

**THE CORPORATE GOVERNANCE CODE**  
**Interregional Distribution Grid Company of Centre,**  
**Joint Stock Company**  
(new edition)

**Moscow**  
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## **Table of contents**

### **1. Introduction**

### **2. Information on the Company**

### **3. Principles and corporate governance structure in the Company**

- 3.1. Determination and principles
- 3.2. Internal documents
- 3.3. General structure of corporate governance

### **4. Practice of corporate governance implemented in the Company**

- 4.1. Board of Directors
- 4.2. Management Board and General Director
- 4.3. Interaction of the Board of Directors and executive powers
- 4.4. Settlement of conflicts of interests

### **5. Shareholders of the Company**

- 5.1. Shareholder rights and protection of shareholder rights
- 5.2. Settlement of corporate conflicts
- 5.3. Shareholders' general meeting
- 5.4. Dividend policy

### **6. Information disclosure and transparency**

- 6.1. Policy and practice of information disclosure
- 6.2. Financial reporting
- 6.3. Control over financial and economic activity
- 6.4. Property structure

### **7. Principles and practice of interaction with affiliated and dependent economic companies**

### **8. Final provisions**

## 1. INTRODUCTION

The objectives of this Corporate Governance Code of IDGC of Centre (hereinafter — the Code) are enhancement and ordering of corporate governance of Interregional Distribution Grid Company of Centre, Joint Stock Company (hereinafter — the Company), provision of greater management transparency by the Company and confirmation of invariable readiness of the Company to follow standards of appropriate corporate governance. In particular:

- management of the Company should be performed with an appropriate level of responsibility and accountability and so that to maximise shareholder value;
- the Board of Directors and executive powers should work effectively, in interests of the Company and its shareholders (including minority) and create conditions for a shareholder value strong growth;
- appropriate information disclosure, transparency, and also effective work of risk control and internal control systems should be provided.

Accepting, periodically improving and strictly observing provisions of this Code, the Articles of Association of the Company and other internal documents, the Company confirms the intention to promote development and enhancement of appropriate corporate governance practice.

With a view of the further strengthening of trust from shareholders, employees, investors and the public, the Company at development of this Code was not limited to norms of the Russian legislation and has included in the Code additional provisions based on conventional Russian and international<sup>1</sup> standards of corporate governance.

This Code is an internal document of the Company. The Company undertakes the obligations provided by this Code, and undertakes to observe the norms and principles established in it.

## 2. INFORMATION ON THE COMPANY

Interregional Distribution Grid Company of Centre, Joint Stock Company was incorporated on the basis of Order of the Russian Open Joint Stock Company of Power and Electrification "UES of Russia" dated 09.12.2004 # 154r.

The Company has the following branches:

- Branch of IDGC of Centre - "Belgorodenergo";
- Branch of IDGC of Centre - "Bryanskenergo";
- Branch of IDGC of Centre - "Voronezhenergo";
- Branch of IDGC of Centre - "Kostromaenergo";
- Branch of IDGC of Centre - "Kurskenergo";
- Branch of IDGC of Centre - "Lipetskenergo";
- Branch of IDGC of Centre - "Orelenergo";
- Branch of IDGC of Centre - "Tambovenergo";
- Branch of IDGC of Centre - "Smolenskenergo";
- Branch of IDGC of Centre - "Tverenergo";
- Branch of IDGC of Centre - "Yarenergo".

The Company is an affiliated (dependent) company of Joint Stock Company Interregional Distribution Grid Companies Holding, and also performs shareholder rights (participants) in other economic companies, stocks (shares) of which it owns.

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<sup>1</sup> Corporate Governance Principles of OECD (Organization for Economic Cooperation and Development)

Shareholders of the Company are both Russian and foreign legal and physical persons.

The Company's main objective is creation of a system of efficient control over distribution electric grid business with the use of modern achievements in the field of administrative and industry production technologies for the purpose of increasing its capitalisation, provision of business transparency and increase of investment appeal taking into account interests of other subjects of the market of electric power industry, the Company, its shareholders and the state.

