

Approved by
the Board of Directors of
JSC IDGC Holding
Minutes No. 26 of November 19, 2009

**CORPORATE GOVERNANCE CODE
OF JSC INTERREGIONAL DISTRIBUTION GRID
COMPANIES HOLDING**

Moscow
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1. INTRODUCTION

The purposes of this Corporate Governance Code (hereinafter, the “Code”) are to improve and systematize corporate governance of JSC Interregional Distribution Grid Companies Holding (hereinafter, the “Company”), to increase transparency of the management of the Company and to confirm continuous readiness of the Company to follow proper corporate governance standards. In particular:

- the Company shall be managed on the proper responsibility and accountability level in order to maximize the shareholder value;
- the Board of Directors and the executive bodies shall work efficiently, in the interests of the Company and the Company’s shareholders (including minority shareholders) and create conditions for sustainable growth of the shareholder value;
- proper disclosure of information, transparency, and efficient work of risk management and internal control systems shall be ensured.

By approving, improving on a regular basis and strictly complying with the provisions of this Code, the Articles of Association of the Company and other internal documents, the Company confirms its intent to contribute to the development and improvement of the proper corporate governance practice.

For further strengthening of confidence of shareholders, employees, investors and the society, when developing this Code the Company does not restrict itself by provisions of the applicable laws of the Russian Federation but includes additional provisions based on generally recognized Russian and international¹ corporate governance standards into the Code.

The Company hereby assumes the obligations provided for herein and shall comply with the norms and principles specified herein.

2. INFORMATION ON THE COMPANY

JSC Interregional Distribution Grid Companies Holding was established on July 01, 2008 through the reorganization of Unified Energy System of Russia.

The Company is a parent company (controlling company) in relation to subsidiaries and dependent companies of the interregional electric grid sector (hereinafter, “IDGC Holding”), and exercises shareholder (member) rights in other economic entities whose shares (equities) are owned by the Company. The major shareholding of the Company is owned by the Russian Federation.

The Company, as a parent company of IDGC Holding, shall make efforts to form cost-effective, profitable, investment attractive business companies integrated in the global economy based on IDGC Holding.

Shareholders of the Company are both Russian and foreign corporate and individual persons.

¹ OECD (Organization for Economic Cooperation and Development) Principles of Corporate Governance

The role of the Company in the Russian economy is of exclusive value. The activities of the Company and the Company's subsidiaries and dependent companies secure life of the population and development of all sectors of the Russian economy.

The activities of the Company are linked to responsibility in relation to shareholders and the government, suppliers, consumers, employees and the society on the whole.

Aware of such responsibility and recognizing the importance of a high level of corporate governance for the successful business of the Company and for achievement of mutual understanding among all persons interested in the activities of the Company, the Company undertakes to follow the principles specified herein in its activities and to take any and all reasonable efforts to comply with them in its everyday activities.

3. PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE IN THE COMPANY

3.1. Definition and Principles

Corporate governance in the Company means a total of processes ensuring governance of and control over its activities and including relations among shareholders, the Board of Directors and the executive bodies of the Company in the interests of shareholders. The Company considers corporate governance as a means for increasing efficiency of the activities of the Company, strengthening its reputation and reducing costs for raising capital by the Company.

This Code, pursuant to which corporate governance is carried out in the Company, is based on the Russian laws, the Code of Corporate Conduct recommended for use by Order No. 421/r of April 04, 2002 of the Federal Commission for the Securities Market of the Russian Federation (hereinafter, the "FCSM Code"), and principles of corporate governance recognized in the international practice, such as the OECD (Organization for Economic Cooperation and Development) Principles of Corporate Governance.

