

Appendix # 3
to the decision of the Board of
Directors
of IDGC of Centre, JSC
(Minutes # 18/14 of 22.08.2014)

**Risk Management Policy
of IDGC of Centre, JSC
in the new edition**

Moscow, 2014

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1. General provisions

1.1. The Risk Management Policy of Interregional Distribution Grid Company of Centre, Joint-Stock Company (hereinafter - the Policy) is an internal document of IDGC of Centre (hereinafter - the Company) and is developed in conformity with the Articles of Association of the Company and the legislation of the Russian Federation, including Federal law from 26.12.1995 № 208-FZ «About joint stock companies», the Code of Corporate Governance, approved by the Board of Directors of the Bank of Russia on 21.03.2014 and recommended for application by joint stock companies.

1.2. The Policy is based on the best practices, experience of advanced world and Russian companies, on the Strategy of development of the company to manage the electric grid complex of the Russian Federation - JSC «Russian Grids» and the Strategy of development and enhancement of the internal control system of JSC «Russian Grids» and affiliated and dependent companies of JSC «Russian Grids» with use of mechanisms of realisation of the Risk Management System, stated in the report of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) - COSO Enterprise Risk Management (2004) and it is developed to continue the development and with a view of realisation of provisions of the Strategy of development of the electric grid complex of the Russian Federation, confirmed by Order of the Government of the Russian Federation # 511-r from 03.04.2013.

1.3. The Policy determines:

- risk management objectives;
- principles of functioning of a risk management system;
- general approaches to risk revealing, estimation and management;
- the basic functions and responsibility of participants of the risk management system;
- the procedure of performance evaluation of the risk management system.

1.4. The methodology of revealing, estimation and management of risks is disclosed in normative documents of the Company, developed by the Company to elaborate provisions of the Policy and approved by the Sole executive body (General Director) of the Company.

1.5. In the relation to subsidiaries and affiliates of IDGC of Centre the Policy contains provisions of general (methodological) character with the description of a process of interaction of the Company with subsidiaries and affiliates at the organisation of work in the field of risk management realisation.

1.6. The Policy (including separate provisions of the Policy) is recommended for use in subsidiaries and affiliates as a basis for development of internal documents of subsidiaries and affiliates, regulating the organisation of work on risk management realisation in subsidiaries and affiliates.

2. Terms and definitions

The risk management system - a set of organizational measures, techniques and procedures, created and used for effective realisation of risk management.

Risk management - a process, performed by heads and employees at all levels of management of the Company, including revealing (identification) and assessment of risks, their ranging, and also influence on risks for provision of a reasonable guarantee of achievement of strategic and operational objectives of the Company.

Risk - a potentially possible action or event, capable to prevent goal achievement of the Company or separate processes (lines of business) and resulting in negative consequences. The risk is characterised by probability and importance of consequences.

The owner of risk - Deputy / First Deputy of the Sole executive body (General Director) of the Company, the head of a structural division of the Company, responsible for all aspects of management of a certain risk, including decrease in probability of realisation of risk and-or decrease in possible influence of consequences from risk realisation. Owners of risks are the heads supervising lines of business whose objectives the given risk directly influences on.

The Company - IDGC of Centre.

Subsidiaries and affiliates - affiliated and dependent companies of IDGC of Centre.

3. Risk management objectives

The objectives of the Company in the field of risk management are:

- decrease in probability and-or consequences of happening of events, making negative impact on goal achievement of the Company;
- establishment of priorities in the Company's activity on the basis of representation about existing risks, including of financial character;
- safe keeping of assets and effective use of available resources;
- accomplishment of planned performance indicators;
- constant increase of efficiency of the activity in all areas by means of analysis and estimation of existing risks;
- provision of reliable technological functioning of the electric grid complex of the Russian Federation;
- achievement of optimum efficiency of functioning of the risk management system of the Company and subsidiaries and affiliates;
- timely and complete information and analytical provision of processes of accepting management decisions and planning of the Company's activity and subsidiaries and affiliates.

4. Principles of functioning of the risk management system

The risk management system is based on the following principles:

System approach - management of all types of risks is performed in all key spheres of the activity, at all levels of management of the Company.