The Company's activity is integrated to responsibility, both before shareholders, and before the state, suppliers, consumers, employees, and also the society as a whole.

Realising this responsibility and recognising importance of high level of corporate governance for successful conducting business of the Company and for mutual understanding achievement among all interested in the Company's activity persons, the Company assumes liability to follow in the activity the principles stated herein, and to make all reasonable efforts for their observance by the Company in its daily activity.

### **3. PRINCIPLES AND CORPORATE GOVERNANCE STRUCTURE IN THE COMPANY**

#### **3.1. Determination and principles**

Under corporate governance the Company understands a set of processes providing management and control over its activity and including the relations between shareholders, the Board of Directors and the Company's executive powers in interests of shareholders. The Company considers corporate governance as means of increasing efficiency of the Company's activity, strengthening its reputation and cost reduction for attraction of capital by it.

This Code, according to which the corporate governance in the Company is performed, is based on the Russian legislation, Code of Code of Corporate Conduct recommended for application by the Federal Commission on Securities of Russia pursuant to order dated 04.04.2002 # 421/r (hereinafter – Code Federal Commission on Securities of Russia), and the principles of corporate governance recognised in the international practice, such as the Corporate Governance Principles of OECD (Organization for Economic Cooperation and Development).

The corporate governance in the Company is based on the following principles:

- **Accountability.** The Code provides for the accountability of the Board of Directors of the Company to all shareholders according to the current legislation of the Russian Federation and serves as a guideline for the Board of Directors at development of strategy and realisation of management and control over the activity of executive powers of the Company.

- **Justice.** The Company undertakes to protect shareholder rights and to provide the equal relation to all shareholders. The Board of Directors gives to all shareholders possibility to receive effective protection in case of infringement of their rights.

- **Transparency.** The Company provides timely disclosing of trustworthy information about all essential facts, concerning its activity, including about its financial position, results of activity, property and management structure of the Company, and also an easy approach to such information for all interested persons.

- **Responsibility.** The Company recognises the responsibility before shareholders of the Company.

Members of the Board of Directors, Management Board, General Director or the managing organisation (managing director) bear responsibility before the Company for the losses caused by their actions (no action).

### **3.2. Internal documents**

This Code represents a body of principles. Concrete structures, procedures and corporate governance practice are regulated by the Articles of Association and internal documents of the Company, including:

- Regulations on the procedure for preparation and holding of general meeting of shareholders of the Company;
- Regulations on the procedure for convening and holding meetings of the Board of Directors of the Company;
- Regulations on the Management Board of the Company;
- Regulations on the Audit Commission of the Company.

The internal documents of the Company are developed according to the legislation of the Russian Federation, and also taking into account substantive provisions of the Code of the Federal Commission on Securities of Russia (Federal Commission on Securities - now the Federal Financial Markets Service of Russia). It is possible to learn all the documents set forth above on the Company's website at: <http://www.mrsk-1.ru>.

### **3.3. General structure of corporate governance**

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

- Shareholders' general meeting – the supreme management body of the Company through which shareholders implement the right to participate in management of the Company;
- Board of Directors – a management body which is responsible for development of the Company's strategy, general management of its activity and control over activity of its executive powers;
- Management Board and General Director – management bodies that manage the current activity of the Company and implement the strategy, specified by the Company's Board of Directors;
- Audit Commission – a body to control over financial and economic activity of the Company that directly reports to the Company's Shareholders' general meeting.

## **4. PRACTICE OF CORPORATE GOVERNANCE IMPLEMENTED IN THE COMPANY**

The Company considers the availability of the professional Board of Directors as an important element of effective corporate governance.

The Board of Directors influences results of work of the Company, performing general strategic management and control over work of executive powers in interests of the Company and its shareholders.

The executive powers of the Company, which are responsible for management of the current activity of the Company, also play an important role in the managerial process. Effective interaction between these bodies and accurate differentiation of their powers is one of key factors in provision of appropriate practice of corporate governance.

#### **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 are elected for the term up to the following annual Shareholders' general meeting. The Company's Board of Directors is elected by cumulative voting. Powers of all members of the Board of Directors of the Company can be terminated ahead of schedule under a decision of the Shareholders' general meeting.

