

APPROVED
by the Board of Directors of
IDGC of Volga, JSC as of 04.03.2013
Minutes as of March 07, 2013 No. 7

CORPORATE GOVERNANCE CODE
OF “INTERREGIONAL DISTRIBUTION GRID COMPANY OF VOLGA”,
JOINT-STOCK COMPANY
(REVISED EDITION)

Saratov,
2013

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1. Introduction

The goals of this Corporate Governance Code (hereinafter referred to as the Code) shall include the improving and systemizing the corporate governance of IDGC of Volga, JSC (hereinafter referred to as the Company), ensuring greater transparency of the Company's governance and confirming the permanent readiness of the Company to follow proper corporate governance standards. In particular:

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

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

To further strengthen confidence on the part of shareholders, employees, investors and the public the Company in preparing this Code went beyond the Russian legislative norms and included in the Code additional provisions based on generally accepted Russian and international¹ corporate governance standards.

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

2. Information about the Company

Interregional Distribution Grid Company of Volga, Joint Stock Company was established by the decision of the sole shareholder – (Order of the Chairman of RAO UES of Russia, JSC No191-p from June 22, 2007) in accordance with Civil Code of Russian Federation, Federal Law “On joint-stock companies”, and other regulatory legal acts of the Russian Federation.

The Company has the following branches:

- Branch of IDGC of Volga, JSC - Samara Distribution Grids
- Branch of IDGC of Volga, JSC - Saratov Distribution Grids
- Branch of IDGC of Volga, JSC - Ulyanovsk Distribution Grids
- Branch of IDGC of Volga, JSC – Mordovenergo
- Branch of IDGC of Volga, JSC - Penzaenergo
- Branch of IDGC of Volga, JSC - Orenburgenergo
- Branch of IDGC of Volga, JSC - Chuvashenergo

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

The Company is affiliated (dependent) society of IDGC Holding, JSC and also carries out the rights of shareholders (participants) in others economic societies, which (shares) actions owns.

The Company is the power company which shareholders are both Russian and foreign legal and physical persons.

The basic types of Company's activity are creation of system of effective management by distributive electric power grid business at the expense of use of modern achievements in the field of administrative and branch production technologies for the purpose of increase of its capitalization, ensuring transparency of business and increase of investment appeal taking into account interests of other subjects of the market of power industry, Society, its shareholders and the state.

The Company's activity is connected with the responsibility before shareholders, state, Company's employees, suppliers, consumers and the Company as a whole.

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

3. PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE IN THE COMPANY

3.1. Definition and Principles

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

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

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

- **Accountability.** The Code shall stipulate the accountability of the Board of Directors of the Company to all shareholders in accordance with the applicable law and shall serve as a guide for the Board of Directors in developing the strategy, managing and exercising control of the activity of the executive bodies of the Company.

- **Fairness.** The Company undertakes to protect the rights of its shareholders and ensure the equal treatment of all shareholders. The Board of Directors shall provide to all shareholders an opportunity to receive effective protection in case of violation of their rights.

- **Transparency.** The Company shall ensure the timely disclosure of reliable information about all material facts concerning its activities, including its financial condition, social and environmental indicators, performance, ownership structure and governance of the Company and provides free access to such information for all interested parties.

- **Responsibility.** The Company shall recognize the responsibility before shareholders/ Members of the Board of Directors, Management Board, General Director of the managing organization bears social responsibility for the losses caused by their actions (inactivity).

3.2. Internal Documents.

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

- -Regulation on the Order of Preparation and Carrying out of the General Meeting of Shareholders of IDGC of Volga, JSC
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- - Regulation on the order of convening and holding of the general meeting of shareholders of IDGC of Volga, JSC;
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- - Regulation on the order of convening and holding of the meeting of the Board of Directors of IDGC of Volga, JSC;
- Regulation on Management Board of IDGC of Volga, JSC
- Regulation on Audit Commission of IDGC of Volga, JSC,

The above-listed internal documents of the Company are prepared in accordance with the law and with due account for the principal provisions of the Corporate Governance Code recommended for application by the FCSM (FCSM Resolution No. 421/r dated April 4, 2002). All documents listed above can be found on the website of the Company at <http://www.mrsk-volgi.ru/>

