

Implementation of Anti-Corruption Policy and Program for Anti-corruption and Settlement of Conflict of Interests in Federal Grid Company in 2012

Anti-corruption expertise of organizational and administrative documents (OAD) and its drafts

Employees of the Department of the corporate and anti-corruption compliance procedures (hereinafter - the Department) in 2012 carried out an anti-corruption expertise* of 673 OADs, accounting for 38.3% of the total number of OADs issued in 2012. In 2011, an anti-corruption expertise of 29.7% of the total number of OADs issued in 2011 was performed (a 9% increase in the number of OADs of the Company, which were submitted to anti-corruption expertise).

In 539 drafts of 673 examined OADs 46 corruption factors were identified.

The most common violations are: illegitimate vesting with powers, exclusion from the general course of action and the use of vague wording, ambiguous terms and evaluative categories.

Anti-corruption monitoring in procurement

Anti-corruption monitoring in procurement** includes checking mechanism on non-competitive

procurement procedures at the stages of planning, conclusion and execution of a transaction.

During the reporting period, anti-corruption expertise of 1,210 documents to be drawn up for the transaction was carried out, which is three times higher than in 2011.

Anti-corruption expertise allowed reduction of the level of violations, identification of bottlenecks to optimize procedures, etc.

Cost-effectiveness of anti-corruption monitoring in procurement in 2012 amounted to RUR 116,918,604.

Conflict of interests management

In 2010, Federal Grid Company established Commission for observance of rules of conduct and settlement of conflict of interests and approved the Regulations to the Commission. In 2012, on the basis of the Commission of Federal Grid Company and similar Commission of IDGC Holding a Joint Central Commission of Federal Grid

Company and IDGC Holding for observance of rules of conduct and settlement of conflict of interests was established. Commissions for observance of rules of conduct and settlement of conflict of interests were set up in all branches of Federal Grid Company.

* The Order of Federal Grid Company as of 16.05.2011 No 280 "On organizing and conducting anti-corruption measures in Federal Grid Company" is the legal basis of anti-corruption expertise of OADs and its drafts.

** The Order of Federal Grid Company as of 16.05.2011 No 280 "On organizing and conducting anti-corruption measures in Federal Grid Company" is the legal basis of anti-corruption monitoring in procurement.

To avoid conflict of interests the following documents were developed:

- The Regulations for Monitoring of Conflict of Interests. It reveals the concept of conflict of interest, scope of emerging and consideration procedure of pre-conflict situations and identified conflict of interests;

— The Regulations for Organization of Work to Declare Information on the Property, Income and Property Obligations of Federal Grid Company and its DSCs Management.

Consideration of possible corruption manifestations applications

In 2011, Federal Grid Company has implemented a specialized telephone "hot line" which accepted applications

on facts that require anti-corruption examination.*

During the reporting period the "hot line" has recorded 16 reports of which 8 were anonymous and another 8 were from concrete persons.

Interaction with the Office Prosecutor General of the Russian Federation on the matter of abuse in registering land plots

To protect the interests of the Russian Federation during the implementation of the Company's investment program pertaining to the construction and reconstruction of the electric power facilities, and to eliminate the administrative barriers hindering the documenting of titles to the land plots used for the construction of the UNEG facilities, an Interdepartmental Work Group was established, attached to the Office of the Prosecutor General of the Russian Federation, consisting of the representatives of said Office and of the Company.

The activities of the Interdepartmental Work Group resulted in conducting the procurator's audits in the Republic of Dagestan, Krasnodar and Krasnoyarsk regions, Irkutsk, Nizhny Novgorod, Orel regions and other subjects of the Russian Federation. The audits resulted in opening criminal cases pursuant to Articles 285, 159, 327, and 201 of the Criminal Code of the Russian Federation. An analysis has also been conducted of violations made in the sphere of documenting the title to the land plots during the implementation of the Company's investment program. The analysis was conducted in order to develop suggestions on changing the current land and construction laws of the Russian Federation.

* The Order of Federal Grid Company as of 07.10.2010 No 776 is the legal basis of the activities to consider and resolve applications of employees of Federal Grid Company, contractors and other individuals and legal entities on facts of corruption and examination of the facts in Federal Grid Company.

