive system of their remuneration.

Members of the Board of Directors shall neither disclose nor use any confidential information about the Company for personal gain.

Members of the Board of Directors undertake to refrain from actions which may lead to any conflict between their interests and the interests of the Company. In case of such a conflict, the member of the Board of Directors undertakes to notify the other Board members thereof and abstain from voting on respective issues.

4.2. Executive bodies

The Company understands that to manage the current activity of the Company the sole executive body represented by the General Director is required. It also assumes that during the process of governance it is necessary to solve the difficult tasks and that for their decision, the collective, but not an individual approach is necessary. In this connection, the Company creates the Management Board headed by the Chairman of the Management Board. According to the charter of the Company, the functions of the Management Board Chairman are carried out by the General Director of the Company.

4.2.1. Authority. The General Director shall fulfill the Management Board of the Company carries out the management of the current activity of the Company within the framework of tasks carrying out and Company's strategy realization.

4.2.2 Qualitative structure. The qualitative structure of the Management Board is determined by the decision of the Board of Directors of the Company by the suggestion of the General Director of the Company.

4.2.3. Election, terms and powers termination of the General Director and Management Board.

The General Director shall be elected by the Company's Board of Directors by a majority vote of those taking part in the session.

The General Director in his/her turn proposes the candidatures of the members of the Management board for approval of the Board of Directors.

In case of the Board of Directors rejection of the candidatures to the Management Board of the Company, proposed by the General Director, the Board of Directors of the Company is entitled to elect to the Management board the candidatures proposed by the member (members) of the Board of Directors of the Company.

The qualitative structure of the Management Board of the Company can not be less than 3 (three) persons.

The Board of Directors is entitled at any time to take the decision on Company's General Director and members of the Management Board powers termination and on the election of new executive bodies.

4.2.4 Structure of the Management Board. The Management board which consists of the competent and experienced persons ensures the productive management of the current activity of the Company. Each member of the Management Board, including the Chairman of the Management Board possesses experience, knowledge and skills, necessary for the proper implementation of the obligations he/she is to fulfill.

4.2.5. Order of the Management Board work. The Management Board carries out the regularly meetings. The members of the Board of Directors in advance get information concerning the issues of the agenda. The order of the management Board work is regulated by the Regulation on the Management Board of the Company.

4.2.6. Remuneration and work evaluation. The amount of remuneration of the General Director and the members of the Management Board (top managers) depend on the results of the activity of the Company.

The system of remuneration of the General Director is determined by the Board of Directors.

The system of remuneration of the members of the Management Board (top managers) is determined by the Board of Directors with the consideration of possible payments within the frameworks of the agreements signed with the members of the Management Board.

The remuneration of the executive bodies consists of the constant and variable parts, the latter depends on the implementation of certain system of indicators (hereinafter referred to as "Indicators") of executive bodies' work effectiveness and is connected with their personal contribution in the long-term development of the Company on behalf of its shareholders.

Indicators of work productivity are the system of financial and non-financial indicators having an influence on quantitative and qualitative changes of results in relation to the strategic goal of the Company.

The main goal of the Indicators system is the transition of the Company's strategy to the complex set of its activity indicators, defining the main parameters of the measurement system and management. A set of indicators draws the basis for the forming of Company's strategy and includes basic qualitative characteristics for executive bodies informing on the basic factors of success today and in future. Making up the strategy, the Company sets the aim and creates the conditions for its implementation.

4.2.7. Executive bodies' obligations. The General Director and the members of the Management Board shall act in good faith and proper carefulness in the interests of the Company and all its shareholders.

The General Director should refrain from any actions, which can result in the conflict of his/her interests and interests of the Company. The General Director should immediately inform the Board of Directors about such conflicts, if any. The General Director shall refrain from the discussion, voting concerning the correspondent questions.

The Company realizes that experience, public relations, knowledge and qualification of the General Director, including members of the Management Board as well as those acquired by him during the time of work in the Company opens up possibilities for the fulfillment of business activity (both private and collective - by means of stakes, shares acquisition), not connected with the Company's interests.