3.3. Overall Structure of Corporate Governance

The system of management bodies of the Company shall include:

- the General Meeting of Shareholders, a supreme management body of the Company through which the shareholders shall exercise their right to participate in Company's management;
- the Board of Directors, a management body responsible for the development of the Company's strategy, the overall management of its activity and control of the activity of executive bodies.
- management body, and the General Director, governing the current activity of the Company and implementing the strategy defined by the Board of Directors and shareholders of the Company.
- the Audit Commission, a body exercising control over the financial and economic activities of the Company, reporting directly to the General Meeting of Shareholders of the Company.

4. CORPORATE GOVERNANCE PRACTICES IMPLEMENTED BY THE COMPANY

The Company views the professional Board of Directors as an essential element of effective corporate governance.

The Board of Directors shall influence the performance of the Company by carrying out overall strategic direction and exercising control of the operation of executive bodies for the benefit of the Company and its shareholders.

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

4.1. Board of Directors.

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

Members of the Board of Directors shall be elected for the period until the regular Annual Meeting of Shareholders. The Board of Directors of the Company shall be elected by cumulative voting. Powers of all board members can be terminated ahead of schedule according to the resolution of general meeting of shareholders.

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

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

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

The General Meeting of Shareholders may terminate the powers of the Board of Directors only in its entirety.

4.1.2. Independence.

The law prohibits combining the positions of the sole executive body and the Chairman of the Board of Directors. The Company believes that the Board of Directors should be headed by a director² which simultaneously shall not act as the sole executive body and/or member of the collegial executive body of the Company, since it shall allow the Board of Directors to perform its functions more effectively.

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

Members of the Management Board should not compose more than 25% of the Board of Directors of the Company.

² Hereinafter "member of the Board of Directors of the Company".

To ensure the objectivity of adopted decisions and maintain the balance of interests of various groups of shareholders the Company shall seek to have at least 3 (three) independent directors in the Board of Directors. Within the framework of the given Code according to the definition given by the Company, independent directors are considered those meeting the following requirements for independence:

- do not act as executives or employees of the Company as of the election or during 3 years preceding the election or managing organization of the Company or official of managing organization of the Company ;
- do not act as executives of any other business entity in which any executive of the Company is a member of the Personnel and Remuneration Committee under the Board of Directors;
- are not spouses, parents, children, brothers and sisters of executives of the Company;
- are not affiliates of the Company, with the exception of a member of the Board of Directors of the Company;
- are not parties to commitments with the issuer which oblige them to acquire property (receive cash resources) valued at 10 percent or more of the cumulative annual income of the abovementioned persons, with the exception of remuneration earning for participation in the activity of the Board of Directors of the Company;
- are not representatives of the state and/or local governments, i.e. persons who is to vote under written directives (instructions, etc) from duly authorized federal authorities, authorities of the constituent entities of the Russian Federation or local governments.

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

Committees of the Board of Directors are established by the decision of the Board of Directors. At present the following Committees under the Board of the Directors work in the Company.

- Audit Committee
- Personnel and Award Committee
- Committee for Strategy and Development
- Committee for Technological Connection to Electric Power Grids
- Committee for Reliability

Committees of Board of Directors are created to study the questions entering into the sphere of competence of the Board of Directors, or studied by the Board of directors as control of activity of executive body of the Company, and development of necessary recommendations to the Board of directors and executive body of Society.

The activity of the committees is governed by the Charter of the Company, the local regulations of the Company, Regulations on Committees, which contain provisions on the structure, jurisdiction, procedure for operation of the committees and the rights and duties of their members.

Key functions of the Committee on audit consist in ensuring process of selection of the auditor and assessment of reliability of financial statements of the Company (including the conclusion of the auditor), in establishment of effective system of internal control, in prevention and permission of situations of the conflict of interests in the Company, and also in an

assessment of efficiency of procedures of internal control of Society and preparation of offers on their improvement

Improvement of personnel policy of the Company, attraction of the qualified experts to management of the Company and development of necessary incentives belong for their successful work to functions of Personnel and award committee.

