

Compliance with the Code of Corporate Conduct

№	Provision of the Code of Corporate Conduct	Compliance	Notes
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General Shareholders Meeting			
1	Notification of the shareholders about general shareholders meeting not later than 30 days before the date of the meeting irrespective of the items on the agenda, if a longer period is not legally provided.	Complied with	In accordance with clause 11.5 art. 11 of the Articles the Company's shareholders are notified of a general shareholders meeting not later than 30 days before the date of the meeting.
2	The shareholders shall have an opportunity to get acquainted with the list of persons entitled to participate in annual general shareholders meeting, starting from the day, on which the meeting is announced and till the closing date of a compresence general shareholders meeting, and if the shareholders meeting is in absentia, till the last date of filing the voting bulletins.	Complied with	The Company shall make available the list of persons entitled to participate in annual general shareholders meeting, so that any shareholder have enough time to examine it.
3	The shareholders shall have an opportunity to get acquainted with information (materials) to be submitted during preparations to a general shareholders meeting through electronic means of communication, including Internet.	Complied with	The Company gives an opportunity to get acquainted with information (materials) for a general shareholders meeting to a maximum number of shareholders. The information shall be made available in the office of the executive body of the Company and other places, the addresses of which are specified in the notice of the general shareholders meeting, and in the Internet.
4	The shareholders shall have an opportunity to propose an item to the agenda for a general shareholders meeting or demand to convene a general shareholders meeting without submission of an extract from the shareholders register if his rights to shares are accounted for through the system of shareholders register, and if his rights to shares are accounted for on a depository account, and extract form this depository account is sufficient to exercise the above mentioned rights.	Not complied with	In terms of improvement of corporate governance.
5	The Articles or internal documents of the Company shall require for obligatory presence of General Director, members of the Management Board, members of the Board of Directors, members of the Audit Commission and the Company's Auditor at a general shareholders meeting.	Partially complied with	<p>In accordance with clause 17.2 of the Company's Articles, Chairman of the Board of Directors shall act as chairman at a general shareholders meeting. Clause 6.2 of the Regulation on the Procedure for Preparation and Holding of General Shareholders Meetings of OAO "TGC-5" prescribes that if Chairman of the Board of Directors is absent from the general shareholders meeting, his duties as Chairman shall be performed by Deputy Chairman of the Board of Directors.</p> <p>If Chairman of the Board of Directors and deputy Chairman of the Board of Directors are absent from the meeting, the duties of Chairman may be performed by any member of the Board of Directors by resolution of the members of the Board of Directors present at the general shareholders meeting.</p>

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6	Candidates shall be present when a general shareholders meeting discusses the issues concerning election of members of the Board of Directors, General Director, members of the Management Board, and members of the Audit Commission and nomination of the Company's Auditor.	Not complied with	Not provided for in the internal documents.
7	The Company's internal documents shall prescribe the procedure for registration of participants of the general shareholders meeting.	Complied with	Regulation on convening and holding a general shareholders meeting.
The Board of Directors			
8	The Company's Articles shall include the Board of Directors' authority to approve financial and economical plan of the Company.	Complied with	Art. 15 clause 15.1 sub-paragraph 22 of the Articles.
9	The Company shall have a risk management procedure approved by the Board of Directors.	Not Complied with	Under development.
10	The Company's Articles shall prescribe the right of the Board of Directors to pass resolutions on suspension of authority of General Director appointed by a general shareholders meeting.	Non-applicable	Art. 15 clause 15.1 sub-paragraph 12 of the Articles.
11	The Company's Articles shall prescribe the right of the Board of Directors to establish requirements for the qualification and size of remuneration of General Director, members of the Management Board, heads of the main structural divisions of the Company.	Partially complied with	In accordance with the Articles, the terms and conditions provided for by the employment contract with General Director and members of the Management Board, including the terms of powers, shall be specified by the Board of Director of the Company or a person, authorized by the Board of Directors of the Company to sign the employment contract.
12	Presence in the Company Articles of the right of the Board of Directors to approve conditions of agreements with General Directors and members of the Management Board.	Complied with	Art. 21 clause 21.5 of the Articles.
13	The Articles or internal document of the Company shall require that the votes of the members of the Board of Directors, who are General Director and members of the Management Board, shall not be counted for approval of the terms and conditions of contracts with General Director (management company, manager) and members of the Management Board.	Not observed	The internal documents do not include this requirement.