Together with this the General Director and the members of the Management Board guarantee that the fulfillment of such an activity:

- will not impede his/her implementation of the Company's General Director functions;
- will not be connected with the use of Company's material and intellectual resources;
- will not cause damage to Company's property;
- will not cause damage to Company's business reputation;
- will not provoke competition.

In case of non-fulfillment or creation of prerequisites to non-fulfillment of at least one of the abovementioned conditions, the General Director and the member of the Management Board shall terminate the implementation of any activity connected with such a failure.

With the view of non-admission of possible negative outcome for the Company, the General Director and the members of the Management Board disclose to the Company information about the fulfillment of his/her business activity not connected with the Company's interests, by the order stipulated by Company's local normative documents.

4.3. Interaction between the Board of Directors and Executive Bodies.

Effective corporate governance shall require an open dialog between the Board of Directors and the executive bodies of the Company. To that end, the Management Board of the Company shall submit to the Board of Directors reports on the activity of the Management Board in terms stipulated by Company's internal documents and decisions of the Company's Board of Directors.

5. SHAREHOLDERS OF THE COMPANY

5.1. Shareholder rights and their protection

Shareholders of the Company shall hold a set of rights in respect of the Company, the observance and protection of needs to be ensured by the Board of Directors and the Management Board of the Company.

The Company's Shareholder Register shall be kept by an independent registrar. The selection and appointment of an independent registrar having all necessary technical tools and an impeccable reputation shall allow the Company to ensure the reliable and productive registration of the rights of ownership of shares and other securities of the Company.

Shareholders shall be entitled to receive information on the activity of the Company in a regular and timely manner in an amount meeting the requirements of the legislation.

For the purposes of proper observance and protection of the above-mentioned right the Company shall guarantee compliance with the information disclosure requirements established by law.

The Company discloses financial statements on a quarterly basis in accordance with the requirements of laws of the Russian Federation and in conformity with the International Financial Reporting Standards (IFRS).

All information disclosed in any manner shall be mandatory published on the website of the Company.

The shareholders owning voting shares shall be entitled to participate in the General Meeting of Shareholders and shall have the right to vote on all issues falling within its jurisdiction.

For the purposes of proper observance and protection of the above-mentioned right the Company shall arrange for holding the General Meeting of Shareholders in such a way that participation of the shareholders is not associated for them with any significant financial or time losses, ensuring equal treatment of all shareholders.

The Company undertakes to provide to the shareholders any information on items of the agenda of the General Meeting of Shareholders in an amount and within the time limits which allow the shareholders to adopt reasonable decisions.

As provided for by the Law and the Charter of the Company the Board of Directors shall prepare objective reasonable recommendations for the shareholders.

All information concerning the General Meeting of Shareholders shall be mandatory disclosed on the website of the Company.

The shareholders shall be entitled to a portion of net income of the Company in the form of dividends.

For the purposes of proper observance and protection of the above-mentioned right the Company undertakes to pay declared dividends within the time limits set by the General Meeting of Shareholders.

The rights of shareholders shall be governed by the provisions of the Charter and the internal documents of the Company.

5.2. General Meeting of Shareholders

The Company approved the regulation on the order of preparation and carrying out of the General Shareholders meeting of IDGC of North-West where the order of preparation, carrying out and decisions taken by the General Shareholders meeting shall be described in details.

5.2.1. Preparation for the meeting. Each shareholder shall be entitled to participate in the General Meeting of Shareholders, vote on issues on its agenda, and receive notice of such a meeting with due advance and the agenda thereof as well as reliable, objective and timely information sufficient for the adoption of resolutions on any agenda items. The executive bodies of the Company shall be responsible for ensuring this process.

The Company determines the fair and productive order of proposals introduction into the agenda of the Board of Directors. The agenda of the General Meeting shall not be changed after its approval by the Board of Directors.

5.2.2. Holding of the meeting. The Company shall make all necessary efforts to ensure the participation of the shareholders in the General Meeting and the voting on agenda items.

The location for the General Meeting shall be accessible by the shareholders. The order of registration shall be convenient for the participants and ensure fast and free access to the place of the meeting carrying out.

