

Appendix No 2
to Minutes of session of the Board
of Directors
of IDGC of the North-West, JSC
dated 06.03.2013 No. 123/21

APPROVED BY:
the Board of Directors of
IDGC of the North-West, JSC
on 06.03.2013 (Minutes No. 123/21)

CORPORATE
GOVERNANCE CODE
OF
“INTERREGIONAL DISTRIBUTION GRID
COMPANY OF THE NORTH-WEST” JOINT-STOCK
COMPANY
(restated)

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1. INTRODUCTION

The goals of this Corporate Governance Code of IDGC of the North-West, JSC (hereinafter referred to as the “Code”) consist in perfection and systematization of corporate governance within “Interregional Distribution Grid Company of the North-West” Joint-Stock Company (hereinafter referred to as the “Company”), ensuring better transparency of the Company management and acknowledgement of the Company’s invariable preparedness to follow proper corporate governance standards. In particular:

- the Company management must be carried out at a proper level of responsibility and accountability so that to maximize shareholder value;
- the Board of Directors and executive bodies must work efficiently, in the interests of the company and shareholders of the latter (including the minority ones) and create conditions for sustainable growth of shareholder value;
- one must ensure proper information disclosure, transparency as well as efficient work of the risk management and the internal control systems.

Adopting, regularly perfecting and rigorously complying with the provisions hereof, of the Company Charter and other in-house documents Company confirms their intention to assist in development and perfection of proper corporate governance practice.

For purposes of further consolidation of trust on the part of shareholders, workers, investors and public, the Company, in the course of elaboration hereof, did not confine themselves to the Russian legislation norms but incorporated herein additional provisions based on conventional Russian and international¹ corporate governance standards.

This Code is an in-house document of the Company. The Company assumes the duties stipulated hereby and undertakes to comply with the norms and principles established herein.

2. INFORMATION ABOUT THE COMPANY

Interregional Distribution Grid Company of the North-West” Joint-Stock Company was found by decision of the founder – RAO UES of Russia (Instruction No. 153r of Chairman of the Management Board of RAO UES of Russia, JSC dated 09.12.2004) and registered in the uniform State Register of Legal Entities by Interregional Directorate No. 15 of the Ministry of Taxation of the Russian Federation for Saint Petersburg on 23.12.2004.

The Company y has the following branches:

1. Arkhenergo branch of IDGC of the North-West, JSC; location: 163000, Russian Federation, Arkhangelsk, Svobody str., 3.
2. Vologdaenergo branch of IDGC of the North-West, JSC; location: 160035, Russian Federation, Vologda Region, Vologda, Prechistenskaya emb., 68.
3. Komienergo branch of IDGC of the North-West, JSC; location: 167000, Russian Federation, Komi Republic, Syktyvkar, Internatsionalnaya str., 94.
4. Karelenergo branch of IDGC of the North-West, JSC; location: 185035, Russian Federation, Republic of Karelia, Petrozavodsk, Kirov str., 45.
5. Kolenergo branch of IDGC of the North-West, JSC; location: 184364, Russian Federation, Murmansk Region, Murmashi Settlement, Kirov str., 2.

¹ Corporate governance principles of OECD (Organization for Economic Cooperation and Development)

6. Novgorodenergo branch of IDGC of the North-West, JSC; location: 173001, Russian Federation, Veliky Novgorod, Bolshaya Sankt-Peterburgskaya str., 3

7. Pskovenergo branch of IDGC of the North-West, JSC; location: 180000, Russian Federation, Pskov, Sovetskaya str., 47a.

The Company is a subsidiary company of Joint Stock Company “Holding of Interregional Distribution Grid Companies” (IDGC Holding, JSC) and exercises shareholder (participant) rights with regard to other business companies shares whereof (stakes wherein) the Company holds.

Among the Company shareholders there are both Russian and foreign legal entities and individuals.

The core goal of the Company is creation of a system for efficient management of distribution electric power grid business through usage of state-of-the-art achievements in the field of managerial and branch-specific production technologies with a view of increasing such business capitalization, ensuring its transparency and increasing investment attractiveness with account for interests of other electric energy market actors, the Company, shareholders of the latter and the State.

The Company’s activities are associated with responsibility to shareholders, the State, suppliers, consumers, workers and society at large.