Corporate governance in the Company is based on the following principles:

- **Accountability.** The Code provides for accountability of the Board of Directors to all shareholders in accordance with the applicable laws of the Russian Federation and serves as guidance for the Board of Directors in the strategy development and governance of and control over the activities of the executive bodies of the Company.
- **Justice.** The Company shall protect shareholder rights and ensure equal attitude to all shareholders. The Board of Directors shall provide all shareholders with efficient protection if their rights are infringed.
- **Transparency.** The Company shall disclose reliable information on all material facts related to the activities of the Company, including on its financial standing, performance, ownership and governance structure of the Company, in due time and ensure free access to such information for all interested parties.
- **Responsibility.** The Company shall recognize rights of all interested parties provided for in the applicable laws of the Russian Federation, and shall make efforts to cooperate with such persons for the purpose of the development and financial stability of the Company.

3.2. Internal Documents

This Code represents a body of principles. The relevant corporate governance structures, procedures and practice shall be governed by the Articles of Association and internal documents of the Company, including:

- Regulations for the Preparation and Holding Procedure for the General Meeting of Shareholders of the Company;
- Regulations for the Convening and Holding Procedure for Meetings of the Board of Directors of the Company;
- Regulations for the Management Board of the Company;
- Regulations for the Internal Audit Commission of the Company.

The above internal documents of the Company have been developed in accordance with the applicable laws of the Russian Federation, and subject to the key provisions of the Code of Corporate Conduct recommended for use by the Federal Commission for the Securities Market of Russia. The above documents are available on the Company's website at <http://www.holding-mrsk.ru>.

3.3. General Structure of Corporate Governance

The system of management and control bodies in the Company includes:

- the General Meeting of Shareholders – the superior management body of the Company, through which shareholders exercise their right to take part in the management of the Company;
- the Board of Directors – a management body responsible for the development of the Company's strategy, general governance of its activities and control over the activities of the executive bodies;
- the Management Board and the Director General – management bodies governing the day-to-day activities of the Company and implementing the strategy specified by the Board of Directors of the Company;
- the Internal Audit Commission – a body controlling financial and economic activities of the Company, being accountable directly to the General Meeting of Shareholders of the Company.

4. CORPORATE GOVERNANCE PRACTICE IMPLEMENTED IN THE COMPANY

The Company considers that availability of the professional Board of Directors is an important element of efficient corporate governance. The Board of Directors affects the performance of the Company, carrying out general strategic governance and control over the activities of the executive bodies in the interests of the Company and its shareholders. The executive bodies of the Company, responsible for governance of the day-to-day activities of the Company, also play an important role in the management process. Efficient interaction between these bodies and distinct delineation of their powers is one of the key factors in ensuring proper corporate governance practice.

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 for the term until the next annual General Meeting of Shareholders. The Board of Directors of the Company shall be elected by cumulative voting. Pursuant to a decision of the General Meeting of Shareholders, the powers of all members of the Board of Directors of the Company may be terminated.

The Company does not consider that any restriction with regard to how many times members of the Board of Directors may be re-elected will meet the interests of the Company or its shareholders. Members of the Board of Directors, who are familiar with the activities of the Company, play an important role in ensuring proper management.

Powers of the Board of Directors are governed by the Articles of Association of the Company in accordance with the applicable laws of the Russian Federation and recommendations of the FCSM Code.

The number of members of the Board of Directors is specified in the Articles of Association of the Company.

The General Meeting of Shareholders may terminate powers of the Board of Directors on the whole only.

4.1.2. Independence. The law prohibits positions overlapping in relation to the sole executive body and the Chairman of the Board of Directors. The Company considers that the Board of Directors must be managed by the Director², other than the sole executive body and/or a member of the collegial executive body of the Company, because it allows the Board of Directors to exercise its functions more effectively.

Members of the Board of Directors shall ensure proper performance of obligations to control and define the development strategy and key development areas of the Company.

Members of the Management Board of the Company may not comprise more than one fourth of members of the Board of Directors of the Company.

