

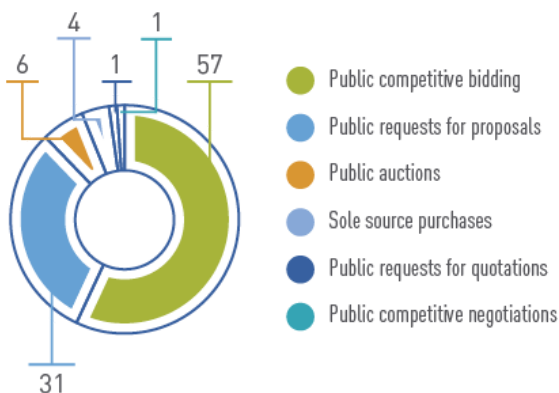
The Company gives special attention to the transparency of its procurement policy. Its achievements in this area have received numerous honorary awards. The Company's procurement is governed by the Federal Law "On Purchases of Goods, Work, and Services by Certain Types of Corporate Entities," Uniform Procurement Policy of ROSSETI, and the Procurement Regulations.

The basic principles of procurement are as follows:

- equality and fairness with respect to procurement participants,
- proper and economically viable spending,
- disclosure of procurement information,
- transparency and manageability of procurement,
- professionalism and expertise of responsible officers.

Preference is given to competitive purchasing methods, particularly bidding. Other approved purchasing methods include auctions, requests for proposals, requests for quotations, competitive negotiations, and sole source purchases. The Company works to reduce the share of sole source purchases. Over the past five years, they have decreased from 31.4% to 3.7% of the actual volume of purchases.

Procurement Breakdown in 2014, %



Any purchasing method is selected within due consideration to the parameters of the purchased item in accordance with the Procurement Regulations. Purchase documents are prepared, setting out the requirements for products/services, purchase participants, and their bids.

The main criteria for selecting preferred bidders are as follows:

- price,
- bidder qualifications,
- logistical support available for the performance of the contract.

Each criterion is assigned its weight. The maximum weight is assigned to the price. Through this approach, in 95% of cases, the winning bidder is the entity offering the lowest price with the fulfillment of all other requirements of purchase documents. The economic effect of competitive procedures in 2014 was 5.3%, or 17.9 billion rubles (exclusive of VAT).

In 2014, the total economic effect with savings arising from procurement planning reached 30.6 billion rubles, exclusive of VAT.

Particular attention is paid to the transparency of purchases and the accessibility of information for bidders. Information about all planned and current purchasing procedures is posted, as prescribed, on the Company's website and electronic trading floors and on the Russia's official website for public contracts.

Information on ROSSETI's purchases is posted on the following websites:

- official website for public contracts www.zakupki.gov.ru (<http://www.zakupki.gov.ru>)
- ROSSETI's website www.rosseti.ru (<http://www.rosseti.ru>)
- electronic trading floor of the ROSSETI Group (all purchases) www.b2b-mrsk.ru (<http://www.b2b-mrsk.ru>)
- electronic trading floor of the ROSSETI Group (small purchases of up to 2.5 million rubles) www.etp.rosseti.ru (<http://www.etp.rosseti.ru>)

The Company works to increase the proportion of purchases through electronic trading floors. For instance, the share of purchases through electronic trading floors increased from 78% in 2011 to 98% in 2014.

In the reporting year, the Company put into test operation the second through electronic trading floor, designed for small purchases of up to 2.5 million rubles. It provides small and medium-sized businesses with easier access to procurement procedures due to low participation fees, and the fee is payable only by the winning bidder.