Aware of this responsibility and admitting the importance of a high level of corporate governance for successful conductance of the Company’s business and for achieving mutual understanding between all the persons as may be taking interest in the Company’s activities, the Company assumes the obligation to follow the principles outlines herein in the course of their activities and to take all reasonable efforts for compliance with them in the course of their everyday activities.

3. CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE WITHIN THE COMPANY

3.1. Definitions and principles

The Company Corporate Governance means the aggregate of processes ensuring management and control of the Company’s activities and including relations between shareholders, the Board of Directors and executive bodies of the Company in shareholders’ interests. The Company considers corporate governance as a means of increasing efficiency of the Company’s activities, consolidating the Company’s reputation and reducing capital attraction expenditures.

This Code, in accordance wherewith corporate governance is carried out within the Company, is based on the Russian legislation, the Corporate Conduct Code recommended for application by Instruction No. 421r of the Federal Securities Commission of the Russian Federation dated 04.04.2002 (hereinafter referred to as the “Code of FSC of Russia”) and corporate governance principles recognized in international practice such as the Corporate Governance Principles of OECD (Organization for Economic Cooperation and Development).

Corporate Governance within the Company relies on the following principles:

- **Accountability.** The Code stipulates accountability of the Board of Directors of the Company to all shareholders in accordance with the effective legislation of the Russian Federation and serves as a guidance for the Board of Directors to elaborate a strategy and carry out management and control of the activities of the Company executive bodies.

- **Fairness.** The Company undertakes to defend shareholders' rights and to ensure equal attitude to all shareholders. The Board of Directors provides to all shareholders the opportunity to obtain efficient protection in case their rights are violated.

- **Transparency.** The Company ensures timely disclosure of accurate information on all essential facts concerning their activities inclusive of the company's financial standing, activities results, ownership and management structure as well as free access to such information for all shareholders.

- **Responsibility.** The Company recognizes their responsibility to the company shareholders.

Members of the Board of Directors, the Management Board, General Director or the managing organization (managing executive) are responsible to the company for losses as may be caused by their actions (omission of action).

3.2. In-house documents

The Code is a summa of principles. Specific structures, processes and corporate governance practice are governed by the Charter and other in-house documents of the Company including:

Regulations on the Procedure of Preparation for and Arrangement of the General Meeting of Shareholders of the Company;

- Regulations on the Procedure of Convention and Arrangement of Sessions of the Board of Directors of the Company;

- Regulations on the Management Board of the Company;

- Regulations on the Auditing Commission of the Company.

The above-listed in-house documents of the Company were elaborated in accordance with the Russian Federation legislation and with account for the core provisions of the Code of FSC of Russia (FSC is currently the FFMS of Russia). All the above-listed documents are to be familiarized with on the Company's Internet-site at <http://www.mrsksevzap.ru>.

3.3. Overall corporate governance structure

The system of the Company management and control bodies includes:

- General Meeting of Shareholders - the supreme management body of the Company wherethrough shareholders exercise their right to participate in the Company management;

- Board of Directors – the management body in charge of elaboration of the Company's strategy, overall guidance of the Company's activities and control over the executive bodies activities;

- Management Board and General Director – management bodies leading current activities of the Company and implementing the strategy determined by the Board of Directors of the Company;

- Auditing Commission – the body for control over the Company's financial and economic activities that is accountable directly to the General Meeting of Shareholders of the Company.

4. CORPORATE GOVERNANCE PRACTICE BEING IMPLEMENTED WITHIN THE COMPANY

The Company believes that a professional Board of Directors in place is an important element of efficient corporate governance.

The Board of Directors affects the Company's work results through overall strategic guidance and control of the executive bodies' work in the interests of the Company and shareholders.

The Company executive bodies in charge of guidance of the Company's current activities also play an important role in the process of management. Efficient interaction between the said bodies and clear delineation of their powers is one of the key factors for ensuring proper corporate governance practice.

4.1. Board of Directors

4.1.1. Election, terms in office and termination of powers of members of the Board of Directors

Members of the Board of Directors are elected for a term until the next annual General Meeting of Shareholders. The Board of Directors of the Company is elected by way of cumulative voting. By decision of the General Meeting of Shareholders, the powers of all members of the Board of Directors of the Company may be terminated prematurely.