For objectivity of approved decisions and keeping the balance of interests of various groups of shareholders, the Company makes efforts to have at least three (3) independent directors in the Board of Directors. For the purpose hereof, independent directors are directors meeting the following independence requirements:

- at the time of election and during 3 years preceding election they shall not be officers or employees of the Company;

- they shall not be officers of any other economic entity in whom any officer of the Company is a member of the Nomination and Remuneration Committee of the Board of Directors;

- they shall not be spouses, parents, children, brothers and sisters of officers of the Company;

²Hereinafter, the “member of the Board of Directors of the Company.”

- they shall not be affiliated persons of the Company, except for a member of the Board of Directors of the Company;

- they shall not be parties to the obligations with the issuer, pursuant to the conditions of which they may purchase property (receive money) with the value exceeding 10 percent of the cumulative annual income of the said persons, except for remuneration for taking part in the activities of the Board of Directors of the Company;

- they shall not be representatives of the government and/or local authorities, i.e. persons who must vote in accordance with written directives (instructions, etc.) of authorized federal authorities, public authorities of constituents of the Russian Federation or local authorities.

4.1.3. Structure and committees of the Board of Directors. Committees of the Board of Directors shall be formed by the decision of the Board of Directors. At present, the following committees of the Board of Directors have been formed:

- Audit Committee;
- Nomination and Remuneration Committee;
- Strategy Committee;
- Valuation Committee.

The committees of the Board of Directors shall be established for development of the issues within the competence of the Board of Directors or under review by the Board of Directors for control over the activities of the executive body of the Company and development of necessary recommendations to the Board of Directors and the executive body of the Company.

The activities of the committees of the Board of Directors shall be governed by the Articles of Association of the Company, local regulations of the Company, the Regulations for the Committees of the Board of Directors containing provisions on members, competence, proceedings of the committees, rights and obligations of their members.

The key role of the activities of the Audit Committee is to ensure the auditor selection process, to validate financial statements of the Company and to establish an effective internal control system.

The purpose of establishment of the Nomination and Remuneration Committee is to improve the personnel policy of the Company, to engage qualified personnel for management of the Company and to develop necessary incentives for their successful work.

The task of the Strategy Committee is to prepare and provide recommendations to the Board of Directors on the issues of strategic development of the Company within the competence of the Board of Directors or under review by the Board of Directors for control over the activities of the executive bodies of the Company.

The purpose of the activities of the Valuation Committee is to control valuation of assets and business for the Company, its SDCs and to form recommendations for the Board of Directors in relation to price parameters of transactions on the issues proposed for the Board of Directors.

4.1.4. Proceedings. Proceedings of the Board of Directors are governed by the Regulations for the Convening and Holding Procedure for Meetings of the Board of Directors of the Company. The Board of Directors shall hold meetings in accordance with the schedule developed in the beginning of the term of its powers, which ensures proper performance of its obligations. Pursuant to the Regulations for the Convening and Holding Procedure for Meetings of the Board of Directors of the Company, meetings of the Board of Directors in the Company shall be held at least once a quarter. Moreover, the Company shall make efforts to hold meetings of the Board of Directors once six weeks. If necessary, extraordinary meetings of the Board of Directors may be held.

The Secretary of the Board of Directors shall ensure that all directors receive in due time short but comprehensive information together with a notice of holding a meeting of the Board of Directors at least 10 days prior to the date of each meeting.

Meetings of the Board of Directors are executed by minutes. The minutes shall be signed by the Chairman of the Board of Directors and the Secretary of the Board of Directors.

4.1.5. Remuneration. Remuneration for members of the Board of Directors shall meet market conditions and shall be specified so that it ensures engagement and participation in the activities of the Company of highly knowledgeable specialists and their incentive for honest and effective activities.

The Company shall disclose information on remuneration for members of the Board of Directors to the public.

The Company shall extend no loan to any member of the Board of Directors.

4.1.6. Obligations of members of the Board of Directors. Members of the Board of Directors shall act in good faith and with due care in the interests of the Company and all its shareholders. Each Director shall make efforts to take part in all meetings of the Board of Directors.

