

Anti-Corruption Activities

To maintain the reputation of Federal Grid Company as a company that seeks to continually improve its anti-corruption policies and to adhere to best international practices to prevent and fight corruption, within the Company, a need to create Compliance emerged.

The compliance system is designed to diagnose problems at an early stage, preventing the possibility of corruption cases. The development and implementation of the compliance system is carried out by a specially established unit, the Department of the Implementation of Corporate and Anti-Corruption Compliance Procedures, which reports directly to the Company's Chairman of the Management Board.

In 2012, apart from changes in the organizational structure, there were changes in the Company's regulatory framework which regulates anti-corruption activities.

Thus, the Board of Directors approved the Company's Anti-Corruption Policy (Minutes #171 dated 24.08.2012), which is the first most important and fundamental document in the field of combating corruption, and defining main objectives, principles and areas of anti-corruption activities.

The Anti-Corruption Policy's tasks include: forming a uniform understanding of the Company's position on the rejection of corruption, minimizing the risk of employee involvement in corrupt activities, and generating corporate anti-corruption awareness, as well as creating a legal mechanism that prevents bribery of Anti-Corruption Policy entities.

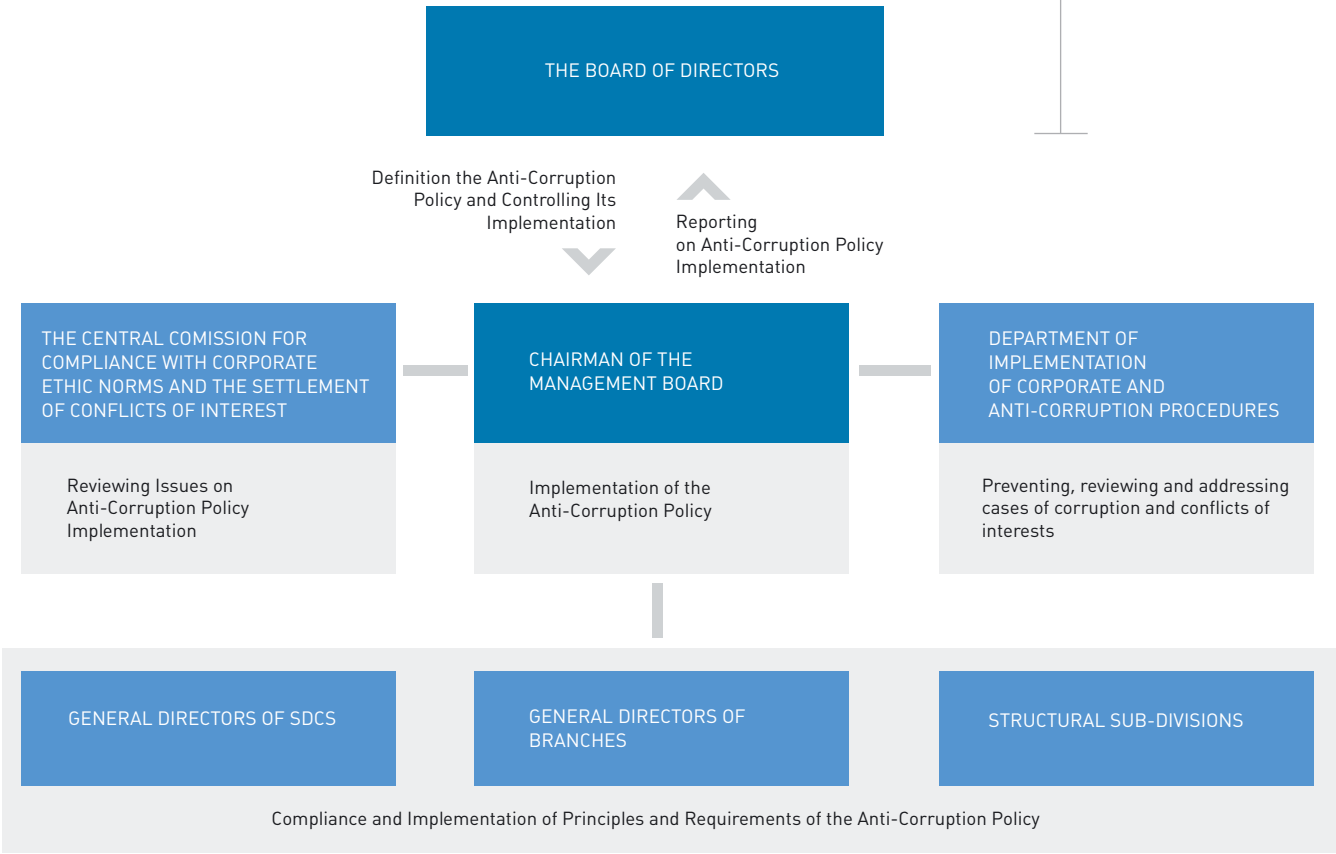
To achieve the goals, objectives and principles that are stated in the Company's Anti-Corruption policy, the Company developed an integrated system for its implementation - the 2012-2014 Program for Fighting Corruption and Settling Conflicts of Interest, which is the second most important legal document in the Federal Grid Company and which was approved by the Company's Board (Minutes #1105 of 05.10.2012).