The Company does not believe that enactment of restrictions as to the number of times members of the Board of Directors may be re-elected for a new term in office will serve the interests of the Company or shareholders. The Board members well familiar with the Company's activities play an important role in ensuring proper management.

The powers of the Board of Directors are governed by the Charter of the Company in accordance with the effective legislation of the Russian Federation and the recommendations set forth in the Code of FSC of Russia.

The quantitative composition of the Board of Directors is determined in the Charter of the Company.

The General Meeting of Shareholders can terminate the powers solely of the Board of Directors as a whole.

4.1.2. Independence

The law prohibits simultaneous occupation of the offices of the Sole Executive Body and Chairman of the Board of Directors. The Company believes that the Board of Directors should

be headed by a director², who simultaneously fails to be the Sole Executive Body and (or) a member of the Collegial Executive Body of the Company which enables the Board of Directors to discharge their functions more efficiently.

The composition of the Board of Directors ensures proper discharge of duties related to exercise of control and determination of the strategy and core development areas of the Company.

Members of the Management Board may account for no more than a fourth of the Board of Directors composition.

To ensure unbiasedness of decisions taken and maintenance of balance between the interests of various shareholder groups, the Company strives to have at least 3 (three) independent directors within the Board of Directors composition. For purposes hereof, directors meeting the following independence requirements are believed independent:

- those failing to be (have been) officials or workers of the Company or the Company managing organization as of the election moment and during the preceding 3 (three) years;

- those failing to be officials of another business company wherein any official of the Company is a member of the Personnel and Award Committee under the Board of Directors;

- those failing to be the spouse, a parent, child, brother or sister of an official of the Company or an official of the Company managing organization;

- those failing to be affiliates of the Company (except for members of the Board of Directors of the Company);

- those failing to be a party to obligations with the Company in accordance wherewith they can purchase properties (receive money funds) cost whereof is equal to or in excess of 10 (ten) per cent of the total annual income of the persons concerned (except for receipt of reward for participation in activities of the Board of Directors of the Company);

- those failing to be representatives of the State and/or local government authorities i.e. persons obliged to vote against written directives (guidelines etc.) received from empowered federal state authorities, state authorities of constituent entities of the Russian Federation or local government authorities.

4.1.3. Structure of the Board of Directors and committees hereunder

The committees under the Board of Directors are formed by decision of the Board of Directors. Currently, the following committees under the Board of Directors have been created within the Company:

- Audit Committee;
- Personnel and Award Committee;
- Committee for Strategy and Development;

²Hereinafter: Members of the Board of Directors of the Company.

- Committee for Technological Connection to Electric Power Grids:
- Committee for Reliability;

The committees under the Board of Directors are established for working through certain issues referred to the competence of the Board of Directors or issues studied by Board of Directors by way of control over the activities of the Company Executive Body and development of recommendations for the Company Board of Directors and Executive Body.

Activities of the committees under the Board of Directors are governed by the Charter of the Company, local regulatory documents of the Company, the Regulations on Committees under the Board of Directors containing provisions on composition, competences and work procedure of the committees as well as on their members' rights and duties.

The key functions of the Audit Committee consist of provision for the auditor selection process and evaluation of accuracy of the company's financial statements (inclusive of Auditor's opinion), establishment of an efficient internal control system, prevention and resolution of conflict of interest situations within the company as well as evaluation of efficiency of the Company's internal control proceedings and preparation of proposals on their perfection.

The functions of the Personnel and Award Committee include perfection of the Company's HR policy, engagement of highly qualified specialists for management of the Company and elaboration of stimuli required for their successful work.

The members and Chairman of the Personnel and Award Committee are to be elected solely from among members of the Board of Directors meeting the requirement set forth on Clause 4.1.2. (independent director). In case of impossibility to ensure conformity to Clause 4.1.2. due to objective reasons, such election is to be performed solely from among independent directors and members of the Board of Directors failing to be members of the Management Board of the Company and (or) General Director of the company, the Sole Executive Body or members of other management and control bodies of the Company managing organizations.

The objective of the Committee for Strategy and Development is preparation and presentation of recommendations to the Board of Directors on issues related to strategic development of the Company referred to the competence of the Board of Directors or studied by the Board of Directors by way of control over the activities of the Company executive bodies.

The goal of work of the Committee for Technological Connection to Electric Power Grids is ensuring openness of activities and non-discriminatory access to services for consumers technological connection to the Company's electric power grids.