The structure and the Chairman of Audit Committee and Personnel and Award Committee has to be chosen only from the members of the Board of Directors, items 4.1.2 corresponding by requirements. (independent director). In case of impossibility of compliance with item 4.1.2. owing to the objective reasons - only from independent director and the members of the Board of Directors who aren't members of the Board of Directors and (or) the Director general of Society, individual executive body or members of other governing bodies and control of managing organization of the Company/

The goal of the Committee for strategy and development is preparation and submission of recommendations to the Board of directors concerning strategic development of the Society, entering into the sphere of competence of the Board of directors, or studied by the Board of directors as control of activity of executive bodies of Society

The task of the Committee on technological connection to electric power grids is provision of openness of activity and non-discriminatory access to services in technological connection of consumers to electric networks of the Company/

The main objectives of Committee on reliability is development and submission of recommendations to the Company's Board of directors performed by its duties on examination of investment programs and plans on repair of power objects, an assessment of completeness and sufficiency of measures by results of accidents and large technological violations, to the analysis of actions for performance of contractual and economic mechanisms of management of reliability.

4.1.4. Procedure for operation.

The operating procedure of the Board of directors is regulated by the Provision on an order of convocation and carrying out meetings of Board of directors of the Company. The Board of Directors holds meetings according to the schedule developed at the beginning of term of its powers that provides appropriate execution of its duties. According to the Provision on an order of convocation and carrying out meetings of the Board of directors, meetings of the Board of directors in the Company are held according to the approved Plan of work of the Board of Directors and also as required, but isn't more rare than once in six weeks. If necessary emergency meetings of Board of directors can be held.

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

The procedure for operation of the Board of Directors shall be governed by the Regulation on the Board of Directors.

The corporate secretary of the Board of Directors provides timely receiving by all directors short, but comprehensive information at the same time with the notice of carrying out meeting of Board of directors in the terms provided by the Provision on convocation and carrying out meeting of Board of directors of Society.

The Board of Directors shall take minutes of its meetings. The minutes shall be signed by the Chairman (Chairperson) of the Board and the Corporate Secretary of the Board of Directors.

4.1.5. Remuneration.

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

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

The Company shall not extend any loans to members of the Board of Directors.³

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

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

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

The Board of Directors creates and supports necessary mechanisms of control of activity of the Management Board of the Company, including monitoring and an assessment of its results.

The Board of Directors creates system of clear and transparent criteria and appointment procedures of replacement of the Management board members of the Company and effective system of remuneration of his members/

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

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

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

4.2. Management Board and General Director

The Company realizes that for the management of the current activity is necessary individual executive body in the person of the director general. It also recognizes that in management process it is necessary to solve complex problems, and that for their decision the it is necessary collective, but not individual approach. In this regard Company forms collegiate executive body – Management Baord headed by the Chairman of Management Baord - the general director.

³ With the exception if the member of the Board of Directors is the sole executive body

According to the solution of the general meeting of shareholders of the Company, functions of the general director can be transferred to managing organization. In that case, the provision of the present Kodex, concerning the director general, will be applied with respect to managing organization/

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

4.2.2. Quantitative structure

The general director submits recommendations about quantitative structure of the Management board, which is defined by the Board of directors of the Company/

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

Members of the Management Board and General Director shall be elected by the Company's Board of Directors. General Director propose candidate for members of the Management Board for approval of the Board of Directors/

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

4.2.4. Management Board Structure

The structure of the Management board structure into which competent and skilled persons enter, provides the effective management of the current activity of the Company. Each board member, including the director general, possesses experience, knowledge and a qualification, necessary for appropriate execution of the duties assigned to it.

4.2.5. Board operating procedure

The Management board holds regular meetings, management board members beforehand receive information on item of the agenda of meeting. The operating procedure of Management Board is regulated by the Regulation on the Management Board

4.2.3. Remuneration of the members of the Management Board and General Director

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

The system of material stimulation of the General Director is defined by the Board of Directors or the person authorized by the Board of directors. Remuneration consists of constant and variable parts, while the last depends on performance of a certain system of indicators (further - Indicators) works of the Company and is coordinated to its personal contribution in supply of long-term development of the Company in the interests of its shareholders.