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14	The Board of Directors shall include minimum three independent directors, who meet the requirements of the Code of Corporate Conduct.	Complied with	The present Board of Directors includes three independent directors.
15	The Board of Directors shall not include persons, who have been found guilty of committing economic crimes or crimes against state authorities, state interests and interests of local authorities or persons, against whom administrative penalties were enforced for infringements of law in the area of entrepreneurial business or in the area of finance, taxes and dues, securities market.	Complied with	There are no such persons in the Board of Directors.
16	The Board of Directors shall not include persons, who are partners, general directors (managers), members of governing bodies or coworkers of a legal entity, which is in competition with the Company.	Complied with	There are no such persons in the Board of Directors.
17	The Articles of the Company shall require election of the Board of Directors by cumulative voting.	Complied with	Art. 10 clause 10.8 of the Articles.
18	The Company's internal documents shall prescribe that the members of the Board of Directors shall refrain from actions, which will result in or potentially may result in conflict between their interests and interests of the Company, and if such conflict occurs, they shall disclose information about the conflict to the Board of Directors.	Not complied with	Not prescribed by the internal documents. In the course of fulfillment of their duties, members of the Board of Directors shall act bona fide and reasonably (Art. 3 clause 3.5 of the Regulation on the Procedure for Convening and Holding of a General Shareholders Meeting.)
19	The Company's internal documents shall prescribed that members of the Board of Directors shall notify the Board of Directors in writing of their intent to make transactions with the securities of the Company, in the Board of Directors of which (or its subsidiaries/dependant companies) they act as members, as well as to disclose information about transactions with such securities they are going to make.	Partially complied with	Clauses 4.1, 4.2 of Inside Information Regulation.
20	The Company's internal documents shall require that meetings of the Board of Directors be held at least every six weeks.	Not complied with	Art. 18 clause 18.2 of the Articles. In terms of corporate governance improvement.
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21	Meetings of the Board of directors shall be held during the reporting year, for which the Company's annual report is made, at least every six weeks.	Complied with	
22	The Company's internal documents shall prescribe the procedure for the Board of Directors' meetings.	Complied with	Regulation on the convening and holding of Board of Directors meetings.
23	The Company's internal documents shall include a provision indicating that the Board of Directors shall approve Company's transactions in the amount of 10% and more of the value of the Company's assets except for transactions made in the course of ordinary activities.	Complied with	Art. 15. clause 15.1 sub-paragraph 25 of the Articles.
24	The Company's internal documents shall include the right of the Board of Directors to obtain from executive bodies and heads of the main departments of the Company information as may be necessary to fulfill the duties as well as responsibility for failure to submit such information.	Partially complied with	Rights of members of the Board of Directors to obtain the above information for making better decisions are specified in clause 3.1. Art.3 of the Regulation on the Procedure for of convening and holding of Board of Directors meetings, except for the responsibility.
25	The Company's Board of Directors shall have a strategic planning committee, or its functions shall be assigned to another committee (except the Audit Commission and personnel and remuneration committee).	Complied with	The Committee for strategy, restructuring, corporate governance, investments and personnel and remuneration has been established and functioning at the Company's Board of Directors.
26	The Company's Board of Directors shall have a committee (Audit Committee) to recommend an auditor to the Board of Directors and interact with him and the Audit Commission of the Company.	Complied with	The Audit Committee has been established and functioning within the framework of the Company's Board of Directors.
27	The Audit Committee shall include only of independent and non-executive directors.	Complied with	
28	The Audit Committee shall be managed by an independent director.	Observed	
29	The Company's internal documents shall prescribe that any member of the Audit Committee shall have access to any document and information of the Company provided that he/she/it will not disclose confidential information to a third party.	Complied with	Art. 4 clause 4.1 of the Regulation on the Board of Directors' Audit Committee.