The core objectives of the Committee for Reliability are elaboration and presentation of recommendations to the Board of Directors of the Company on discharge of their duties related to expert examination of investment programs and power industry facilities repair plans, evaluation of completeness and sufficiency of measures taken following the results of accidents and major technological disturbances, analysis of measures taken to execute contractual and economic mechanisms of reliability management.

4.1.4. Work procedure

The work procedure of the Board of Directors is governed by the Regulations on the Procedure of Convention and Arrangement of Sessions of the Board of Directors of the

Company. The Board of Directors arranges sessions in accordance with the schedule elaborated at the beginning of their term in office which ensures proper discharge of their duties. According to the Regulations on the Procedure of Convention and Arrangement of Sessions of the Board of Directors, sessions of the Board of Directors are arranged within the Company in accordance with the approved Work Plan of the Board of Directors as well as whenever required but at least once every six weeks. Extraordinary sessions of the Board of Directors may be arranged whenever required.

Corporate Secretary of the Board of Directors ensures obtainment of brief but exhaustive information by all the dissectors alongside with a notification of arrangement of the session of the Board of Directors within the terms stipulated by the Regulations on the Procedure of Convention and Arrangement of Sessions of the Board of Directors of the Company.

Sessions of the Board of Directors are formally recorded by means of minutes. Minutes are signed by Chairman (chairperson) of the Board of Directors and Corporate Secretary of the Board of Directors.

4.1.5. Remuneration

Remuneration due to members of the Board of Directors fits with the market conditions and is established so that to ensure attraction of highly qualified specialists to participate in the Company's work and to motivate such specialists for honest and efficient activities.

The Company publicly discloses information on remuneration due to members of the Board of Directors.

The Company provides no loans to members of the Board of Directors.³

4.1.6. Duties of members of the Board of Directors.

Members of the Board of Directors act in a reasonable and bona fide way, taking due care of the interests of the Company and shareholders of the latter. Each director strives to participate in all sessions of the Board of Directors.

Members of the Board of Directors are aware of their responsibility to shareholders and believe their goal to be bona fide and competent discharge of their obligations related to management of the Company, ensuring upkeep and growth of the Company's shares values, as well as the opportunity for shareholders to exercise their rights.

Members of the Board of Directors strive to lead a continuous dialogue with shareholders.

Members of the Board of Directors ensure formation and implementation of the Company development strategy.

The Board of Directors creates and maintains mechanisms required for control of activities of the Management Board of the Company including monitoring and evaluation of the results thereof.

³ Except when a member of the Board of Directors is simultaneously the Sole Executive Body of the Company.

The Board of Directors creates a system of understandable and transparent criteria and proceedings for appointment and substitution of members of the Board of Directors and an efficient system for remunerating such members.

Members of the Board of Directors Board do not disclose confidential information on the Company and do not use it for personal purposes.

Members of the Board of Directors undertake to forbear actions that may result in a conflict arising between their interests and those of the Company. In case of such conflict having arisen, the concerned member of the Board of Directors undertakes to communicate such fact to the other members of the Board of Directors and to forbear voting on the corresponding issues.

4.2. Management Board and General Director

The Company is aware that a Sole Executive body in the person of General Director is required for management of the Company's current activities. The Company is also aware that complicated tasks are to be solved in the process of management, their solution requiring both a collective and an individual approach. In this connection the Company forms a collegial executive body – the Management Board headed by Chairman of the Management Board – General Director.

By decision of the General Meeting of Shareholders, the General Director functions may be transferred to a managing organization. In such case the provisions hereof concerning General Director of the Company will correspondingly apply to such managing organization.

4.2.1. Powers

Members of the Management Board and General Director lead current activities of the Company to fulfill the objectives and implement the strategy of the Company.

4.2.2. Quantitative composition

General Director submits recommendations on the quantitative composition of the Management Board to be determined by the Board of Directors of the Company.

4.2.3. Election, terms in office and termination of powers of members of the Board of Directors and General Director

Members of the Management Board and General Director are elected by the Board of Directors of the Company. General Director proposes candidacies of members of the Management Board for approval to the Board of Directors.

The Board of Directors may at any time terminate the powers of members of the Board of Directors and General Director.