The Company shall ensure that the General meeting of Shareholders is attended by the members of the Board of Directors, executive bodies, Audit Committee and the auditor of the Company and shall authorize them to answer the questions of the shareholders. The shareholders shall be entitled to speak on any agenda items, make respective motions and ask questions. The Chairman of the General meeting shall ensure its effective operation.

Voting shall be held by ballots.

The procedure for the calculation of votes at the General meeting shall exclude the possibility of manipulating the voting results. The functions of the counting commission shall be performed by the independent registrar of the Company.

5.2.3. Results of the meeting. The voting results and other necessary materials shall be provided to the shareholders on the day of the General Meeting or later and published in a timely manner on the website of the Company and in mass media.

5.3. Dividend Policy

The executive bodies are entitled to serve the interests of the Company that is to ensure the management of the Company's activity in such a way so that it would be possible to ensure, in particular the dividends acquisition by the shareholders of the Company.

The dividend policy of the Company shall include:

- creation of the transparent and clear mechanism for determining the amount of dividends;
- ensuring the most convenient for the shareholders dividend payment procedure;
- measures excluding any incomplete or untimely payment of declared dividends.

6. INFORMATION DISCLOSURE AND TRANSPARENCY

6.1. Information Disclosure Policies and Practices

The principal goal of the policy for the disclosure of information about the Company implemented by the Company shall be ensuring the highest possible degree of confidence in the Company on the part of shareholders, potential investors, counterparties and other interested parties by providing to the above-mentioned persons information about the Company, its activities and securities in an amount sufficient for the adoption by the abovementioned persons of reasonable and informed decisions in relation to the Company and its securities.

Disclosing the information about itself, the Company shall go beyond the information the disclosure of which is provided for by the regulations of the Russian Federation and shall disclose any additional information, thus ensuring a high level of transparency of the Company and contributing to the accomplishment of goals of the information disclosure policy implemented by the Company.

The list of the information disclosed by the Company, the procedure and time limits for information disclosure shall be determined by the Board of Directors of the Company in the Regulations for the Information Policy of IDGC of North-West.

In disclosing information the Company shall rely on the following principles:

- **The principle of completeness and reliability of disclosed information** in accordance with which the Company shall provide true information to all interest parties without avoiding the disclosure of any negative information about itself to the extent which allows forming the fullest idea of the Company and performance of the Company;
- **The principle of accessibility of information** in accordance with which the Company in disclosing information shall use such channels for the distribution of information about its activity which provide free and easy access to disclosed information for shareholders, creditors, potential investors and other interested parties;
- **The principles of balanced information** which means that the information policy of the Company shall be based on the reasonable balance of transparency of the Company for all interested parties on the one hand and confidentiality on the other hand for the purposes of exercising the shareholder rights to receive information on the activity of the Company to the maximum extent on condition of protection of information characterized as belonging to confidential or insider information;
- **The principle of regular and timely information disclosure** which determines that the Company shall provide to its shareholders, creditors, potential investors and other interested parties information on its activity within the time limits established by the regulations of the Russian Federation and the internal documents of the Company.

The information disclosed by the Company shall be published on the website of the Company. The website of the Company shall have an English version.

The responsibility for information disclosure shall be assumed by the executive bodies of the Company. Members of the Board of Directors shall disclose to the Company information about themselves necessary for the disclosure by the Company of information in accordance with

the regulations of the Russian Federation and the Regulations for the Information Policy of the Company.

6.2. Financial Statements

The Company shall maintain accounting records and prepare financial statements in accordance with the Russian financial accounting and reporting standards. The Company shall prepare consolidated statements in accordance with the International Financial Reporting Standards (IFRS) and publish such statements on the website of the Company.

Financial statements shall be accompanied by detailed notes allowing the recipient of such statements to correctly interpret data on the financial performance of the Company. Financial information shall be supplemented by comments and analytical estimates from the management of the Company as well as the Report of the Company's Auditor and the Audit Committee.