Leadership - executive bodies and management of the Company provide dissemination in the Company of knowledge and skills in the field of risk management, and also possibility of effective information exchange within the risk

management system, contributes to development of corporate culture of «management taking into account risks».

Integrity - the risk management system is integrated in strategic and operational management of the Company and subsidiaries and affiliates. Planning and decision making processes are performed taking into account all-round assessment of risks of their realisation. Risks are co-ordinated with objectives of the Company and subsidiaries and affiliates.

Division of levels of decision making - decisions on risk management are accepted at various levels of management depending on the importance of risks.

Responsibility for risk management - each employee of the Company sees risk management within his or her competence, knowledge and available information as one of his or her tasks.

Cross-functional interaction - the risk management process, covering some lines of business or activity of several structural subdivisions within one line of business, is based on joint decisions accepted collectively, on the basis of the information, which is available for various structural subdivisions.

A single information channel - information support of the risk management system gives a chance in due time and in full to inform on risks of the persons, making decisions.

Rationality - the risk management system provides cost efficiency of events for risk management. Decrease in risks is performed proceeding from economic feasibility.

5. Revealing (identification) of risks

5.1. Revealing of risks - determination of events and factors (internal and- or external) which can make significant impact on achievement of the formulated objectives and realisation of tasks in view.

5.2. Timely revealing of risks is the key driver for provision of achievement by the Company of objectives and tasks in view.

5.3. The risk management system first of all is focused on revealing of potential risks before their origin or at an early stage of their occurrence.

5.4. One of the main objectives of the Company's activity is management of the electric grid complex of the Russian Federation. Proceeding from this, the Company, besides the risks connected with the organisation, coordination and control of the activity of subsidiaries and affiliates, should also estimate risks which the activity of subsidiaries and affiliates is subject to.

5.5. Identification of risks is performed at all levels of management of the Company and subsidiaries and affiliates.

5.6. Revealed risks are subject to ordering and are grouped by external and internal, lines of business, etc.

5.7. Separate risks can be factors (reasons) of other risks.

5.8. The Company implements processes and procedures directed on timely revealing and control of internal and external events influencing goal achievement of the Company, establishes and traces change of key indicators of risks, automates control procedures and activity on risk management in key business processes.

5.9. The Company consolidates the information on the revealed risks, informs stakeholders on events for their management, keeps account of implemented risks and analyzes the reasons, contributing to their realisation.

6. Risks assessment

6.1. The Company develops and approves an acceptable level of risks (risk-appetite) - a level of overall risk, which the Company considers acceptable as a whole at achievement of objectives in view.

6.2. Risks are analyzed by two parametres - probability of their origin (probability of realisation of risk) and degree of potential damage for the Company and subsidiaries and affiliates (degree of influence of an event on indicators of the Company's activity and subsidiaries and affiliates).

6.3. The estimation of risk parametres can have qualitative or quantitative features. The Company aspires to develop and apply mainly quantitative methods of risk rating; constantly to accumulate and improve modern techniques of quantitative risk assessment.

6.4. Various risk rating methods are applied depending on specificity of risks and applicability of these or other assessment methods.

6.5. The valuation horizon of risk parametres corresponds to the horizon of achievement of the relevant objective (task) of the Company and subsidiaries and affiliates.

6.6. Not interconnected risks are estimated separately.

6.7. Interconnected risks are estimated as a set.

6.8. Results of risk assessment are regularly reviewed.

6.9. On the basis of the produced estimations ranging of risks and revealing of critical risks of the Company and subsidiaries and affiliates is conducted.

7. Influence on risk (risk management)

7.1. The basic risk management practices:

- Refusal (evasion) of risk - refusal of the activity accompanied with an unacceptable (above the set size) risk level.

- Transfer (redistribution) of risk - transfer of risk to the counterpart (insurance, hedging, outsourcing).

- Reducing (minimisation) of risk - measures to decrease in probability of approach of a risky event and-or decrease in possible damage.

- Risk accepting - the Company undertakes to eliminate possible consequences of approach of a risky situation and is ready to cover losses at its own expense.

7.2. Measures for risk management can be:

- preventive - influencing reasons (factors) of risks for their prevention;

- emergency - directed on elimination of consequences of a developed risk.

7.3. The Company establishes the following levels of risk management (depending on risk assessment):

- the Board of Directors;

- the Sole executive body (General Director) of the Company, the Management Board;

- owners of risks.