4.2.4. Management Board composition

A composition of the Management Boards including competent and experienced persons ensures efficient management of the Company's current activities. Each members of the

Management Board, inclusive of General Director, has the experience, knowledge and qualification required for proper discharge of the duties vested in him/her.

4.2.5. Work procedure of the Management Board

The Management Board arranges regular sessions, members of the Management Board obtaining information on a session agenda issues well in advance. The Management Board work procedure is governed by the Regulations on the Management Board of the Company.

4.2.6. Remuneration due to members of the Management Board and General Director

The systems of remunerations and compensations payable to members of the Management board are determined by the Board of Directors of the Company. On behalf of the Company, the employment contract with General Director is signed by Chairman of the Board of Directors of the Company or a person empowered by the Board of Directors of the Company.

The system for material incentivization of General Director is determined by the Board of Directors or a person empowered by the Board of Directors. The remuneration consists of a constant and a variable part, the latter depending on performance against a specific system of indicators of the Company's work (hereinafter referred to as the "Indicators") and correlates with General Director's personal contribution to ensuring long-term development of the Company in the interests of their shareholders.

The Indicators are understood as a system of financial and non-financial indicators affecting qualitative or quantitative change of the results with regard to the Company's strategic goal.

4.2.7. Executive bodies' duties.

Members of the Management Board and General Director act in a reasonable and bona fide way, taking due care of the interests of the Company and shareholders of the latter.

Members of the Management Board and General Director undertake to forbear actions that may result in a conflict arising between their interests and those of the Company. In case of such conflict having arisen, Members of the Management Board and General Director undertake to communicate such fact to the Board of Directors and to forbear voting on the corresponding issues.

The Company is aware that the experience, social ties, knowledge and qualification of members of the Management Board, inclusive of those as they may have acquired in the course of their work for the Company, open up opportunities for carrying out commercial activities (both private and collective, through holding states or shares) unrelated to the Company's interests.

At the same time, members of the Management Board and General Director guarantee that such activities:

- do not impede discharge of functions of such member of the Management Board and General Director of the Company;
- are unrelated to usage of tangible or intellectual resources of the Company;
- will not cause material damage to the Company;
- will not cause damage to the Company's business reputation;
- does not create competition with the Company.

If failing to fulfill either of the above-listed conditions or creating pre-requisites for such non-fulfillment, the member of the Management Board or General Director undertakes to cease performance of any activities related to such non-fulfillment.

To avoid possible negative consequences for the Company, members of the Management Board disclose to the Company information on their carrying out commercial activities unrelated to the Company's interests in accordance with the procedure as established by local regulatory interests of the Company.

4.3. Interaction between the Board of Directors and executive bodies

Efficient corporate governance requires an open dialogue between the Board of Directors and executive bodies of the Company. For this purpose, the Sole Executive Body of the Company provides to the Board of Directors quarterly reports on their activities.

4.4. Settlement of conflicts of interests

The Company strives to prevent and most efficiently settle possible conflicts of interests.

The conflict of interest is a situation wherein personal, professional, financial or other proprietary interests of the Company workers, members of the Company management and control bodies inclusive of the managing organization and members of the latter's management bodies, are or potentially may be at variance with the Company's interests. In particular, a conflict of interest may occur in the course of properties, information or opportunities usage, irrespective of whether the Company could actually use them.

When determining existence of a conflict of interest situation one should be guided by the Corporate Ethics Code of the Company.

For prevention of occurrence of conflicts of interests in the course of the Company's financial and business activities and settling such conflicts, whenever arising, as well for efficient implementation of the provisions of the Corporate Ethics Code, a Commission for Compliance with the Corporate Ethics Code and Settlement of Conflicts of Interests Is created within the Company. The competences and functioning procedure of the Commission for Compliance with the Corporate Ethics Code and Settlement of Conflicts of Interests are governed by the Regulations on the Commission for Compliance with the Corporate Ethics Code and Settlement of Conflicts of Interests.

Individual issues as may be related to conflict of interests are considered by the audit Committee in accordance with the competences as determined by the Regulations on the Audit Committee.

5. SHAREHOLDERS OF THE COMPANY

5.1.1. Shareholders' rights and protection of such rights

The Company shareholders possess a bundle of rights with regard to the Company with the Board of Directors and the Management Board of the Company to ensure compliance with and protection of such rights.