6.3. Control of Financial and Economic Activities

Realizing the need for reducing the probability of events which have a negative impact on the achievement by the Company of set goals and lead to losses, in particular due to the adoption of decisions based on incorrect judgments, human errors, conscientious evasion of control, and admitting a high level of the shareholders' need for protecting their investments and safeguarding the assets of the Company, the Company shall establish a system of control of its financial and economic activities.

Internal control of financial and economic activities shall be targeted towards achieving the following goals:

- ensuring complete and reliable financial, statistical, management and other reporting;
- ensuring compliance with the regulations of the Russian Federation, resolutions of the management boards of the Company and the internal documents of the Company;
- ensuring that the Company's assets are safeguarded;
- ensuring that the goals set by the Company are achieved in the most efficient manner;
- ensuring the resources of the Company are used in the most efficient and cost-effective manner;
- ensuring the timely identification and analysis of financial and operating risks which may have a significant negative impact on achieving the Company's goals related to its financial and economic activities.

The system of control of the financial and economic activities of the Company shall include control procedures determined by the regulations of the Russian Federation, resolutions of the General Meeting of Shareholders and the Board of Directors of the Company and a set of bodies (functions, persons) of the Company exercising internal control: the Audit Committee, the Board of Directors (directly and through the Audit Committee) as well as the separate structural subdivision (set of subdivisions) authorized to exercise such a control.

The functions, rights, duties and responsibility of the Company's functions shall be stipulated by the organizational and directive documents of the Company.

To ensure a systematic nature of control of the financial and economic performance of the Company internal control procedures shall be performed by the duly authorized function of the Company in charge of internal control in collaboration with other bodies and functions of the Company.

Specific procedures as well as bodies and persons responsible for performing internal control procedures shall be determined by the Regulations for the Internal Control Procedures of the Company approved by the Board of Directors of the Company.

6.4. Ownership Structure

The Company shall ensure the disclosure of information on the beneficial owners of five percent or more of voting shares in the Company. The information disclosed by the Company shall also describe corporate relationship within the group of companies. The Company shall seek to ensure the transparency of the Company's equity structure.

7. INTERACTION WITH THE SUBSIDIARY AND DEPENDENT COMPANIES

7.1. Principles and practice of interaction with subsidiary and dependent companies

The Company aims at the well-balanced development, based on the effective mechanisms of the corporate governance.

The Company carries out the interaction with subsidiary and dependent companies (SDCs) in accordance with the requirements of the Russian Federation legislation, Charter and Internal Documents of the Company, charters of subsidiary and dependent companies.

The basic goals of company's interaction with SDCs are:

- Provision of the stable financial development, productive functioning, increase of the investment attractiveness of the Company and SDCs;
- Provision of the rights and interests of the Company's shareholders and SDCs protected by the law.
- Harmonization of relations between shareholders, officials and members of the work collective of the Company and SDCs, except for the conflicts arisen between them within the abovementioned groups;
- Development and implementation of the well-coordinated and effective investment policy of the Company and SDCs.

Document fixing the basic principles and provisions of the corporate governance of SDCs of the Company is the Order of interaction between IDGC of North-West with organizations where IDGC of North-West takes part in (hereinafter referred to as "Order"), approved by the Board of Directors of the Company.

Interaction of the Company with SDCs is carried out when the management and control bodies of SDCs take the correspondent decisions (decisions of the general meetings of shareholders, board of directors, audit committees, boards and the sole executive bodies within the framework of their competence).

Besides the Order, the process of corporate management of SDCs is regulated by the following documents:

- Charter of the Company;
- Code of Corporate Governance of the Company;
- Charters of SDCs of the Company;

- Standard for the organization of the activity of the representatives of IDGC of North-West in the management bodies of subsidiary and dependent companies of IDGC of North-West.
- Other standards and regulations concerning the procedures of the corporate governance.

According to the development of the corporate governance practice the Company will intend to develop the corporate governance principles in relation to subsidiary and dependent companies.

8. Final provisions

The current Code enters into force since the moment of its approval by the Company's Board of Directors and is in force for the period beginning with April 1, 2008.