The Company does not consider that putting restrictions on how many times members of the Board of Directors can be re-elected, will be equitable to interests of the Company or its shareholders. The members of the Board of Directors, who are well familiar with the Company's activity, play an important role in provision of appropriate management.

Powers of the Board of Directors are regulated by the Company's Articles of Association according to the current legislation of the Russian Federation and recommendations of the Code of the Federal Commission on Securities of Russia.

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

The Shareholders' general meeting can terminate powers only of all members of the Board of Directors at once.

##### **4.1.2. Independence.**

By the law combination of posts of a chief executive officer and Chairperson of the Board of Directors is forbidden. The Company considers that the Board of Directors should be managed by a director<sup>2</sup>, who is neither simultaneously a chief executive officer and (nor) a member of the Collegial Executive Body of the Company as it allows the Board of Directors to carry out the functions more effectively.

The composition of the Board of Directors provides appropriate performance of duties to control and determine the strategy and main directions of the Company's development.

Members of the Management Board of the Company cannot constitute more than one fourth of the members of the Board of Directors of the Company.

For the purpose of provision of objectivity of accepted decisions and preserving the balance of interests of various groups of shareholders the Company aspires to have not fewer than 3 (three) independent directors in the Board of Directors. With a view of this Code directors meeting the following requirements of independence are considered as independent:

- not being at the moment of election and for 3 years previous the election officials, employees of the Company or managing organisation of the Company;
- not being officials of another economic company in which any of officials of the Company is a member of a nomination and remuneration committee of the Board of Directors;

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<sup>2</sup>Hereinafter referred to as: a member of the Board of Directors of the Company

- not being spouses, parents, children, brothers and sisters of officials of the Company or officials of the managing organisation of the Company;
- not being affiliated persons of the Company, except for a member of the Board of Directors of the Company;
- not being parties under obligations with the Company according to conditions of which they can acquire property (receive money funds) which cost constitutes 10 and more percent of cumulative annual earnings of the specified persons, except receipt of remuneration for participation in the activity of the Board of Directors of the Company;
- not being representatives of the state and/or local governments, i.e. persons who should vote on the basis of written directives (instructions etc.) of authorised federal public authorities, public authorities of subjects of the Russian Federation or local governments.

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

The Company's Committees under the Board of Directors are formed under a decision of the Board of Directors. Now in the Company the following Committees under the Board of Directors are created:

- Audit Committee;
- Nomination and Remuneration Committee;
- Strategy and Development Committee;
- Committee for Connection to Power Grids;
- Reliability Committee.

The Committees under the Board of Directors are created for study of questions in the sphere of competence of the Board of Directors or studied by the Board of Directors to control over activity of an executive body of the Company, and development of necessary recommendations to the Board of Directors and the Company's executive body.

Activity of the Committees under the Board of Directors is regulated by the Company's Articles of Association, local standard documents of the Company, Regulations on Committees under the Board of Directors, containing provisions about their composition, competence, operating procedure of the committees, and also about the rights and obligations of their members.

Key functions of the Audit Committee consist in provision of process of selection of an auditor and estimation of reliability of the Company's financial reporting (including the auditor's opinion), in establishment of effective system of internal control, in prevention and solving situations of conflict of interests in the Company, and also in estimation of efficiency of procedures of the internal control of the Company and preparation of offers on their enhancement.

The functions of the Nomination and Remuneration Committee include enhancement of personnel selection of the Company, recruiting qualified specialists for the Company's management and development of necessary incentives for their successful work.

The members and Chairperson of the Audit Committee and Nomination and Remuneration Committee should be elected only from members of the Board of Directors corresponding to the requirement of item 4.1.2. (independent director). In case of impossibility of conformity with item 4.1.2. owing to objective reasons - only from independent directors and members of the Board of Directors who are not members of the Management Board of the Company and (or) General Director of the Company, a chief executive officer or members of other management and control bodies of the managing organisation of the Company.

