

The following principles underlie the Company's governance:

- accountability;
- fairness;
- transparency;
- responsibility.

The regular publication of annual and non-financial reports fully conforms to the principles of corporate governance and proves that the Company's executives are committed to sustainability values and high standards of corporate culture. The Company strives to constantly improve the quality of its non-financial reporting.

This Report contains the standard disclosure items from the GRI Sustainability Reporting Guidelines. This year, the Company is beginning to gradually transition to the new and latest version of the Sustainability Reporting Guidelines, G4, released by the Global Reporting Initiative (GRI). One of the key aspects of the transition to G4 was to identify the material topics of the Report. In accordance with this approach, the Company's sustainability reporting is not focused on the total coverage of all aspects of the Company's activities but is directed at the most essential and significant areas.

Characteristics of the 2014 ROSSETI Corporate Social Responsibility and Sustainability Report:

- This Report is the fifth annual non-financial report of the Company.
- The Report focuses on the Company's activities from January 1 to December 31, 2014.
- The Company uses the annual sustainability reporting cycle. The previous report was released in 2014. The next report is scheduled for publication in 2016.
- The process of preparing this Report was in accordance with the GRI G4 Sustainability Reporting Guidelines and the Electric Utilities Sector Disclosures document.
- ROSSETI's sustainability reporting covers the results of the Company, its divisions, subsidiaries and dependent companies and their branches operating in the Russian Federation (see Company Profile below).
- Experts in corporate social responsibility and sustainability assessed the contents of this Report; external assurance statements can be found in External Assurance.

## PRINCIPLES OF INFORMATION SELECTION

As recommended by the GRI G4 Guidelines, the process of preparing this Report gave special attention to identifying material subjects that reflect the ROSSETI Group's significant economic, environmental, and social impacts or influence the assessments and decisions of shareholders, investors, and other stakeholders. To this end, the Company's management, experts in the relevant areas, and stakeholders invited to discussion made a comprehensive analysis and provided their recommendations. Publications appearing in media outlets in the reporting year were also examined in order to identify topical issues.

The process of analysis identified the following material topics: economic impacts of the ROSSETI Group as one of Russia's most significant infrastructure companies, the environmental and social aspects of activities, human resource development, and occupational safety. This Report also covers procurement practices and anti-corruption. A special section deals with the Company's socially important initiative to prevent injuries from electric shocks.

It is also important to note that the G4 disclosure requirements with respect to governance are stricter than those in G3: from the disclosure of the composition of the Board of Directors and the number of independent directors to the process for determining remuneration payable to senior executives. In accordance with G4, ROSSETI informs the public and stakeholders in detail about the competencies and members of its governance bodies. Specifically, for the first time, the Report contains information on the Committees of the Board of Directors.

The process of preparing information in this Report was consistent with the following principles:

- balance;
- comparability;
- accuracy;
- clarity;
- reliability.

The methodological framework for the preparation of this Report includes the following standards and documents:

- GRI G4 Sustainability Reporting Guidelines;
- Electric Utilities Sector Disclosures;
- AA1000 Stakeholder Engagement Standard (AA1000SES);
- Social Charter of the Russian Business;
- National standard GOST R ISO 26000:2012;
- Special standards ISO 14001, ISO 9001:2008;
- OHSAS 18001:2007.

## MATERIAL ASPECTS

The following material aspects were identified in the process of analysis and are addressed in detail in this Report.

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### Category: Economic

#### Aspects:

- Economic Performance
- Market Presence
- Indirect Economic Impacts
- Procurement Practices

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### Category: Environmental

#### Aspects:

- Energy
- Water
- Biodiversity

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### Category: Social

#### Sub-Category: Labor Practices and Decent Work

#### Aspects:

- Employment
  - Labor/Management Relations
  - Occupational Health and Safety
  - Training and Education
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**Sub-Category: Human Rights****Aspects:**

- Investment
  - Non-discrimination
  - Freedom of Association and Collective Bargaining
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**Sub-Category: Society****Aspects:**

- Anti-corruption
  - Public Policy
  - Anti-competitive Behavior
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**Sub-Category: Product Responsibility****Aspects:**

- Customer Health and Safety
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## EXTERNAL ASSURANCE

In accordance with the GRI Guidelines, non-financial reports are subject to external assurance. External experts assess the significance and completeness of disclosures.

ROSSETI asked representatives of key stakeholders, namely experts in corporate social responsibility and sustainability, environmental protection, and social policy, to provide assurance. The independent experts invited to participate in the project examined this Report in May 2015 and provided their recommendations.

External assurance statements can be found in Appendix 2. They express the personal opinions of the experts rather than the organizations that the experts represent.

## Company Names in the Report

Full name: Joint Stock Company ROSSETI

Short name: JSC ROSSETI

Other names used in this Report: ROSSETI, Company

Names of the entities collectively referred to as the ROSSETI Group: ROSSETI Group, Group, ROSSETI and its subsidiaries and dependent companies (SDCs) and subsidiaries and dependent companies of ROSSETI SDCs.