

## UNDERSTANDING OF SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

As a single electric grid management company, ROSSETI is aware of the importance of its tasks to secure a reliable electricity supply and make electricity connection services more affordable. As one of the most significant infrastructure companies in Russia, the Company has a direct impact on the country's economic development.

The effective performance of the Company's important functions would not be possible without its sustained growth in the long term. The ROSSETI Group pays close attention to corporate social responsibility because it ensures effective and sustained development. In this connection, the ROSSETI Group establishes several priorities.

### STRATEGIC PRIORITIES OF SUSTAINABILITY FOR THE ROSSETI GROUP

<b>Fair competition</b>	Being a natural monopoly in the electric power sector, the ROSSETI Group understands the particular importance of ethical business conduct. Specifically, the Company strictly complies with the rules of the Sectoral Wage Rate Agreement. The Group also adheres to the principle of fair competition by applying competitive procurement practices.
<b>Economic impacts</b>	The ROSSETI Group is an infrastructure company that influences the development of the Russian economy as a whole. Securing a reliable electricity supply for the country and making services more affordable are a priority of the Company's SDCs. Raising profitability, ensuring operating efficiency, and implementing the capital investment program are the Group's strategic objectives.
<b>Environmental protection</b>	The particularities of the Company's activities do not involve substantial damage to the environment. Nevertheless, the activities of subsidiaries and dependent companies have an impact on nature. The ROSSETI Group strives to minimize the adverse impact by rehabilitating land, installing bird protection equipment, and taking into consideration environmental requirements at the stage of designing electrical installation installations. A special program is aimed at disposing of hazardous trichlorodiphenyl-containing equipment. Employees also participate in various environmental actions.
<b>Personnel development and social programs, occupational safety</b>	The staff of the Group is the most important resource. ROSSETI and SDCs provide adequate pay and training for employees and carry out insurance, youth, pension, and other social programs. Particular attention is given to occupational safety: an electric current is a threat to the health and lives of workers. The Company maintains its special focus on teaching safety rules and ensuring strict control of their implementation.
<b>Stakeholder relations</b>	The key stakeholder groups of the ROSSETI Group are shareholders, investors, and the financial community; customers; employees and labor unions; the sectoral and business communities; governmental authorities and public organizations; higher education institutions, specialized secondary education institutions, and research institutes; the media and society. Its system of stakeholder relations allows the Company to receive and promptly respond to feedback, minimizing non-financial risks. The Company pursues a policy of transparency and regularly discloses complete and accurate information about its activities, including by fulfilling legal requirements with respect to the disclosure of information by issuers.

The ROSSETI Group believes that the ethics and integrity of business conduct is the only possible approach. The Company applies mechanisms for anti-corruption and conflict of interest management.

The issues related to corporate social responsibility and sustainability are managed by governance bodies in the same way as other business issues.

## ETHICS AND INTEGRITY

The ethics and integrity of business conduct are the basis of ROSSETI's philosophy. Ethical business conduct is defined by the Company's Code of Ethics. The document also defines the Company's mission and corporate values.

### CORPORATE VALUES

<b>Efficiency</b>	The Company is aware of its responsibilities to shareholders, investors, and partners. Therefore, the Company's efficiency (cost reduction) is a basic value.
<b>Social responsibility</b>	The ROSSETI Group is a socially responsible company that pays close attention to occupational health and safety, environmental protection, social programs, and the development of the regions where the Company operates and of the Russian economy as a whole.
<b>Human resources</b>	The retaining and development of personnel as a key resource, the creation of a united and motivated team, the improvement of conditions for work and recreation, and the enhancement of occupational health safety are a priority for the Group.
<b>Cooperation</b>	In its activities, the Group takes into account the position of stakeholders and is open to dialog and fruitful cooperation with them.
<b>Ethics</b>	ROSSETI adheres to the principles of professional ethics, honesty, fairness, and integrity.
<b>Lawfulness</b>	The Company and its employees strictly comply with the laws of the Russian Federation and the provisions of internal corporate documents. The Company creates the conditions for all employees familiarizing themselves with the regulatory and legal framework.
<b>Safety</b>	In their activities, ROSSETI SDCs fulfill the requirements for occupational safety, industrial safety, and environmental protection.

ROSSETI applies the principles of ethical employee conduct. First, employees are expected to avoid conflicts of interest and perform their functions in good faith. Second, integrity and objectivity should be the basis of any decisions and actions of employees: any biased attitude to their duties or colleagues is not allowed. Third, the team members should take care of the Company's positive reputation and avoid situations that may adversely affect ROSSETI's image, including outside working time.

Employees should take care of the Company's property and efficiently use the Company's resources. Employees should strive to reduce the Company's expenses, including transportation and accommodations during business travel.

The basic principle that should guide all employees of the Company, regardless of their positions and functions, is to respect the interests of the Company.

The Company's Commission on Corporate Ethics Compliance and Conflict of Interest Resolution is responsible for resolving any conflicts of interest.