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30	The Board of Directors shall create a committee (personnel and remuneration committee), with the function to specify criteria for selection of candidates to the Board of Directors, and develop the Company's remuneration policy.	Complied with	The Committee for strategy, restructuring, corporate governance, investments and personnel and remuneration has been established and functioning at of the Company's Board of Directors.
31	An independent director shall manage the personnel and remuneration committee .	Complied with	
32	The personal and remuneration committee shall not include officers of the Company.	Not complied with	
33	The Board of Directors shall establish a risk committee or assign the functions of such committee to another committee (except the audit committee and personnel and remuneration committee).	Complied with	The responsibility to inform the Board of directors about the risks the company is liable to is assigned to the Committee for strategy, restructuring, corporate governance, investments and personnel and remuneration at the Company's Board of Directors (Art. 5 clause 5.1. sub-paragraph 3 of the Regulation on for strategy, restructuring, corporate governance, investments and personnel and remuneration at the Company's Board of Directors).
34	The Board of Directors shall establish a corporate conflicts management committee for or assign the functions of the above committee to another committee (except for the audit committee and personnel and remuneration committee).	Complied with	Corporate conflicts management is effected within the frameworks of corporate management and comes within the terms of reference of the Committee for strategy, restructuring, corporate governance, investments and personnel and remuneration at the Company's Board of Directors (Art. 2 p. 2.2. sub-paragraph 6 of the Regulations for the Commission on strategy, restructuring, corporate governance, investments and personnel and remuneration at the Company's Board of Directors).
35	The corporate conflicts management committee shall not include Company's officers.	Not complied with	
36	The corporate conflicts management committee shall be managed by an independent director.	Complied with	
37	The company shall have internal documents approved by the Board of Directors, which regulate the procedure for creation and work of the committees at the Board of Directors.	Complied with	
38	The Company's Articles shall prescribe the procedure of quorum definition for the Board of Directors, which makes it possible to guaranty obligatory participation of independent directors at any meeting of the Board of Directors.	Not complied with	Art. 18 clause 18.13 of the Company's Articles reads that a meeting of the Board of Directors is legally competent (has quorum), if not less than half of the elected members of the Board of Directors are present (six from eleven).
Executive bodies			
39	The Company shall have a collegial executive body (management board).	Complied with	Art. 21 clause 21.1 of the Company's Articles reads that the sole executive body – General Director - and collegiate executive body – the Management Board of the Company - manage the current activity of the Company.

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40	The Articles or internal documents of the Company shall prescribe that the Management Board shall approve real estate transactions, borrowing loans by the Company, if the said transactions are not large and do not refer to ordinary activity of the Company.	Complied with	Art. 5 clause 5.9. subparagraph 13 of the Company Management Regulation.
41	The Company's internal documents prescribe the procedure for approval for transactions, which are beyond the scope of the Company's financial and economic plan.	Not complied with	
42	The executive bodies shall not include persons, who are partners, general directors (managers), members of management bodies of employees of a legal entity, which is the Company's competitor.	Complied with	
43	The executive bodies shall not include persons, who have been recognized as of committing economic crimes or crimes against state authorities, state interests and interests of local authorities or persons, against whom administrative penalties were enforced for infringements of law in the sphere of entrepreneurial business or in the spheres of finance, taxes and dues, securities market. If functions of the sole executive body are performed by a managing company or a manager – General Director and members of the Management Board of the managing company shall meet the demands, placed on General Director and members of the Management Board of the Company.	Complied with	
44	The Articles or internal documents of the Company shall prohibit a management company (manager) to perform equal functions in competitive companies as well as to be in any other property relations with the Company besides provision of services of a management company (manager).	Not observed	Art. 21 clause 21.1 of the Company's Articles reads that the sole executive body – General Director - and collegiate executive body – the Management Board of the Company - manage the current activity of the Company.