Members of the Board of Directors are aware of their responsibility in relation to shareholders and consider that their key goal is to perform the obligations to manage the Company in good faith and on a competent level, ensuring maintenance and growth of the value of its shares, protection and opportunity of exercising rights by shareholders.

Members of the Board of Directors shall make efforts to conduct a continuous dialog with shareholders.

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

The Board of Directors shall create and maintain necessary control mechanisms for the activities of the Management Board of the Company, including monitoring and evaluation of results.

The Board of Directors shall create a system of clear and transparent criteria and procedures for appointment and replacement of members of the Management Board and an effective system of remuneration for its members.

Members of the Board of Directors shall neither disclose nor trade on confidential information on the Company.

Members of the Board of Directors shall refrain from any action that may result in any conflict between their interests and interests of the Company. In the event of such conflict, a member of the Board of Directors shall notify other members of the Board of Directors and abstain from voting on the relevant issues.

4.2. Management Board and Director General

The Company is aware that the sole executive body represented by the Director General is necessary for management of the day-to-day activities of the Company. It also recognizes that in the management process, it is necessary to solve complicated tasks, and a collective rather than an individual approach should be applied to their resolution. In this regard, the Company shall form the Management Board headed by the Director General.

4.2.1. Powers. Members of the Management Board and the Director General shall govern the day-to-day activities of the Company in order to accomplish the tasks and implement the strategy of the Company.

4.2.2. Number of members. The Director General shall provide recommendations with regard to the number of members of the Management Board to be specified by the Board of Directors of the Company.

4.2.3. Election, term and termination of powers of members of the Management Board and the Director General. Members of the Management Board and the Director General shall be elected by the Board of Directors of the Company. The Director General shall propose candidate members of the Management Board for approval by the Board of Directors.

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

4.2.4. Members of the Management Board. Members of the Management Board consisting of competent and experienced persons shall ensure effective management of the day-to-day activities of the Company. Each member of the Management Board, including the Director General, shall have the relevant experience, knowledge and skills necessary for proper performance of the assumed obligations.

4.2.5. Proceedings of the Management Board. The Management Board shall hold regular meetings; members of the Management Board shall receive information on issues on the agenda of the meeting in advance. The proceedings of the Management Board shall be governed by the Regulations for the Management Board of the Company.

4.2.6. Remuneration and Valuation. The material incentive system for members of the Management Board and the Director General shall be defined by the Board of Directors or the person authorized by the Board of Directors. The remuneration consists of the permanent and variable components, and the latter depends upon performance of the relevant system of indicators (hereinafter, the “Indicators”) of the Company’s activities and is related to personal contribution of the management to the long-term development of the Company in the interests of its shareholders.

The Indicators mean the system of financial and non-financial indicators affecting the quantitative or qualitative measurement of results in relation to the strategic goal of the Company.

The goal of the system of Indicators is to transfer the strategy of the Company to an integrated set of performance indicators of the Company defining key parameters of the measurement and management system. The set of Indicators shall specify the foundation for forming the strategy of the Company and include quantitative characteristics for notifying the executive bodies of the key success factors in the present and future. Formulating the strategy, the Company shall set a goal and create conditions for the implementation thereof.

4.2.7. Obligations of the executive bodies. Members of the Management Board and the Director General shall act in good faith and with due care in the interests of the Company and all its shareholders.

Members of the Management Board and the Director General shall refrain from any action that may result in any conflict between their interests and interests of the Company. In the event of such conflict, members of the Management Board and the Director General shall notify the Board of Directors and abstain from discussion and voting on the relevant issues.

The Company is aware that the experience, public relations, knowledge and skills of members of the Management Board, including acquired by them during their work in the Company, open the way for carrying out business activities (both private and collective – through the ownership of equities and shares) not related to the interests of the Company.

At the same time, members of the Management Board represent and warrant that such activities:

- do not prevent from exercising functions of the member of the Management Board of the Company in any way;
- are not related to the use of material and intellectual resources of the Company;
- will not cause material damage to the Company;
- will not damage the business reputation of the Company;
- are not competitive in relation to the Company.