Indicators of work effectiveness are understood as the system of financial and non-financial indicators influencing on quantitative and qualitative changes of results in relation to the strategic goal of the Company.

4.2.4. Executive bodies' obligations.

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

The members of the Management Board and General Director should refrain from any actions, which can result in the conflict of his/her interests and interests of the Company. The General Director should immediately inform the Board of Directors about such conflicts, if any. The General Director shall refrain from the discussion (voting, in case he/she is a part of the Company's Board of Directors) on the corresponding questions.

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

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

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

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

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

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

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

4.4. Settlement of the conflicts of interests

The Company seeks for prevention and the most effective settlement of the possible conflicts of interests.

The conflict of interests is a situation at which personal, professional, financial, or own interests of workers of the Company, members of management and control bodies of the Company, including managing organization and members of its governing bodies, contradict or can potentially contradict interests of the Company. The conflict of interests including can arise when using property or opportunities, regardless of, whether could use actually Societies them.

To define the existence of a situation of the conflict of interests it is necessary to be guided by the code of corporate ethics of the Company.

To prevent cases of emergence of the conflicts of interests and their settlement at implementation of financial and economic activity of the Company and also for effective implementation of provisions of the Code of corporate ethics, the Commission on observance of standards of corporate ethics and settlement of conflicting interests is created in the Company. Competence and order of functioning of the commission on observance of standards of corporate ethics and settlement of conflicting interests.

The single questions connected with the conflict of interests are considered by the Audit Committee according to the competence determined by the Regulation on audit committee.

5. SHAREHOLDERS OF THE COMPANY

5.1. Shareholder rights and their protection.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.1.1. Regulation of the corporate conflicts

The Company pays great attention to the timely prevention and fair regulation of corporate conflicts.

The corporate conflict is understood as disputes or disagreements concerning the corporate governance, arising between shareholders, investors, other interested persons and the Company.

The prevention and settlement of the conflicts between management bodies of the Company and its shareholders, and also between shareholders if such conflict infringes on interests of the Company (the corporate conflicts), allows to provide observance and protection of the rights of shareholders and to protect property interests and business reputation of the Company.

The Company seeks for the fastest identification of corporate conflicts and accurate coordination of actions of all management bodies, officials and the workers of the Company directed on settlement of the corporate conflict.

At implementation of actions on settlement of the corporate conflict the Company is based and strictly observes requirements of the legislation, internal documents of the Company (including the present Code).

With the consent of the shareholders being the parties of the corporate conflict, the Company management bodies (their members) can participate in negotiations between shareholders, provide to shareholders available at their order and information relating to the conflict and documents, to explain standards of the legislation of the Russian Federation and the provision of internal documents of the Company, to give advice and recommendations to shareholders, to prepare draft documents on settlement of the conflicts for their signing by shareholders, on behalf of Society within the competence to accept obligations to shareholders in that measure in what it can promote settlement of the conflicts.

5.2. General Meeting of Shareholders

The Provision on an order of preparation and carrying out the General shareholder meeting, regulating an order of preparation, carrying out and decision-making by General shareholder meeting is accepted in the Company.

5.2.1. During the period when 100 (Hundred) % of Company's shares belong to OAO RAO UES of Russia, the Board of Directors of OAO RAO UES of Russia fulfills the functions of the Company's General meeting of shareholders in accordance with the regulations of the Charter of OAO RAO UES of Russia.

5.2.1. Preparation for the meeting.

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

Fair and effective order of introduction of items in the agenda of General shareholder meeting, including offers on promotion of candidates in Board of Directors is provided in the Company. The agenda of General shareholder meeting can't be changed after her approval by the Board of Directors.

5.2.2. Holding of the meeting.

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

The location for the General Meeting shall be accessible by the shareholders. The order of registration is convenient for participants and provides fast and easy access to a meeting venue.

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

Voting shall be held by ballots.

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

5.2.3. Results of the meeting.

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

5.3. Dividend Policy

Now the internal document of the Company (The provision on dividend policy of the Company), the mechanism of definition of the size of dividends providing transparent and clear to shareholders and their payments is developed and approved.