## ANTI-CORRUPTION

Combating corruption in all of its manifestations is an essential component of the sustained development of Russian companies. Understanding this issue at the highest level has led to systematic changes in legal requirements for the regulation of organizations' activities in this respect. For instance, a presidential decree tasked organizations with complying with legislative acts and administrative decisions in the area of combating corruption and approved the National Anti-Corruption Plan for 2014–2015.

ROSSETI did not hold itself aloof from the anti-corruption initiatives. In 2014, it worked hard to improve the internal corporate regulation of the Company's and SDCs' anti-corruption activities with due regard to all changes in legislation. For example, the Board of Directors of ROSSETI approved a restated version of the Anti-Corruption Policy. This is a uniform strategic document for combating corruption in the Russian electric grid sector.

ROSSETI and its SDCs operate a unified, vertically integrated anti-corruption system. This system includes the mechanism for implementing the Anti-Corruption Policy, the procedures for control and prevention measures, the powers of divisions responsible for preventing and combating corruption, and key anti-corruption standards.

In 2013, the Company established the Department for Corporate and Anti-Corruption Compliance Procedures, which reports directly to the Director General. The division is responsible for anti-corruption measures to prevent, identify, and combat corruption offenses and for minimizing reputational and corruption risks.

The main activities of the Department include:

- assessing corruption risks;
- doing anti-corruption monitoring;
- studying information on possible cases of corruption;
- identifying and resolving conflicts of interest;
- interact with counterparts;
- creating an effective regulatory mechanism.

Important aspects of ongoing work are corruption prevention through legal education and the formation of anti-corrupt corporate consciousness.

The Department gives heightened attention to the following areas of the Company's operations exposed to a high risk of corruption:

- appointment of the Company's and SDCs' senior executives;
- procurement;
- government relations;
- political engagement;
- charity and sponsorship;
- payments through intermediaries or to third parties.

An important achievement on the way toward the transparency of business operations in the industry is the creation of a unique automated analysis and collection system for information on beneficiaries, which is a unified information space concerning existing and potential counterparties. The system makes it possible to accumulate data from multiple sources, verifying the completeness and reliability of information about corporate entities and individuals. In addition, the system provides information on the business reputation of a counterparty's chief executive, his or her inclusion on the register of unscrupulous suppliers, enforcement proceedings, etc. This makes it possible to proactively detect affiliation, conflicts of interest, pre-conflicts of interest, and other abuses.

Fulfilling the requirements set forth in Federal Law No. 273-FZ of December 25, 2008, "On Combating Corruption" and setting an example, the senior executives of the Company's and SDCs' executive arm declare their income, expense, property, and property obligations disclose similar information with respect to their close relatives.

In addition to work within the Company, ROSSETI cooperates extensively with governmental authorities in improving the legal regulation of anti-corruption activities. The Company's representatives participate in the relevant working groups, commissions, and other public initiatives.

ROSSETI acceded to the Anti-Corruption Charter of the Russian Business in 2014.

#### ROSSETI'S PARTICIPATION IN WORKING GROUPS AND OTHER INITIATIVES TO PREVENT CORRUPTION

Name	Functions
Interdepartmental working group of the General Prosecutor's Office of the Russian Federation	<ul style="list-style-type: none"> <li>• consider the transparency of financial and economic activities;</li> <li>• remove administrative barriers to the development of the electric grid sector</li> </ul>
Expert group of the interdepartmental working group of the Federal Service for Financial Monitoring of the Russian Federation to combat illegal financial transactions	<ul style="list-style-type: none"> <li>• determine the mechanism for identifying beneficiaries as part of verifying information on corporate entities and individuals</li> </ul>
Expert group of the Joint Committee of the Chamber of Commerce and Industry of the Russian Federation	<ul style="list-style-type: none"> <li>• implement the provisions of the Anti-Corruption Charter of the Russian Business</li> </ul>
All-Russia People's Front	<ul style="list-style-type: none"> <li>• build a transparent procurement system</li> </ul>

#### AVOIDANCE OF CONFLICTS OF INTEREST

ROSSETI admits that its operations may involve situations where personal, professional, financial, and other interests of the Company's executives and employees and their family members may potentially be in conflict with the interests of the Company. Such cases are considered by the Company to be conflicts of interest.

ROSSETI takes a number of measures to avoid conflicts of interest. The Company's approaches to this issue are defined by the Code of Ethics.

For instance, in order to avoid conflict situations, the Company's employees should obey the following rules:

- perform their functions only for the benefit of the Company;
- limit their relationships with the Company's partners solely to business matters;
- avoid situations where their personal interests may be in conflict with the interests of the Company;
- not influence the personnel decisions made by division heads;
- not participate in making decisions on the business relationships with suppliers if their close relatives work for such entities.

In the event of any conflict of interest, an employee should immediately give notice thereof in accordance with the Company's procedure. The Commission on Corporate Ethics Compliance and Conflict of Interest Resolution resolves pre-conflict situations and conflicts of interest and deals with violations of corporate ethics.