If any of the above conditions are not fulfilled or any prerequisite is created for such failure, a member of the Management Board shall terminate any activities related to such failure.

In order to prevent possible negative consequences for the Company, members of the Management Board shall disclose information on their business activities not related to the interests of the Company to the Company in accordance with the procedure specified in the local regulatory documents of the Company.

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

Effective corporate governance requires an open dialog between the Board of Directors and the executive bodies of the Company. For this purpose, the Management Board shall provide the Board of Directors with quarterly reports on financial and economic activities of the Company in accordance with the Regulations for the Management Board.

5. SHAREHOLDERS OF THE COMPANY

5.1. Shareholder Rights and Protection of Shareholder Rights

Shareholders of the Company shall have the rights in relation to the Company, the compliance with and protection of which must be secured by the Board of Directors and the Management Board of the Company.

The shareholder register of the Company is maintained by an independent registrar. Selection and appointment of an independent registrar, having all technical tools and an unblemished reputation, allows the Company to ensure reliable and effective registration of title to shares.

Shareholders shall have the right to regular and timely receipt of information on the activities of the Company to the extent sufficient for making informed and reasoned decisions on disposal of shares in the Company.

For the purpose of proper compliance with and protection of the said right, the Company shall represent and warrant that information disclosure requirements provided for in the applicable laws of the Russian Federation are met.

On a quarterly basis, the Company shall disclose financial statements in accordance with the requirements of the applicable laws of the Russian Federation, and make efforts to disclose financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) at least once a year.

All information disclosed in some manner or other shall be posted on the website of the Company.

Shareholders owning voting shares may take part in the General Meeting of Shareholders with the right to vote on all issues within its competence.

For the purpose of proper compliance with and protection of the said right, the Company shall organize holding of the General Meeting of Shareholders so that participation of shareholders is not related to great material and time costs for them, ensuring equal attitude to all shareholders.

The Company shall provide shareholders with information on issues on the agenda of the General Meeting of Shareholders to the extent and in the period allowing shareholders to make reasoned decisions.

In the events provided for in the law and the Articles of Association of the Company, the Board of Directors shall prepare objective and reasoned recommendations for shareholders.

All information related to the General Meeting of Shareholders shall be posted on the Company's website.

Shareholders may receive part of the net profit of the Company as dividends.

For the purpose of proper compliance with and protection of the said right, the Company shall pay declared dividends in the period specified by the General Meeting of Shareholders.

Shareholder rights are governed by the provisions of the Articles of Association and internal documents of the Company.

5.2. General Meeting of Shareholders

The Regulations for the Preparation and Holding Procedure for the General Meeting of Shareholders governing the preparation, holding and decision-making procedure for the General Meeting of Shareholders were approved by the Company.

5.2.1. Preparation to the meeting. Each shareholder may take part in the General Meeting of Shareholders, vote on issues on its agenda, with due advance receive a notice of such meeting and its agenda, and reliable, objective and timely information sufficient for making decisions on issues on the agenda. The executive bodies of the Company are responsible for ensuring this process.

The Company provides for a fair and effective procedure of making proposals to the agenda of the General Meeting of Shareholders, including proposals to nominate candidate members to the Board of Directors. The agenda of the General Meeting of Shareholders may not be modified upon approval by the Board of Directors.

5.2.2. Proceedings at the meeting. The Company shall take any and all necessary steps to ensure participation of shareholders in the General Meeting of Shareholders and voting on issues on the agenda.

The place of the General Meeting of Shareholders shall be accessible to shareholders. The registration procedure shall be convenient for participants and shall ensure fast and unobstructed access to the place of the meeting.

Whenever possible, the Company shall ensure presence of members of the Board of Directors, the executive bodies, the Internal Audit Commission, the Auditor of the Company at the General Meeting of Shareholders and authorize them to answer questions of shareholders. Shareholders may report on issues on the agenda, make the relevant proposals and ask questions. The Chairman of the General Meeting of Shareholders shall ensure its effective work.

