

## MAIN APPROACHES TO STAKEHOLDER RELATIONS

Stakeholder relations are one of the strategic instruments for securing the ROSSETI Group's sustained development.

In 2014, ROSSETI approved the Policy on Society, Customer, and Government Relations. The Policy provides for a customer-oriented approach and raised customer confidence.

The Company determined the range of stakeholders by assessing their impact on its day-to-day operations and strategic development. ROSSETI also considered the existing practice of the Company's interaction with external stakeholders. Other criteria include dependence on the electric grid sector's operating results, the degree of mutual influence and cross-interests, and regular interaction.

ROSSETI's interaction with stakeholders is based on the following principles:

- complying with legal requirements and other commitments made by the Company;
- considering the interests and expectations of stakeholders;
- ensuring transparency;
- evaluating effectiveness and continuously improving activities.

The properly functioning system of constant interaction with stakeholders enables the Company to be aware of the opinions, interests, and wishes of stakeholders. To settle any issues, ROSSETI arranges meetings and maintains a constructive dialog with stakeholders. The Company pursues a transparent information policy by providing stakeholders with significant and complete information. The Company uses a variety of channels of disclosure and offers several forms of feedback (hotline, website, monitoring of media publications, personal meetings). The practice of constant interaction and effective response in stakeholder relations allows the Company to remove the majority of non-financial risks from its activities, thus ensuring its sustained development.

The corporate social responsibility toolkit includes:

- identifying and ranking stakeholders;
- constructing the "stakeholder map";
- identifying and monitoring risk situations;
- making a scenario analysis of the Company's behavior and interaction with its stakeholders;
- developing the Company's projects aimed at stakeholders and at the constructive or neutralizing interaction with them;
- conducting annual open dialogs within the process of non-financial reporting, including disclosing and discussing the Company's problems and successes.

## MAIN STAKEHOLDER GROUPS AND KEY CHANNELS OF COMMUNICATION WITH STAKEHOLDERS

Key Stakeholders of ROSSETI	Key Channels of Communication with Stakeholders	Disclosure of Information Significant to Stakeholders in the Report (Chapters)
Shareholders and investors, financial community	<ul style="list-style-type: none"> <li>• Annual General Meeting of Shareholders</li> <li>• one-on-one and collective meetings with management</li> <li>• road shows</li> <li>• investor forums and conferences</li> <li>• Interfax Corporate Disclosure Center/LSE Regulatory News Service</li> </ul>	2. Company Profile 4. Stakeholder Relations 7. Internal Control and Risk Management System 8. Reputational Policy and Integrated Communications Management 9. Economic Impacts
Educational institution and research centers	<ul style="list-style-type: none"> <li>• meetings</li> <li>• conferences</li> <li>• participation in working groups</li> </ul>	6. Society Relations 11. Human Resource Development
Civil society organizations (nonprofit organizations and associations)	<ul style="list-style-type: none"> <li>• meetings</li> <li>• conferences</li> <li>• annual reports and corporate social responsibility and sustainability reports</li> </ul>	3. Corporate Social Responsibility and Sustainability Model of ROSSETI 4. Stakeholder Relations 11. Environmental Responsibility and Environmental Protection
Electricity market and business communities	<ul style="list-style-type: none"> <li>• meetings</li> <li>• conferences</li> <li>• business associations</li> <li>• annual reports and corporate social responsibility and sustainability reports</li> </ul>	2. Company Profile 7. Internal Control and Risk Management System 9. Economic Impacts 10. Procurement Practices
Existing and potential customers	<ul style="list-style-type: none"> <li>• corporate website and SDCs' websites</li> <li>• uniform network connection website (ПОРТАЛ-ТП.рф)</li> <li>• call centers of the ROSSETI Group</li> <li>• customer service centers of the ROSSETI Group</li> <li>• seminars and public meetings</li> <li>• satisfaction evaluation</li> </ul>	5. Customer Relations
Employees and All-Russian Electrounion	<ul style="list-style-type: none"> <li>• internal portal</li> <li>• corporate media</li> <li>• meetings with management</li> <li>• corporate events</li> </ul>	6. Society Relations 11. Human Resource Development
Media	<ul style="list-style-type: none"> <li>• press releases</li> <li>• press tours</li> <li>• meetings</li> </ul>	8. Reputational Policy and Integrated Communications Management
Federal and regional governmental authorities of the Russian Federation	<ul style="list-style-type: none"> <li>• participation in commissions and working groups</li> <li>• meetings</li> </ul>	2. Company Profile 4. Stakeholder Relations 7. Internal Control and Risk Management System

- annual reports and corporate social responsibility and sustainability reports

## 9. Economic Impacts

### Society

- publications in media outlets
- annual reports and corporate social responsibility and sustainability reports
- corporate website
- measures to prevent injuries from electric shocks, etc.