7.4. For risk minimisation the Company develops plans for risk management confirmed at a corresponding level of risk management together with budgets on realisation of measures, contained in the plans.

7.5. Simultaneously with decision making about a risk management practice and measures to influence the risk control procedures are developed providing proper execution of planned events.

8. Monitoring of risks

8.1. The Company aspires to raise efficiency and quality of risk management, to bring it into accord with requirements of business and corporate management.

8.2. Monitoring of risks is performed by means of control of dynamics of risks, tracing values of key indicators of risks. The Company regularly updates information on risks, events to manage risks, and the status of accomplishment of events.

8.3. The division responsible for realisation of the function of coordination and methodological provision of the activity on risk management, performs information aggregating on all revealed risks and actualisation of a risk register.

9. The basic functions and responsibility of participants of the risk management system

9.1. The basic participants of the risk management system are:

- the Board of Directors;
- the Audit Committee of the Board of Directors;
- the Sole executive body (General Director) of the Company, the Management Board of the Company;
- Owners of risks;
- performers of control procedures and events for risk management;
- the division responsible for realisation of the function of coordination and methodological provision of the activity on risk management;
- the division responsible for realisation of the internal audit function.

9.2. The Board of Directors of the Company:

- approves internal documents of the Company, determining the strategy and development of the Company's risk management system;
- makes decisions directed on realisation of measures to manage critical risks, and also considers budgets for realisation of the given events;
- considers reports of the Sole executive body of the Company on management of strategic and critical risks of the Company's activity.

9.3. The Audit Committee of the Board of Directors of the Company performs:

- preliminary consideration before approval by the Board of Directors of internal documents of the Company, determining the strategy, organisation and development of the Company's risk management system;

- control over reliability and effectiveness of the risk management system, including the risk management system performance evaluation, preparation of offers on its enhancement;

- Analysis of the list and structure of risks of the Company, discussion with executive bodies of substantial risks and their indicators, consideration of periodic reports on risk management, and also the analysis of events for management of substantial risks.

9.4. The Sole executive body (General Director) of the Company, the Management Board of the Company bears responsibility for:

- efficient risk management within the current activity of the Company;
- budget approval for risk management measures in the Company in the limits agreed by a decision of the Board of Directors of the Company;
- permission of cross-functional (carried out by several structural subdivisions) tasks on risk management.

Individual and joint executive bodies of corresponding subsidiaries and affiliates bear responsibility for the organisation of efficient risk management at lower levels of management.

9.5. Owners of risks bear responsibility for:

- timely revealing and assessment of risks;
- choice of a risk management practice;
- timely development and organisation of accomplishment of events for risk management;

- regular monitoring of risks;
- provision of timely informing of management bodies of the Company about results of work on risk management;

- provision of effective interaction with the division responsible for realisation of the function of coordination and methodological provision of the activity on risk management, regarding documents and reporting formed within the risk management activity.

9.6. Performers of control procedures and events for risk management bear responsibility for:

- proper execution of control procedures directed on timely revealing and-or risk minimisation, in conformity with job descriptions and the established regulating documents;

- timely and in full accomplishment of events directed on risk management.

9.7. The division, responsible for realisation of the function of coordination and methodological provision of the activity on risk management, bears responsibility for:

- methodological support of the risk management process;
- coordination of actions of all participants of the Risk Management System;
- timely aggregating of the information on all revealed risks and the risk register actualisation;

- timely and complete provision of all stakeholders (including executive bodies of management of the Company) with the information about the main

tendencies, risks, challenges and threats in the activity of the Company and subsidiaries and affiliates.

9.8. The division, responsible for realisation of the internal audit function, performs:

- independent estimation of a current condition of the risk management system;
- issue of recommendations about effectiveness increase of the risk management system;
- informing executive bodies of management and the Board of Directors of the Company about a condition of the internal control and risk management system.

10. Risk management system performance evaluation

The Company does periodic performance evaluation of a current condition of the risk management system (within the estimation of a current condition of the internal control and risk management system).

Such estimation is conducted by:

- the division responsible for realisation of the function of coordination and methodological provision of the activity on risk management of the Company, - testing and estimation on a constant basis;
- the internal audit division - annually;
- an independent party - external consultants - at least once in three years.