Voting shall be by ballot.

The quantification procedure at the General Meeting of Shareholders shall exclude voting result manipulation. Functions of the Counting Commission shall be exercised by an independent registrar of the Company.

5.2.3. Results of the meeting. Any decision made by the General Meeting of Shareholders and voting results shall be announced at the General Meeting of Shareholders and posted on the website of the Company and in the mass media.

5.3. Dividend Policy

At present, the Company is developing a transparent and comprehensible mechanism for specifying the dividend value and payment.

The dividend policy of the Company will be based on the balance of the interests of the Company and its shareholders when defining dividend payment amounts, the increase of the investment attraction of the Company and its capitalization, the respect of and strict compliance with shareholder rights.

The procedure for specifying the dividend amount for preference shares shall not infringe ordinary shareholder rights.

The policy of the Company in relation to dividends shall provide for:

- creation of a transparent and comprehensible mechanism for specifying the dividend value;
- the dividend payment procedure, being the most convenient for shareholders;
- any measure excluding incomplete or untimely payment of declared dividends.

6. INFORMATION DISCLOSURE AND TRANSPARENCY

6.1. Information Disclosure Policy and Practice

The main goal of the policy of disclosure of information on the Company implemented by the Company is to ensure the highest degree of confidence of shareholders, potential investors, counterparties and other interested parties in the Company through provision of information about itself, its activities and securities to the said persons to the extent sufficient for the said persons to make reasoned and informed decisions in relation to the Company and its securities.

The Company, disclosing information on itself, shall not be restricted to the information, the disclosure of which is provided for by regulatory documents of the Russian Federation, and shall additionally disclose other information ensuring the highest degree of transparency of the Company and shall contribute to achievement of goals of the disclosure policy by the Company.

The list of information disclosed by the Company, disclosure procedure and period shall be specified in the Regulations for Information Policy of the Company approved by the Board of Directors of the Company.

When disclosing information, the Company shall be governed by the following principles:

- **the principle of fullness and reliability of disclosed information**, in accordance with which the Company provides all interested parties with trustworthy information, not evading from disclosure of negative information on itself, to the extent allowing forming the most complete idea of the Company and performance results of the Company;

- **the information availability principle**, in accordance with which the Company, when disclosing information, shall use channels for dissemination of information on its activities ensuring free and unobstructed access of shareholders, creditors, potential investors and other interested parties to disclosed information;

- **the information balance principle**, which means that the information policy of the Company is 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 purpose of maximum implementation of shareholder rights to receive information on the activities of the Company given protection of information referred to confidential or insider information;

- **the information disclosure periodicity and timeliness principle**, which specifies that the Company shall provide shareholders, creditors, potential investors and other interested parties with information on its activities in the period conditioned by regulatory documents of the Russian Federation and internal documents of the Company.

Information disclosed by the Company shall be posted on the website of the Company. The website of the Company has both Russian- and English-language versions.

The executive bodies of the Company shall be liable for information disclosure. Members of the Board of Directors shall disclose to the Company information on themselves, which is necessary for information disclosure by the Company in accordance with regulatory documents of the Russian Federation and the regulations for Information Policy of the Company.

6.2. Financial Statements

The Company shall keep records and prepare financial statements in accordance with the Russian Accounting and Financial Reporting Standards. The Company shall make efforts to prepare consolidated statements in accordance with the International Financial Reporting Standards (IFRS) and post such statements on the website of the Company.

Financial statements shall be accompanied by detailed notes allowing the recipient of such statements to interpret information on the financial performance results of the Company correctly. Financial information is supplemented by commentaries and analytical evaluation of the management of the Company, and a report of the Auditor of the Company and the Internal Audit Commission. The Company shall prepare consolidated financial statements (of the Company and its subsidiaries and dependent companies) in accordance with the International Financial Reporting Standards (IFRS).