A register of shareholders of the Company is maintained by an independent registrar. Selection and appointment of an independent registrar, availing of all the technical means as may be required and having an impeccable reputation, allows the Company to ensure reliable and efficient registration of ownership rights to shares.

Shareholders have the right to regular and timely obtainment of information in the company's activities in an amount sufficient for them to take substantiated and balanced decisions on disposal of shares.

For proper compliance with and protection of the said right, the Company guarantees fulfillment of the information disclosure requirements as established by the Russian Federation legislation.

The Company discloses their financial statements in accordance with the Russian Federation legislation and the International Financial Reporting Standards (IFRS).

All information, disclosed in any way, is mandatorily posted on the Company's Internet-site.

Shareholders holding voting shares have the right to participate in the General Meeting of Shareholders and vote on all issues to the extent of its competences.

For proper compliance with and protection of the said right, the Company guarantees to organize arrangement of the General Meeting of Shareholders so that shareholders participating therein is not fraught with vast material and time expenditures, thus ensuring an equal attitude to all shareholders.

The Company undertakes to provide to shareholders information on issues as may be on the agenda of the General Meeting of Shareholders in the amount and within the terms enabling shareholders to take substantiated decisions.

In cases stipulated by the Law and the Company Charter, the Board of Directors prepares unbiased substantiated recommendations for shareholders.

All information dealing with a General Meeting of Shareholders is mandatorily posted on the Company's Internet-site.

Shareholders have the right to receive the company's net profit in the form of dividend.

For proper compliance with and protection of the said right, the Company undertakes to pay announced dividend within the terms as established by the General meeting of Shareholders.

Shareholders' rights are governed by provisions of the Charter and in-house documents of the Company.

5.1.2. Corporate conflicts settlement

The company attaches great importance to timely prevention and fair settlement of corporate conflicts.

The corporate conflict means disputes or disagreements on corporate governance issues as may arise between shareholders, investors and other stakeholders and the Company.

Prevention and settlement of conflicts between the Company management bodies and shareholders as well as between shareholders, if such conflict interferes with the Company's interests (corporate conflicts), enables ensuring compliance with and protection of shareholders' rights and protection of the Company's property interests and business reputation.

The Company strives after most prompt revealing of corporate conflicts and clear coordination of actions of all the management bodies, officials and workers of the Company aimed at such corporate conflict settlement.

While carrying out actions to settle a corporate conflict, the Company relies on and rigorously follows the requirements of the legislation and in-house documents of the Company (inclusive of this Code).

With consent of the shareholders representing the parties to the corporate conflict, the Company management bodies (members of the latter) may participate in negotiations between shareholders, provide to the shareholders information and documents dealing with the conflict as they may avail of, explain the norms of the Russian Federation legislation and provisions of in-house documents of the Company, give advice and recommendations to the shareholders, prepare draft documents on the conflict settlement for signature by the shareholders, assume obligations to the shareholders, on behalf of their Company, within the ambit of their competences and to an extent as may assist in settlement of conflicts.

5.2. General Meeting of Shareholders

Regulations on the Procedure of Preparation for, Arrangement of the General Meeting of Shareholders have been adopted within the Company, governing the procedure of preparation for and arrangement of the General Meeting of Shareholders as well as decision-taking by such Meeting.

5.2.1. Preparation for a Meeting

Each shareholder has the right to participate in the General Meeting of Shareholders, vote on the issues as may be on the agenda thereof, well in advance obtain a notification of such Meeting and the agenda thereof as well as accurate, unbiased and timely information for taking decisions on the agenda issues. Responsible for the process are executive bodies of the Company.

Stipulated within the Company is a fair and efficient procedure for submittal of proposals to be included in the agenda of the General Meeting of Shareholders inclusive of those on nomination of candidates for membership in the Board of Directors. The agenda of the General Meeting of Shareholders cannot be amended after approval by the Board of Directors.

5.2.2. Arrangement of the Meeting

The Company makes all arrangements as may be required to ensure shareholders' participation in the General Meeting of Shareholders and voting on the agenda issues.

The arrangement location of the General Meeting of Shareholders is accessible for shareholders. The registration procedure is convenient for the participants, ensuring fast and unimpeded access to the Meeting arrangement location.