The task of the Strategy and Development Committee is preparation and presentation of recommendations to the Board of Directors concerning strategic development of the Company in the sphere of competence of the Board of Directors or studied by the Board of Directors to control over the activity of executive powers of the Company.

The purpose of work of the Committee for Connection to Power Grids is provision of openness of activity and non-discriminatory access to new connection services for customers of the Company's grid.

The primary goals of the Reliability Committee are development and presentation of recommendations to the Board of Directors of the Company to performed its obligations on examination of investment programs and plans on repair of power facilities, estimation of completeness and sufficiency of measures following results of interruptions and large technological disturbances, analysis of activities for accomplishment of contractual and economic mechanisms of reliability management.

#### **4.1.4. Operating procedure.**

The operating procedure of the Board of Directors is regulated by the Regulations on the procedure for convening and holding meetings of the Board of Directors of the Company. The Board of Directors holds sessions according to the schedule developed in the beginning of term of its powers that provides appropriate execution of its obligations. According to the Regulations on the procedure for convening and holding meetings of the Board of Directors, session of the Board of Directors in the Company are conducted according to the approved Activity Plan of the Board of Directors, and also as required, but at least once in six weeks. If necessary ad-hoc meetings of the Board of Directors can be held.

The Corporate Secretary of the Board of Directors provides timely reception by all directors of short, but exhaustive information simultaneously with the notification of carrying out of a session of the Board of Directors in the terms provided by the Regulations on the procedure for convening and holding meetings of the Board of Directors of the Company.

Sessions of the Board of Directors are recorded with minutes. The minutes are signed by Chairperson (acting as chairperson) of the Board of Directors and the Corporate Secretary of the Board of Directors.

#### **4.1.5. Remuneration.**

Remuneration of members of the Board of Directors corresponds to market conditions and is established so that to provide attraction and participation of highly skilled specialists in the Company activity, to motivate them to fair and effective activity.

The Company publicly discloses the information on compensation of members of the Board of Directors.

The Company does not give loans to members of the Board of Directors.

#### **4.1.6. Obligations of members of the Board of Directors.**

Members of the Board of Directors act reasonably, in good faith and with due carefulness in interests of the Company and all its shareholders. Each director aspires to take part in all sessions of the Board of Directors.

Members of the Board of Directors realise their responsibility before shareholders and consider as their main goal to perform duties on management of the Company with diligence and



competence, providing maintenance and growth of cost of its stocks, and also protection and possibility of realisation of the rights by shareholders.

Members of the Board of Directors aspire to carry on constant dialogue with shareholders.

Members of the Board of Directors provide forming and realisation of the Company's development strategy.

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

The Board of Directors creates system of clear and transparent criteria and appointment procedures and replacement of members of the Company's Management Board and effective system of compensation of its members.

Members of the Board of Directors do not disclose and do not trade on the confidential information on the Company.

Members of the Board of Directors undertake to abstain from actions which can lead to conflict origin between their interests and interests of the Company. In case of origin of such a conflict a member of the Board of Directors undertakes to report about it to other members, and also to refrain from voting for corresponding items.

## **4.2. Management Board and General Director**

The Company realises that the chief executive officer is necessary for management of current activity of the Company on behalf of General Director. It also recognises that in managerial process it is necessary to solve challenges, and collective approach is necessary for their solving instead of individual. Thereupon the Company forms a collegial executive body – the Management Board headed by its Chairperson of the Management Board - General Director.

Under the decision of Shareholders' general meeting of the Company, functions of General Director can be transferred to a managing organisation. In that case, provisions of this Code, concerning General Director of the Company, will be applied accordingly to the managing organisation.

### **4.2.1. Powers.**

Members of the Management Board and General Director manage the current activity of the Company with a view of accomplishment of tasks and realisation of strategy of the Company.

### **4.2.2. Number of members.**

General Director presents recommendations about the number of members of the Management Board which is determined by the Company's Board of Directors.

### **4.2.3. Election, term and termination of powers of members of the Management Board and General Director.**

Members of the Management Board and General Director are elected by the Company's Board of Directors. General Director offers nominees of members of the Management Board for approval by the Board of Directors.