The dividend policy of Society is based on balance of interests of the Company and its shareholders at determination of the amount of dividend payments, on increase of investment appeal of the Company and its capitalization, on respect and strict observance of the rights of shareholders.

The order of determination of the size of dividends on preference shares doesn't strike at the right of owners of common stocks.

The policy of the Company concerning dividends provides:

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

6. INFORMATION DISCLOSURE AND TRANSPARENCY

6.1. Information Disclosure Policies and Practices

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

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

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

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

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

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

The responsibility for information disclosure shall be assumed by the executive bodies of the Company. Members of the Board of Directors shall disclose to the Company information about themselves necessary for the disclosure by the Company of information in accordance with the Federal Laws, the regulations of the Russian Federation and the Regulations for the Information Policy of the Company.

Members of the Board of Directors, members of the Management board, General Director, the persons which are carrying out functions of governing bodies of managing organization of the Company, are obliged to disclose information on possession of the Company's securities, and also on sale and (or) purchase of securities by its message in the relevant division of the Company.

6.2. Financial Statements

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

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

6.3. Control of Financial and Economic Activities

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

The system of internal control of the Company is urged to monitor and in due time to warn the internal and external risks influencing achievement of the strategic and operational objectives of Society.

The main criteria of the system of internal control are[^]

1 . Improvement of a corporate management system of Society for ensuring reasonable confidence of observance of interests and the rights of shareholders and investors of Society, in part:

- effective and productive use of resources of Society;
- safeties of assets;
- observance of requirements of the legislation of the Russian Federation, internal normative documents of Society (further komplayens-control);
- reliability, objectivity of administrative and accounting (financial) reports and reliability of system of their preparation.

2 . Increase of efficiency and productivity of activity of Society on realization of strategy of development of Society at the expense of functioning of a control system by risks and introductions of effective control procedures.

3 . Assistance of timely adaptation of activity of Society to changes of the external and internal environment.

The system of internal control includes all list of procedures, methods and the mechanisms of control created by executive bodies and Board of directors of Society for ensuring effective implementation of internal control of financial and economic activity of Society.

Participants of system of internal control are the Board of directors, Audit commission, Committee on audit at Board of directors, the Director general, Society Board, the division of Society responsible for internal control, and also officials and the workers of Society responsible for performance of control procedures, fixed to them internal documents of Society.

Functions, the rights and duties, responsibility functioning in the society of divisions are provided by organizational and administrative documents of Society.

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

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

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

6.4. Ownership Structure

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

7 . The Principles and Practice Of Interaction With Affiliated And Dependent Economic Societies

The Company seeks for the balanced development based on effective mechanisms of corporate governance.

The Company carries out relationship with subsidiary dependent companies (SDC) according to requirements of the legislation of the Russian Federation, the Charter both internal documents of Society and subsidiary dependent companies Charters.

Main objectives of interaction of Society with SDC are:

- ensuring stable financial development, profitability of functioning, increase of investment appeal of Society and SDC;
- ensuring protection of the rights and interests of shareholders of Society protected by the law and SDC;
- harmonization of the relations between shareholders, officials and members of labor collectives of Society and SDC, an exception of emergence of the conflicts between them;
- development and realization of the coordinated and effective investment policy of Society and SDC.

The document consolidating the basic principles and provisions of corporate governance of SDC of Society, the Society Order of interaction with economic societies, actions which (shares)

is Society (further – the Order) owns. According to the specified Order of interaction of Society with SDC it is carried out at acceptance by governing bodies and control of SDC of the relevant decisions (solutions of General shareholder meetings, Boards of directors, audit commissions, boards and individual executive bodies within their competence).

Besides the specified Order process of corporate governance of SDC is regulated by the following documents:

- Society charter;
- Code of corporate governance of the Company;
- Charters of SDC of the Company;
- Standards and regulations, other internal documents concerning procedures of corporate governance.

In process of development of practice of corporate governance Society will seek for development of the principles of corporate governance concerning S.

8. Final provisions

The current Code enters into force since the moment of its approval by the Company's Board of Directors.