As far as possible, the Company ensures attendance of the General Meeting of Shareholders by members of the Board of Directors, executive bodies, the Auditing Commission and Auditor of the Company, empowering the said persons to respond to shareholders' questions. Shareholders have the right to speak on the agenda issues, submit corresponding proposals and ask questions. Chairman of the General Meeting of Shareholders ensures their efficient work.

Voting is performed with the help of voting ballots.

The procedure of tally at the General Meeting of Shareholders excludes the possibility of voting results tampering. The tabulation commission functions are discharged by the independent registrar of the Company.

5.2.3. Meeting results.

Decisions taken by the General Meeting of Shareholders as well as voting results are made public at the General Meeting of Shareholders and simultaneously published on the Company's web-site and in mass media.

5.3. Dividend policy

Currently, an in-house document of the Company has been elaborated and approved of (Regulations on the Dividend Policy of the Company) stipulating a mechanism of dividend amount determination and payment that is transparent and understandable to shareholders.

The dividend policy of the Company is based on a balance between the interests of the Company and their shareholders during determination of dividend payments amount, on promotion of the Company market capitalization, on trust and strict compliance with shareholders' rights.

The Company's policy regarding dividend stipulates:

- creation of a transparent understandable mechanism for dividend amount determination;
- ensuring a dividend payment procedure that is most convenient for shareholders;
- arrangements excluding incomplete or untimely payment of dividend announced.

6. INFORMATION DISCLOSURE AND TRANSPARENCY

6.1. Information disclosure policy and practice

The main goal of the information disclosure policy being implemented by the Company is ensuring a maximum degree of trust in the company on the part of shareholders, potential investors, counteragents and other stakeholders by way of providing to the aid persons information on the Company proper, on the company's activities and securities in an amount sufficient for the said persons to take substantiated and balanced decisions with regard to the Company and their securities.

Disclosing information on themselves, the Company does not confine themselves to information disclosure whereof is stipulated by the applicable regulatory legal acts of the Russian Federation, additionally disclosing information that ensures a high degree of the Company transparency and assists in achievement of goals set forth in the information disclosure policy being implemented by the Company.

The list of information disclosed by the Company, the procedure and terms of information disclosure are determined by the Regulations on the Information Policy of the Company approved of by the Board of Directors of the Company.

During information disclosure, the Company is guided by the following principles:

- **Principles of completeness and accuracy of information disclosed** in accordance wherewith the Company provides true-to-life information to stakeholders, without evading disclosure of negative information on themselves, to an extent enabling obtainment of a most complete idea of the company and their activities results;

- **Information accessibility principle** in accordance wherewith the Company uses during information disclosure channels for distribution of information on their activities ensuring free and unhindered access to information being disclosed for shareholders, creditors, potential investors and other stakeholders;

- **Information balance principle** which means that the information policy of the Company is based on a reasonable balance between the company transparency for all stakeholders on the one part and confidentiality – on the other, for maximal implementation of shareholders' rights to receive information on the Company's activities subject to protection of information classified as confidential or insider;

- **Information disclosure regularity and timeliness principle** which specifies that the Company provides to shareholders, creditors, potential investors and other shareholders information about their activities within the terms conditioned by regulatory legal instruments of the Russian Federation and in-house documents of the Company.

Information being disclosed is published on the Company's corporate Internet-site. The Company's web-site has a Russian and English versions.

Responsible for information disclosure are executive bodies of the Company. Members of the Board of Directors disclose to the Company information on themselves as may be required for the Company to disclose information in accordance with federal laws and regulatory legal instruments of the Russian Federation as well as the Regulations on the Information Policy of the Company.

Members of the Board of Directors, members of the Management Board, General Director, persons discharging the functions of management bodies of the Company managing organization are obliged to disclose information on their holding securities of the Company as well as on their selling and (or) purchasing such securities by way of communicating such information to the corresponding subdivision of the Company.

6.2. Financial statements

The Company maintains accounts and prepares financial statements in accordance with the Russian Accounting Standards (RAS) as well as the aggregate (consolidated) financial statements as per the International Financial Reporting Standards (IFRS) and publishes such statements on the Company's corporate web-site.

Appended to financial report are detailed notes enabling the recipient of such statements to rightly interpret data on the financial results of the Company's activities. Financial information is supplemented with comments and analytical estimates of the Company executives as well as an opinion of Auditor of the Company and the Auditing Commission.