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

#### **4.2.4. Members of the Management Board.**

Members of the Management Board include competent and skilled persons and provide effective management of the current activity of the Company. Each member of the Management Board, including General Director, possesses experience, knowledge and qualification, necessary for appropriate execution of the obligations assigned to him or her.

#### **4.2.5. Operating procedure of the Management Board.**

The Management Board holds regular sessions, members of the Management Board beforehand receive information concerning the session agenda. The Management Board's operating procedure is regulated by the Regulations on the Management Board of the Company.

#### **4.2.6. Remuneration of members of the Management Board and General Director.**

Systems of paid remunerations and compensations to members of the Management Board are determined by the Company's Board of Directors. The employment contract with General Director on behalf of the Company is signed by Chairperson of the Board of Directors of the Company or a person authorised by the Board of Directors of the Company.

The system of material incentives for General Director is determined by the Board of Directors or a person authorised by the Board of Directors. Remuneration consists of a constant and a variable parts, and the latter depends on accomplishment of certain performance indicators (hereinafter - Indicators) in terms of the Company activity and is coordinated to his or her personal contribution to provision of long-term development of the Company in the interests of its shareholders.

Indicators are understood as a system of financial and nonfinancial indicators influencing quantitative or qualitative change of results in relation to a strategic target of the Company.

#### **4.2.7. Obligations of executive powers.**

Members of the Management Board and General Director act reasonably, in good faith and with due carefulness in interests of the Company and all its shareholders.

Members of the Management Board and General Director undertake to abstain from actions which can lead to conflict origin between their interests and interests of the Company. In case of origin of such a conflict members of the Management Board and General Director undertake to report about it to the Board of Directors, and also to abstain from discussion and voting for corresponding items.

The Company realises that experience, public relations, knowledge and qualification of members of the Management Board, including acquired by them while working at the Company, opens possibilities for business activity realisation (both private, and collective – by ownership of shares, stocks), not connected with interests of the Company.

At the same time members of the Management Board and General Director warrant that realisation of such activity:

- does not interfere in any way with realisation of functions of the member of the Management Board or General Director of the Company;

- it is not connected with use of material and intellectual resources of the Company;
- will not put any material damage to the Company;
- will not put any damage to business reputation of the Company;
- does not create any competition to the Company.

In case of default or creation of preconditions to default at least for one of the conditions set forth above, the member of the Management Board, General Director undertakes to cease realisation of any, connected with such default, activity.

For the purpose of non-admission of possible negative consequences for the Company, members of the Management Board disclose to the Company information on realisation of their business activity which has been not connected with interests of the Company, according to the order established by local standard documents of the Company.

### **4.3. Interaction of the Board of Directors and executive powers**

Effective corporate governance demands open dialogue between the Board of Directors and the Company's executive powers. With that end in view the Chief Executive Officer of the Company gives the Board of Directors quarterly reports on his or her activity.

### **4.4. Settlement of conflicts of interests**

The Company aspires to prevent and settle possible conflicts of interests in the most effective way.

The conflict of interests is a situation at which personal, professional, financial or other own interests of employees of the Company, members of management and control bodies of the Company, including the managing organisation and members of its management bodies, contradict or can potentially contradict the Company's interests. The conflict of interests, including, can arise at use of property, information or possibilities, without dependence on whether the Company could use them actually.

For determination of availability of a situation of the conflict of interests it is necessary to be guided with the Code of Conduct of the Company.

With a view of the prevention of cases of origin of the conflict of interests and their settlement at realisation of financial and economic activity of the Company, and also with a view of effective realisation of provisions of the Code of Conduct, the Company has created the Commission on observance of norms of corporate governance and settlement of the conflict of interests. The competence and order of functioning of the Commission on observance of norms of corporate governance and settlement of the conflict of interests is regulated by the Regulation about the Commission on observance of norms of corporate governance and settlement of the conflict of interests.

Separate issues connected with the conflict of interests are considered by the Audit Committee according to the competence specified by the Regulations on the Audit Committee.