### 6. Society Relations 11. Environmental Responsibility and Environmental Protection

## GOVERNMENT AND NGO RELATIONS

As a government-linked infrastructure company, ROSSETI actively cooperates with legislative and executive governmental authorities at federal and regional level. The built system of cooperation allows the Company to ensure its financial and economic stability through rapid response to changes in the regulatory framework that affect the Company's activities.

The Company carries out the Strategy for Development of the Electric Grid Sector of the Russian Federation, plans and road maps of federal executive authorities, including the Road Map "Enhancing the Affordability of the Power Infrastructure."

The Company is also subject to inspections by government regulators.

The Company employs several mechanisms on a planned basis to interact with governmental authorities. ROSSETI constantly monitors the legal framework. The Company's consolidated position on improving the regulatory framework is defined by a special permanent collegial body, namely the Rulemaking Commission of ROSSETI.

### MAIN COUNTERPARTIES REPRESENTING THE GOVERNMENT IN THE ELECTRIC POWER INDUSTRY

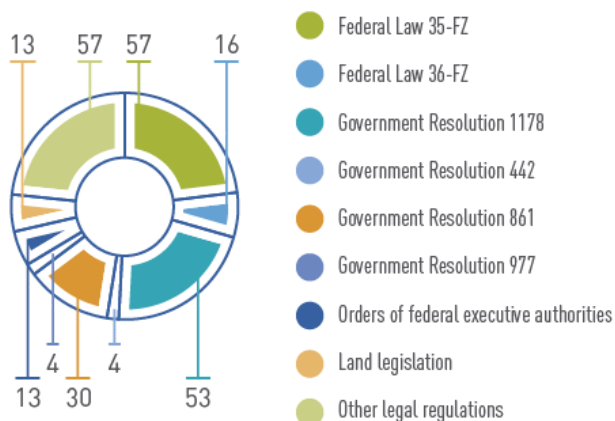
Governmental Authority	Principal Function
Government of the Russian Federation	Development strategy
Ministry of Energy of the Russian Federation	Capital investment program and electricity supply reliability
Ministry of Economic Development of the Russian Federation	Macroeconomic parameters
Federal Tariff Service of the Russian Federation Regional Energy Commission	Tariff regulation
Federal Antimonopoly Service of the Russian Federation	Antimonopoly regulation
Federal Agency for State Property Management of the Russian Federation	Governance
Federal Service for Environmental, Technological and Nuclear Supervision of the Russian Federation	Technical supervision

The Company mainly interacts with governmental authorities in the following areas:

- securing a reliable power supply and improving the quality of electricity distribution services;
- providing the operation platform for the electric grid sector and electricity (capacity) markets;
- regulating prices (setting tariffs for electricity distribution services and network connection fees);
- ensuring the long-term development of the energy industry and electricity connections;
- regulating the investing activities of organizations operating in the electric grid sector and the construction of electric grid facilities;
- ensuring the operation of electric grid facilities;
- ensuring the energy, technological, industrial, and environmental security of electric power facilities;
- regulating legislation on land and urban planning as related to the allocation of land for power lines;
- regulating natural monopolies and ensuring antimonopoly regulation, including the disclosure of information about the Company's activities.

As part of cooperation with governmental authorities, ROSSETI takes an active role in drafting legislative acts and regulations. The Company prepares and submits comments, suggestions, and amendments with respect to draft documents, and its employees are involved as experts in the process of governmental authorities' formulating proposals for changes to legislation. The Company's representatives also regularly participate in parliamentary hearings, roundtables, conferences, meetings, and working groups on the improvement of the legal framework.

### Structure of Legislative Initiatives Developed with the Involvement of the Company's Experts



The Company sent 130 letters to governmental authorities in 2014, submitting proposals to improve legislation.

The proposals mostly related to the laws on the electric power industry, on the functioning of retail electricity markets, on network connection, on electricity pricing, and on capex programs. The Company also put forward proposals regarding legislation on land and urban planning.

The Company mainly cooperates with the State Duma's committees on energy, property, land relations and construction, industry, economic policy, and innovative development and entrepreneurship and with the Federation Council's Committee on Economic Policy. The Company's representatives are members of the expert councils and panels of the committees.

In 2014, legislative authorities held several important events related to the electricity industry with the participation of ROSSETI:

- roundtable at the Federation Council on "Russian electric grid sector: development strategy and its legislative support";
- extended session of the State Duma Committee on Energy on "Prospects for the development of distributed energy, its place and role in the contemporary energy structure";
- extended session of the State Duma Committee on Energy on "The role of ROSSETI in the development of the domestic electric grid sector";
- roundtable at the State Duma on "Legal regulation and principles of investment in public-private partnership-based RES projects in the "isolated" regions of Russia";
- roundtable on the draft of the Federal Law "On Professional Engineers in the Russian Federation";
- panel session of the expert council of the State Duma Committee on Energy on "Ways of resolving the problems of combined heat and power plants' operation in market conditions";
- expert panel session of the Advisory Council of the State Duma Committee on Energy on "Raising payment discipline in the fuel and energy sector and public utility services."