6.3. Control over Financial and Economic Activities

Being aware of the need for reduction of the probability of events negatively affecting the achievement of goals set by the Company and leading to losses, including due to making decisions based on misjudgments, human errors, willful evasion of control, and recognizing a high degree of the interest of shareholders in protection of their capital investments and safety of assets of the Company, the Company shall create the system for control over the financial and economic activities.

Internal control over the financial and economic activities is focused on achievement of the following goals:

- to ensure fullness and reliability of financial, accounting, management and other statements;
- to ensure the compliance with regulations of the Russian Federation, decisions of the management bodies of the Company and internal documents of the Company;
- to ensure safety of assets of the Company;
- to ensure performance of the goals set by the Company in the most efficient way;
- to ensure cost-effective use of the Company's resources;

- to ensure timely revealing and analysis of financial and operating risks that may negatively affect the achievement of the Company's goals related to the financial and economic activities.

The system of control over the financial and economic activities of the Company shall include control procedures specified in regulatory documents of the Russian Federation, decisions of the General Meeting of Shareholders and the Board of Directors of the Company, and the set of bodies (departments, persons) of the Company exercising internal control – the Internal Audit Commission, the Board of Directors (directly and/or through the Audit Committee) and a separate division (a set of divisions) authorized to exercise such control.

Functions, rights and obligations, responsibility of the divisions of the Company are provided for by organizational and management documents of the Company.

For the purpose of ensuring a system-based nature of control over the financial and economic activities of the Company, the internal control procedures shall be performed by the authorized division of the Company, responsible for internal control in interaction with other bodies and divisions of the Company.

The relevant procedures, bodies and persons responsible for performance of internal control procedures shall be specified in the Regulations for Internal Control Procedures of the Company approved by the Board of Directors of the Company.

6.4. Ownership Structure

The Company shall ensure disclosure of information on beneficial owners of five and more percent of voting shares in the Company. Corporate relations in the group of companies shall also be described in information disclosed by the Company. The Company shall make efforts to ensure transparency of the share capital structure of the Company.

7. PRINCIPLES AND PRACTICE OF INTERACTION WITH SUBSIDIARIES AND DEPENDENT COMPANIES

The Company aims at the balanced development of IDGC Holding based on effective corporate governance mechanisms.

For the purpose of implementing its shareholder rights and being the parent company of IDGC Holding, the Company has mutual relations with subsidiaries and dependent companies (hereinafter, the "SDCs") in accordance with the provisions of the applicable laws of the Russian Federation, the Articles of Association and internal documents of the Company, and Articles of Association of SDCs.

Key goals of the interaction of the Company with SDCs:

- to ensure sustainable financial development, profitable functioning, and increase of the investment attraction of the Company and SDCs;
- to ensure protection of rights and interests of the Company and SDCs protected by law;
- to harmonize relations between shareholders, officers and employees of the Company and SDCs, to prevent any conflict among them;

- to develop and implement a coordinated and effective investment policy of the Company and SDCs.

The document defining the key principles and provisions of corporate governance of SDCs of the Company is the Procedure for Interaction of JSC IDGC Holding with the Economic Entities Whose Shares (Equities) Are Owned by JSC IDGC (hereinafter, the “Procedure”). Pursuant to the said Procedure, the interaction of the Company with SDCs shall be carried out, when management and control bodies of SDCs make the relevant decisions (decisions of the General Meetings of Shareholders, the Boards of Directors, the Internal Audit Commissions, the Management Boards and the sole executive bodies within their competence).

In addition to the said Procedure, the corporate governance process in SDCs shall be governed by the following documents:

- Articles of Association of the Company;
- Corporate Governance Code of the Company;
- Articles of Association of SDCs of the Company;
- standards and regulations related to the corporate governance procedures.

As the corporate governance practice develops, the Company shall make efforts to develop the corporate governance principles in relation to SDCs.

8. MISCELLANEOUS

This Code shall take effect upon its approval by the Board of Directors of the Company.