## **5. SHAREHOLDERS OF THE COMPANY**

### **5.1. Shareholder rights and protection of shareholder rights**

Shareholders of the Company possess a set of the rights concerning the Company, protection and observance of which should be provided by the Board of Directors and Management Board of the Company.

The Company's shareholders' register is maintained by an independent registrar. The choice and appointment of the independent registrar, possessing all necessary means and faultless reputation, allows the Company to provide reliable and effective registration of the property rights to stocks.

Shareholders have the right to regular and timely reception of the information on the Company's activity in volume, which is sufficient for accepting of weighed and reasonable decisions by them about the stocks disposal.

The Company with a view of appropriate observance and protection of the specified right warrants accomplishment of established by the legislation of the Russian Federation requirements on information disclosure.

The Company discloses its financial reporting according to requirements of the legislation of the Russian Federation and the International Financial Reporting Standards (IFRS).

All in one or another way disclosed information without fail takes is posted on the Company's website.

Shareholders, owners of voting shares, have the right to participate in Shareholders' general meeting with voting power on all items of its competence.

The Company with a view of appropriate observance and protection of the specified right undertakes to organise Shareholders' general meeting holding so that participation of shareholders not to be connected with big material and time costs, providing the equal relation to all shareholders.

The Company undertakes to give shareholders the information concerning the Shareholders' general meeting agenda in volume and in the terms allowing shareholders to make reasonable decisions.

In cases provided by the Law and the Company's Articles of Association, the Board of Directors prepares objective reasonable recommendations for shareholders.

All information, concerning Shareholders' general meeting, without fail is posted on the Company's website.

Shareholders have the right to receive a part of net profit of the Company in the form of dividends.

The Company with a view of appropriate observance and protection of the specified right undertakes to pay the declared dividends in the terms established by Shareholders' general meeting.

Shareholders' rights are regulated by provisions of the Articles of Association and internal documents of the Company.

## **5.2. Settlement of corporate conflicts**

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

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

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

The Company aspires to promptly reveal corporate conflicts and clearly coordinate actions of all management bodies, officials and employees of the Company directed on settlement of the corporate conflict.

At realisation of actions on settlement of the corporate conflict the Company follows and strictly observes requirements of the legislation, internal documents of the Company (including this Code).

With the consent of the shareholders who are the parties of the corporate conflict, the Company's management bodies (their members) can participate in negotiations between shareholders, give shareholders information and documents at their disposal and concerning the conflict, explain norms of the legislation of the Russian Federation and provisions of internal documents of the Company, give advice and recommendations to shareholders, prepare drafts of documents on settlement of conflicts for their signing by shareholders, on behalf of the Company within their competence undertake obligations to shareholders to the extent that it can promote settlement of conflicts.

### **5.3. Shareholders' general meeting**

The Company has adopted the Regulations on the procedure for preparation and holding of general meeting of shareholders, regulating order of preparation, carrying out and decision-making by Shareholders' general meeting.

#### **5.3.1. Preparation for meeting.**

Each shareholder has the right to participate in Shareholders' general meeting, to vote concerning its agenda, beforehand to receive the notification of such a meeting and its agenda, and also authentic, objective and timely information, sufficient for decision-making concerning the agenda. The Company's executive powers are responsible for provision of this process.

The Company has provided for the fair and effective order of submitting offers in the agenda of Shareholders' general meeting, including proposals on nomination of members of the Board of Directors. The Shareholders' general meeting agenda cannot be changed after its approval by the Board of Directors.

#### **5.3.2. Meeting holding.**

The Company takes all necessary measures for provision of participation of shareholders in Shareholders' general meeting and voting on the agenda items.

The Shareholders' general meeting venue is accessible to shareholders. The procedure for registration is convenient for participants and provides a fast and unimpeded access to a meeting venue.

The Company whenever possible provides presence at the Shareholders' general meeting of members of the Board of Directors, executive powers, Audit Commission, auditor of the Company and authorises them to answer questions of shareholders. Shareholders have the right

to speak concerning the agenda items, to make corresponding offers and to ask questions. The chairman of Shareholders' general meeting provides its effective work.

Voting is conducted by means of bulletins for voting.