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45	The internal documents of the Company shall prescribe that executive bodies shall refrain from actions, which will result in or potentially may result in conflict between their interests and interests of the Company, and if such conflict occurs, they shall inform about the conflict before the Board of Directors.	Not complied with	Not regulated by the internal documents. General Director, members of the Management Board shall act bona fide and reasonably (Art. 21 clause 21.11 of the Company's Articles).
46	The Articles or internal documents of the Company shall contain the criteria for selection of the management company (manager).	Not complied with	Art. 21 clause 21.1 of the Company's Articles reads that the sole executive body – General Director - and collegiate executive body – the Management Board of the Company - manage the current activity of the Company.
47	The executive bodies of the Company shall submit monthly reports on their activities to the Board of Directors.	Not complied with	Art. 15 clause 15.1 subparagraph 45 of the Articles: General Director submits to the Board of Directors a quarterly report on results of the Company's activity, which is also specified in the annual program of the Board of Directors.
48	Any contract concluded between the Company and General Director (management company, manager) and members of the Management Board of responsibility for violation of the regulations on confidential and official information.	Complied with	Responsibility for violation of regulations for confidential and official information shall be specified in contracts concluded by these persons.
Company's Secretary			
49	The Company shall have a special officer (Company's secretary), whose mission is to make sure that the Company's bodies and officers follow the procedural requirements, which guarantee that the rights and legitimate interests of the Company's shareholders are exercised.	Complied with	Secretary of the Board of Directors acts as Secretary: - In preparation of meetings of the Board of Directors, - In rendering of assistance to the members of the Board of Directors in fulfillment of their rights.
50	The Articles or internal documents of the Company shall prescribe the procedure for appointment (election) of the Company's Secretary and liabilities of the Secretary.	Complied with	Art. 19 of the Company's Articles.
51	The Articles of the Company shall contain requirements for candidates to the post of Secretary.	Not complied with	In accordance with p. 4.2 of the Regulations on the Order of Calling and Conducting Meeting of the Board of Directors the candidate to the post of Secretary shall be offered by the Chairman of the Board of Directors. If the candidate is the company's coworker, his candidature shall be approved by General Director of the Company.
Material corporate activities			
52	The Articles or internal documents of the Company shall required approval of a major transaction before it is closed.	Complied with	Art.15 clause 15.1 subparagraph 34 of the Company's Articles.
53	The company shall involve an independent appraiser to determine the market value of the property, which is the subject of a major transaction.	Complied with	In accordance with the RF Law and corporate procedures of OAO RAO «UES of Russia» specified for its subsidiaries and dependant companies.

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54	In the event of a purchase of a large shareholding of the Company (takeover), the Company's Articles shall prohibit any action aimed at protection of interests of the executive bodies (members of the bodies) and members of the Board of Directors of the Company, as well as worsening the standing of the shareholders in comparison with the previous one (in particular, prohibition for the Board of Directors to make decisions before the presumed time of acquisition of the securities on additional shares issues, issues of securities, convertible into the shares or securities, which grant a right to purchase the Company's shares even if the right of making such decision is specified in the Articles.)	Not complied with	The Articles or internal documents of the Company do not contain such prohibition.
55	The Company's Articles shall require that an independent appraiser shall be invoked to determine the current market value of the shares and possible changes in their market value as a result of acquisition.	Not complied with	In accordance with the applicable laws and corporate procedures of OAO «RAO UES of Russia» specified for its subsidiaries and dependant companies.
56	The Company's Articles shall not include a provision to release the purchaser of an obligation to suggest that the shareholders should sell the Company's ordinary shares, hold by them (issuing securities, convertible into ordinary shares) at acquisition.	Complied with	The Company's Articles do not provide for release of such obligation.
57	The Articles or internal document of the Company shall require that an independent appraiser shall be involved to determine the shares conversion ratio during the period of restructuring.	Not complied with	An independent appraiser is involved in accordance with the applicable laws and corporate procedures of OAO «RAO UES of Russia» specified for its subsidiaries and dependant companies.
Information disclosure			
58	The company shall have an internal document approved by the Board of Directors, which specifies the rules and approaches of the Company to information disclosure (Provisions on Information Policy).	Complied with	Regulation on Information Policy of the Company.