6.3. Control over financial and economic activities

The Company, aware of the need to reduce the occurrence probability of events that negatively affect achievement of goals set and entail losses, inter alia – due to decision taking based on erroneous judgments, human mistakes or intentional evasion of control, also aware of the high degree of shareholders concern of protection of their capital investments and preservation of the Company's assets, creates an internal control system.

The internal control system of the Company is intended to monitor and timely prevent internal and external risks affecting achievement of strategic and operational goals of the Company.

The core goals of the internal control system are:

1. Perfection of the system of corporate governance of the Company to provide for reasonable assuredness in terms of compliance with the interests and rights of shareholders and investors of the Company to the extent concerning:

- efficient and effective utilization of the Company and SDC resources;
- preservation of assets;
- compliance with the requirements of the legislation of the Russian Federation, in-house regulatory documents of the Company (hereinafter referred to as "compliance control");
- accuracy and objectivity of managerial and accounting (financial) statements and their preparation system reliability.

2. Enhancement of efficiency and effectiveness of the Company's activities for implementation of the Company development strategy due to a risk management system functioning and efficient control proceedings introduction.

3. Assistance in the Company's activities timely adaptation to external and internal environment changes.

The internal control system includes the whole list of control proceedings, methods and mechanisms created by executive bodies and the Board of Directors of the Company to ensure efficient internal control over the Company's financial and economic activities.

The internal control system participants are represented by the Board of Directors, the Auditing Commission, the Audit Committee under the Board of Directors, General Director, the Management Board of the Company, the Company subdivision in charge of internal control as well as the officials and workers of the Company in charge of execution of control proceedings allocated to them by in-house documents of the Company.

The functions, rights, duties and responsibilities of subdivisions functioning within the Company are stipulated by organizational and administrative documents of the Company.

To ensure a systemic character of control over financial and economic activities of the Company, internal control proceedings are carried out by the empowered subdivision of the Company in charge of internal control in interaction with the other bodies and subdivisions of the Company.

Specific proceedings as well as bodies and persons in charge of carrying out internal control proceedings are determined by the Internal Control Policy of the Company and the Risk Management Policy of the Company as approved of by the Board of Directors of the Company.

6.4. Ownership structure

The Company ensures disclosure of information on actual owners of five or more per cent of the Company's voting shares. Information disclosed by the Company additionally contains a description of corporate relations within the group of companies. The Company strives to ensure transparency of the company equity capital structure.

7. PRINCIPLES AND PRACTICE OF INTERACTION WITH SUBSIDIARY AND DEPENDENT BUSINESS COMPANIES

The company strives after balanced development based on efficient mechanisms of corporate governance.

The Company carries out relationships with SDCs in accordance with the requirements of the Russian Federation legislation, the Charter and other regulatory documents of the Company and charters of such SDCs.

The core goals of the Company's interaction with SDCs are:

- ensuring stable financial development, functioning profitability and promotion of investment attractiveness of the Company and SDCs;

- ensuring protection of rights and legally protected interests of shareholders of the Company and SDCs;
- harmonization of relations between shareholders, Officials and members of labor collectives of the Company and SDCs, exclusion of conflicts arising between them;
- elaboration and implementation of a coordinated and efficient investment policy of the company and SDCs.

The Document securing the core corporate governance principles and provision of the Company SDCs is the Procedure of IDGC of the North-West, JSC Interaction with Organizations IDGC of the North-West, JSC Participates in hereinafter referred to as the “Procedure”). In accordance with the said Procedure, the Company’s interaction with SDCs occurs when management and control bodies of such SDCs take corresponding decisions (decisions of General Meetings of Shareholders, Boards of Directors, auditing commissions, management boards and sole executive bodies within the ambit of their competences).

Apart from the said Procedure, SDC corporate governance process is regulated by the following documents:

- Charter of the Company;
- Corporate Governance Code of the Company;
- Charters of the Company SDCs;
- Standards and procedural rules and other in-house documents dealing with corporate governance proceedings.

According to corporate governance practice development, the Company will strive after development of corporate governance principles with regard to SDCs.

8. FINAL PROVISIONS

This Code takes effect from the moment of approval by the Board of Directors of the Company.

Issues unsettled hereby are governed by the effective legislation of the Russian Federation, decisions of the Board of Directors of the Company, the Charter and in-house regulatory documents of the Company.