The third most important document in the field of combating corruption is the Company's Program Implementation Plan for the corresponding year, which is approved by the Chairman of the Board and which contains instructions for anti-corruption measures for the current year to be performed by various Anti-Corruption Policy entities.

The text of the Anti-Corruption Policy and a list of the regulatory framework in the field of fighting corruption can be found in a special section of the Company's official website.

In addition, we have changed the management system for anti-corruption activities, which is based on the following hierarchy and includes:

The Company’s Anti-Corruption Activities Management Chart



The Company's Anti-Corruption Policy

We are constantly making efforts to prevent corruption. So, in order to exclude the possibility of including in the documents provisions that contribute to corrupt practices on the part of the Company's employees, and create conditions for their formal legality, the Department employees conduct an anti-corruption survey of organizational and administrative documents (OADs) and their drafts.

In 2012, there was a positive trend to reduce the inclusion of corruption factors in OAD drafts. The trend may be indicative of a change in and the formation of anti-corruption awareness among OAD originators.

To prevent the misuse of funds and corruption in the procurement of goods and services for the needs of the Company, Department employees are carrying out anti-corruption control over procurement.

Anti-corruption control over procurement made it possible to reveal violations connected to illegal recovery from the Company of large monetary funds presented for payment by owners of land plots, on which Federal Grid Company's power facilities were being constructed, and abuse on the part of the officials responsible for making decisions on land and legal activities. Our engagement and the work of legal enforcement agencies solved this problem by creating the Inter-agency Working Group under the Prosecutor General of the Russian Federation, the work of which has resulted in initiating criminal prosecutions against abuse of office, fraud, abuse of authority, forgery, the manufacture or sale of counterfeit documents, State awards, stamps, seals, and forms.

In addition, a positive result was the ability to remove administrative barriers in the registration of rights for land plots used for the construction of UNEG facilities. The economic effect of the measures to perform anti-corruption control in procurement activities amounted to RUR116.9 million.

Interacting with our contractors was one of the key areas of the 2012 Anti-Corruption Policy.

To perform orders from the Minutes of the Government Commission on the development of the electricity industry and instructions of the Prime Minister of the Government of the Russian Federation on the transparency of financial and economic activity, including the prevention of conflicts of interest among managers, we have organized the collection and analysis of information from our counter-parties across the whole chain of their owners (including end beneficiaries).

In addition to the collection, consolidation and monthly transfer of information about counter-parties' owners to the competent authorities, the Department of the Corporate and Anti-Corruption Compliance Procedures analyzes this information, as well as reviews and settles contract supervisors' complaints, should the counter-party refuse to disclose information. In order to regulate this work, the Department employees made out a draft internal document that establishes the procedure for such information to be collected, verified, analyzed, evaluated and transferred to the competent authorities. An automated system, "Accounting for Federal Grid Company counter-parties' beneficiaries", has been created to summarize, analyze, and verify information on counter-parties' owners.

We seek to build business relationships with the counter-parties that support the Anti-Corruption Policy and do their business in an open and honest way, without resorting to corrupt practices. In this regard, we have developed an Anti-Corruption Clause, which is included in all contracts entered into by the Company with legal entities and State and municipal authorities, with the exception of technical connection contracts.

As part of developing the Anti-Corruption Policy's area of managing conflicts of interest, aimed at excluding the possibility of Company's employees, their families and close relatives obtaining material and (or) personal gain through abuse(s) of office, we have formed the Central Compliance Commission for Corporate Ethics and the Settlement of Conflicts of Interest of Federal Grid Company and JSC IDGC Holding. In addition, we approved the document that reveals the concept of conflict(s) of interest, scope of their occurrence and a procedure for settling pre-conflict situations and identifying conflicts of interest.

To prevent corruption, for legal education and the foundation of law-abiding behavior of the Company's employees, we conduct awareness-raising activities, particularly training seminars, training, and consultations with the Company's employees, as well as participating in international forums, summits, conferences, and round tables devoted to fighting corruption. Such events contribute to a common understanding of anti-corruption policy, and also form a positive reputation for the Company in the anti-corruption field.

[More information on the implementation of the Company's Anti-Corruption Policy can be found on the corporate website.](#)