In addition to interacting with governmental authorities, ROSSETI takes an active part in public discussions of projects to define the common position of the industry's organizations. The Company closely cooperates with sectoral and public organizations, unions, associations, including:

- Agency for Strategic Initiatives,
- Russian Union of Industrialists and Entrepreneurs,
- Chamber of Commerce and Industry of the Russian Federation,
- expert communities;
- coordinating and expert councils on energy and public utility services.

## INVESTOR RELATIONS

The Company has two special divisions responsible for shareholder/investor relations: the Shareholder and Investor Relations Division, and the Unit for Support for Shareholder Rights of the Department for Corporate Governance and Shareholder and Investor Relations.

In its shareholder/investor relations, ROSSETI pursues an important goal of making the Company more attractive to investors, including by enhancing transparency, adhering to a stable dividend policy, and increasing the liquidity of its securities.

The Company pursues a uniform policy on shareholder/investor relations in the electric grid sector. For instance, annual seminars are held for shareholder/investor relations departments of Russian electric grid companies. The seminars are intended to upgrade qualifications and professional skills of shareholder relations personnel of ROSSETI's subsidiaries. The Company inspects the timeliness and completeness of disclosures on subsidiaries' websites.

The Company fulfills all legal requirements for disclosures. Additionally, the Company maintains constant dialog with shareholders, investors, and professional securities market participants. For this purpose, the Shareholder and Investor Relations Division organizes meetings, conference calls, and presentations of strategic plans and operating results. The Company prepares replies to inquiries, maintains a shareholder hotline, and has a special feedback form on its website.

At present, analyst coverage is provided for the Company's shares by 13 investment banks and companies. The Company is working to expand analyst coverage.

On a regular basis, the Shareholder and Investor Relations Division holds events based on the disclosure of the Company's results, organizes road shows for investors, and participates in investor conferences of Russian and foreign investment banks.

The Shareholder and Investor Relations Division held a number of meetings with the investor community in 2014.

Event	Organizing Bank
Annual Depository Receipt Issuers' Conference	BNY Mellon
Investor conference	Raiffeisen Bank
Investor conference	Gazprombank
Russia: The Inside Track annual investment conference	Sberbank CIB
6th Annual Investment Forum	VTB Capital
Power Industry Day	BCS Financial Group

Important instruments for disclosures are annual and corporate social responsibility reports published every year. In 2014, the Company's efforts in this area received an accolade from experts. ROSSETI won a prize of the 17th annual nationwide contest of annual reports and corporate websites organized by the Moscow Exchange and RCB Media Group. The Company's 2013 annual report was also recognized as a leader in sustainability disclosure according to Expert RA Rating Agency's annual review of best practices in disclosure in annual reports.

## INTERNATIONAL COOPERATION

ROSSETI continued in 2014 to actively build up international cooperation with the global energy community.

Cooperation between ROSSETI and foreign energy systems in 2014 involved preparing and signing several documents. These include the agreement with Fingrid Oyj for the utilization of transmission capacity, the organization of flow metering, and operation. This project was launched in 2008. In the reporting year, the Company successfully completed trial tests of two-way electricity transmission between Russia and Finland. The implementation of this strategic project will improve the reliability of the Northwestern Federal District energy system.

A strategic cooperation agreement was signed with Belenergo to develop the Russian and Belarusian electric grid sectors, including providing personnel training, sharing experience in operating electric grid facilities, applying new technology, and developing smart grids.

Simultaneously, cooperation with the energy systems of the countries of the BRELL (Belarus, Russia, Estonia, Latvia, and Lithuania) Energy Ring included formulating the new regulations for planning interstate electricity flows with due consideration to trading in the Baltic countries' markets.

The Advisory Committee of the Eurasian Economic Commission approved the Concept of Forming the Common Electricity Market for Russia, Kazakhstan, and Belarus under the Treaty on the Eurasian Economic Union.

In 2014, ROSSETI took an active part in the Commission for Operational and Technical Coordination of Joint Operation of Energy Systems in the CIS and Baltic Countries and working groups of the Executive Committee of the CIS Electric Power Council (CIS EPC).<sup>1</sup> The most important area of the Executive Committee's activities is to create the legal framework of the CIS member states for the electric power industry and take coordinated measures to secure a stable and reliable electricity supply for the member states.

In 2014, the Company's senior executives took part in several events organized by the World Energy Council (WEC), for instance, the World Energy Leaders' Dialogue in Abu Dhabi, UAE. The event focused on discussing energy integration, which would enhance energy efficiency and make national energy systems more reliable through access to partner countries' capacity in emergency situations.

Another important event organized by the WEC was the World Energy Leaders' Summit in Cartagena, Colombia, discussing what was done to establish CIS countries' National Committees of the World Energy Council and addressing other international partnership projects.

A significant step in 2014 toward expanding cooperation between ROSSETI and the WEC was that the Company became a member of the Russian National Committee of the World Energy Council. ROSSETI's plans include continuing with its efforts to form the Eurasian Committee of the WEC and attracting new countries to participation in the World Energy Council.