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59	The Company's internal documents shall contain a requirement to disclose information about share placement purposes, persons, who intend to purchase the shares to be placed, including a large equity stake as well whether the Company's high officials will participate in the purchase of the Company's shares under to be placed.	Not complied with	The Company has the Information Policy Regulation approved by resolution of the Board of Directors. Information is disclosed by the Company in accordance with the applicable laws under the Regulation on Information Disclosure by securities issuers as approved by Order of the RF Federal Financial Markets Service of 16.03.2005 № 05-5/pz-n
60	The Company's internal documents shall contain a list of information, documents and materials, which shall be submitted to the shareholders for addressing the at general shareholders meeting.	Complied with	Information Policy Regulation of the Company.
61	The Company shall have an Internet-site and regularly disclose information about the Company on this site.	Complied with	The information is disclosed on the site: www.tgc5.ru .
62	The Company's internal documents shall contain the requirement to disclose information on transactions of the Company with persons, who belong in accordance with the Articles to the high officials of the Company as well as on transactions with organizations, in which the head officials of the Company directly or indirectly hold 20 and more per cent of the authorized capital of the company or on which the mentioned persons may have impact.	Complied with	Information Policy Regulation of the Company.
63	The Company's internal documents shall contain the requirement to disclose information about all transactions, which may have influence on market value of the Company's shares.	Partially complied with	Information Policy Regulation of the Company.
64	The company shall have an internal document approved by the Board of Directors, which regulates the use of essential information about the Company's activities, shares and other securities of the Company and transactions with them, which is not public and disclosure of which may have material effect on market value of the Company's shares and other securities.	Complied with	Regulation on Insider Activity.

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Control on financial and economic activities			
65	The Board of Directors shall approve the procedures for internal control over financial and economic activities of the Company.	Complied with	Regulation on Internal Control over Financial and Economic Activities of the Company.
66	The company shall have a special department to ensure compliance with the internal control procedures (audit service).	Complied with	The Company has established a Department for internal audit to supervise the compliance with the internal control procedures.
67	The Company's internal documents shall require that the Board of Directors shall specify the structure and membership of the audit department of the Company.	Not complied with	
68	The audit department shall not include persons, who have been recognized as guilty of committing economical crimes or crimes against state authorities, f state interests and interests of local authorities or persons, against whom administrative penalties were enforced for infringements of law in the area of entrepreneurial business or in the areas of finance, taxes and dues, securities market.	Non-applicable	
69	The audit department shall not include persons, who are members of the Company's executive bodies, as well as persons, who are partners, general directors (managers), members of governing bodies of employees of a legal entity, which is the Company's competitor.	Non-applicable	
70	The Company's internal documents shall specify the time for submission to the audit department of documents and materials for estimation of the closed financial and economic transaction, as well as responsibility of the officers and the staff of the Company for non-submission of them in due time.	Non-applicable	

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71	The Company's internal documents shall specify the audit department's responsibility to inform the audit committee of any violation identified and if there is no audit committee, to the Company's Board of Directors.	Non-applicable	
72	The Company's Articles shall require that the audit department make a provisional evaluation of advisability of transactions not provided for in the financial and economic plan of the Company (nonstandard operations).	Non-applicable	
73	Specification in the Company's internal documents of procedure of approval of nonstandard operation by the Board of Directors.	Not complied with	
74	The Company shall have an internal document approved by the Board of Directors, which specifies the procedure for auditing of the financial and economic activities of the Company by the Audit Commission.	Not complied with	
75	The audit commission shall assess the audit opinion before it is submitted to the shareholders at the general shareholders meeting.	Complied with	Art. 3 clause 3.4 of the Regulation on the Audit Committee at the Board of Directors of the Company.
Dividends			
76	The Company shall have an internal document approved by the Board of Directors, by which the Board of Directors is governed in acceptance of recommendations concerning the dividend rate (Dividend Policy Regulation).	Not complied with	
77	The Dividend Policy Regulation shall specify the procedure for determining the minimum net profit of the Company used for dividend distribution and conditions, on which the dividends shall not be paid or shall be partially paid on preferred shares, the amount of dividends, on which is specified in the Company's Articles.	Not complied with	
78	The company shall publish information about the dividend policy of the Company and amendments introduced into it in the periodical specified in the Company's Articles for publication of notices of general shareholders meetings, and place the above mentioned information on the Company's web-site in the Internet.	Not complied with	