The order of counting of votes at the Shareholders' general meeting excludes possibility of manipulation of voting results. Functions of the tabulation commission are carried out by the independent registrar of the Company.

### **5.3.3. Results of meeting.**

The decisions accepted by the Shareholders' general meeting and also voting results are disclosed at the Shareholders' general meeting and in due time published on the Company's website and in mass media.

## **5.4. Dividend policy**

Now the Company has developed and approved the internal document of the Company (Regulations on Dividend Policy of the Company), providing for a transparent and clear to shareholders mechanism of determination of the size of dividends and their payment.

The Company's dividend policy is based on the balance of interests of the Company and its shareholders at determination of the size of dividend payments, on increase of investment appeal of the Company and its capitalisation, on respect and strict observance of shareholders' rights.

The order of determination of the size of preferred stock dividends does not limit the right of owners of common stocks.

The policy of the Company concerning dividends provides for:

- creation of a transparent and clear mechanism of determination of the size of dividends;
- ensuring the order of dividend payout in the most convenient way for shareholders;
- measures excluding incomplete or untimely payment of declared dividends.

## **6. INFORMATION DISCLOSURE AND TRANSPARENCY**

### **6.1. Policy and practice of information disclosure**

The main purpose of the implemented by the Company policy of information disclosure on the Company is provision of as much as possible high degree of trust of shareholders, potential investors, counterparties and other interested persons to the Company by granting to the specified persons of the information on it, the activity and securities in volume, sufficient for accepting by the specified persons reasonable and weighed decisions concerning the Company and its securities.

The Company, disclosing the information on it, is not limited to the information disclosing of which is provided by regulatory legal acts of the Russian Federation, and in addition discloses other information which provides for high degree of transparency of the Company and promotes achievement of the goals of the implemented by the Company policy of information disclosure.

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

At information disclosure the Company is guided by the following principles:

- **Principle of completeness and reliability of disclosed information** according to which the Company gives all interested persons the information which is representing the facts, without evading thus from disclosing of negative information on it, in volume, allowing to generate the most complete representation about the Company, about results of the Company's activity;

- **Principle of availability of information** according to which the Company, at information disclosure uses channels of distribution of the information on its activity, providing free and easy access of shareholders, creditors, potential investors and other interested persons to the disclosed information;

- **The principle of balance of information** which means that the information policy of the Company is based on the reasonable balance of transparency of the Company for all interested persons on the one hand, and confidentiality on the other hand, for the purpose of the maximum realisation of shareholders' rights to receive the information on the Company's activity under condition of protection of the information referred to confidential or insider;

- **Principle of regularity and timeliness of information disclosure** which determines that the Company gives to shareholders, creditors, potential investors and other interested persons the information on the activity in the terms established by regulatory legal acts of the Russian Federation and internal documents of the Company.

Disclosed by the Company information is published on the corporate website of the Company. The Company's website has the Russian and English-speaking versions.

The Company's executive powers bear responsibility for information disclosure. Members of the Board of Directors disclose to the Company the information on themselves, necessary for disclosing by the Company information according to federal laws and regulatory legal acts of the Russian Federation, and also the Regulations for the Information Policy of the Company.

Members of the Board of Directors, members of the Management Board, General Director, persons performing functions of management bodies of the managing organisation of the Company are obliged to disclose the information on the Company's securities ownership, and also on sale and (or) purchase of securities by providing information to a corresponding division of the Company.

## **6.2. Financial reporting**

The Company keeps books and prepares its financial reporting according to the Russian Accounting Standards (RAS), and also the summary (consolidated) reporting under the International Standards of the Financial Reporting (IFRS) and publishes such reporting on the Company's corporate website.

The financial reporting is accompanied with detailed notes allowing the receiver of such reporting correctly to interpret the data about financial results of the Company's activity. The

financial information is supplemented with comments and analytical estimations of the Company's management, and also the Company's auditor's and Audit Commission's opinions.

### **6.3. Control over financial and economic activity**

The Company, realising requirement for decrease in probability of approach of events which negatively influence achievement of goals set and result in losses, including for the reasons of decision-making on the basis of incorrect judgements, human errors, conscious evasion from control, and also recognising high degree of interest of shareholders in protection of their capital investments and preservation of assets of the Company, creates an internal control system.

The internal control system of the Company is aimed to monitor and in due time to avoid internal and external risks influencing achievement of the Company's strategic and operational goals.

The main objectives of the internal control system are:

1. Enhancement of the Company's corporate governance system for provision of reasonable confidence of observance of the Company's shareholders' and investors' interests and rights, in terms of:

- effective and productive use of resources of the Company;
- preservation of assets;
- observance of requirements of the legislation of the Russian Federation, internal standard documents of the Company (hereinafter the compliance-control);
- reliability, objectivity of the management and accounting (financial) reporting and reliability of the system for their preparation.

2. Increase of efficiency and productivity of the Company's activity on realisation of the Company's development strategy with functioning of a risk control system and implementation of effective control procedures.

3. Assistance with timely adaptation of the Company's activity to changes of the external and internal environment.

The system of the internal control includes the entire list of procedures, methods and mechanisms of control, created by executive powers and the Board of Directors of the Company for provision of effective realisation of the internal control over financial and economic activity of the Company.

Participants of the internal control system are the Board of Directors, the Audit Commission, Audit Committee under the Board of Directors, General Director, the Company's Management Board, the division of the Company responsible for the internal control, and also officials and employees of the Company responsible for accomplishment of control procedures, assigned to them by internal documents of the Company.

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

With a view of provision of a system-based character of the control over the Company's financial and economic activities internal control procedures are performed by an authorised



division of the Company responsible for the internal control, at interaction with other bodies and divisions of the Company.

Concrete procedures, and also bodies and persons responsible for realisation of the internal control procedures are determined by the Internal Control Policy of the Company and the Risk Management Policy of the Company approved by the Board of Directors of the Company.

#### **6.4. Property structure**

The Company provides information disclosure on real proprietors of five and more percent of voting shares of the Company. The disclosed by the Company information also describe corporate relations in the group of companies. The Company aspires to provide transparency of the Company's structure of stockholder equity.

### **7. PRINCIPLES AND PRACTICE OF INTERACTION WITH AFFILIATED AND DEPENDENT ECONOMIC COMPANIES**

The Company aspires to the balanced development based on effective mechanisms of corporate governance.

The Company performs mutual relations with subsidiaries and associates according to requirements of the legislation of the Russian Federation, the Articles of Association and internal documents of the Company and Articles of Associations of subsidiaries and associates.

The main objectives of interaction of the Company with subsidiaries and associates are:

- provision of stable financial development, profitableness of functioning, increase of investment appeal of the Company and subsidiaries and associates;
- provision of protection of the rights and protected by the law interests of shareholders of the Company and subsidiaries and associates;
- harmonisation of relations among shareholders, officials and members of labour collectives of the Company and subsidiaries and associates, excluding origin of conflicts between them;
- development and realisation of the coordinated and effective investment policy of the Company and subsidiaries and associates.

The document fixing the main principles and provisions of corporate governance of subsidiaries and associates of the Company, the Order of the Company's interaction with economic companies, stocks (shares) of which are owned by the Company (hereinafter – the Order). According to the specified Order the Company interacts with subsidiaries and associates while accepting corresponding decisions by management and control bodies of subsidiaries and associates (decisions of Shareholders' general meetings, Boards of Directors, Audit Commissions, management boards and chief executive powers within the limits of their competence).

Besides the specified Order the corporate governance process of subsidiaries and associates is regulated by the following documents:

- the Company's Articles of Associations;
- Corporate Governance Code of the Company;
- Articles of Associations of subsidiaries and associates of the Company;
- Standards and regulations, other internal documents, concerning corporate governance procedures.

In process of development of the corporate governance practice the Company will aspire to development of principles of corporate governance concerning subsidiaries and associates.

## **8. FINAL PROVISIONS**

This Code enters into force from the moment of its approval by the Company's Board of Directors.

The issues, which have been not covered by this Code, are regulated by the current legislation of the Russian Federation, the Company's Articles of Association and its internal documents.