Interaction with contractors

In 2012, the Company was issued an Order** "On providing information by contractors and amending the contracts" which provides:

- a ban on conclusion any contracts with legal entities (including foreign ones) by Federal Grid Company without the prior submission of the information referred to potential contractors on the whole chain of owners, including beneficiaries (inter alia the final ones), as well as information on the composition of the executive bodies of contractors;
- conclusion of supplementary agreements related to ongoing contracts with legal entities (including foreign ones) in accordance with a form set by the order;
- termination (extinction) of a contract in case of failure of contractor to enter into a supplementary agreement in a form set by the order;
- monthly electronically filing of received information about the owners of contractors by Federal Grid Company to the address of the Ministry of Energy of Russia, Federal Tax Service of Russia and the Federal Financial Monitoring Service in a form set by the Order.

In 2012, employees of the Department of the corporate and anti-corruption compliance procedures improved the order of work with information on the chain of owners of contractors - an automated system "Accounting of the beneficiaries of contractors of Federal Grid Company (AS ABC)" aimed at collection, analysis and storage of information about the owners of contractors was set up.

Efforts to analyze information about the chain of owners of contractors and information contained in the declarations of the Company's management allow employees of the Department to identify and prevent cases of conflicts of interest.

The Company seeks to do business with contractors that support the Anti-Corruption Policy of the Company and run its business transparently and honestly without resorting to corruption schemes. In this regard, the Company finalized (including practical application)

anti-corruption clause to be included in all contracts which Federal Grid Company entered into both with legal entities and state and municipal authorities, with the exception of contracts for technological connection.

In 2012, employees of the Department of the corporate and anti-corruption compliance procedures were examined 478 contracts with regard to anti-corruption clause. Section "Anti-corruption clause" was included in the text of 66 contracts being concluded.

** The Order of Federal Grid Company as of 16.01.2012 No 17 issued under the execution of instructions of Prime Minister Vladimir Putin

Preventing corruption. Forming anti-corruption awareness

In 2012, the Company carried out awareness-raising activities aimed at preventing corruption and forming anti-corruption awareness, intolerance of employees, shareholders, the investment community, contractors and administrative bodies to corrupt practices.

In 2012, employees of the Department of the corporate and anti-corruption compliance procedures participated in a numerous of conferences and seminars on the issue of corruption. In particular, Viktoria Nikiforova, the Director for Compliance — Head of the Department spoke at the Fourth Anti-Corruption Summit of Russia and the CIS and the Second St. Petersburg International

Legal Forum and reported about the formation and development of Anti-Corruption Policy of JSC Federal Grid Company, anti-corruption activities of the Company and development of compliance procedures, etc.

Participation in substantive initiatives allowed the employees of the Department to improve the draft of Anti-Corruption Policy of the Company, establish a system of compliance, develop a comprehensive system of training and awareness-raising of management and employees of the Company in the field of compliance.

A special place in the fight against corruption is given to prevention of corruption in the Company.

As part of the area educational seminars, trainings, counseling for employees of the Company to ensure a common understanding of anti-corruption policy are held on a regular basis. On the problem in 2012 6 articles were published in the corporate newspaper "United Grid". As part of the Knowledge Day seminar on "Anti-Corruption and Corporate Compliance Procedures" for employees of the executive apparatus, branches and DSCs of the Company was held. Together with the Department of strategic communications develop and put in place social advertising and visual propaganda.

The agreements on compliance with anti-corruption policy to employment contracts of employees of the executive apparatus of Federal Grid Company were developed and signed. Induction training on the provisions of Anti-Corruption Policy and related documents is conducted for all newly hired employees.

In order to explore how workforce understands Anti-Corruption Policy of JSC Federal Grid Company and how measures the effectiveness of its implementation, an anonymous survey was conducted among the employees of the executive apparatus, the branches of Federal Grid Company and also as a pilot survey was conducted in one DSC of Federal Grid Company - JSC TZIUS UES.

Today a special section "Anti-Corruption Policy" is created at the Company's official website, which gives an idea about the goals and objectives of anti-corruption activities, its principles and directions, management structure and objectives of the Department of the corporate and anti-corruption compliance procedures, and also contains links to the full texts of the Company's official documents on the issue.

In addition, in the section "Anti-Corruption Policy" you can find information about the Company`s activities on observing the norms corporate conduct (compliance with the Code of Conduct), standards of conduct and settlement of conflict of interest.

Subsection "Feedback" propose to undergo survey on anti-corruption, leave your question or share your opinion.

International anti-corruption acts, anti-corruption acts of the Russian legislation as well as organizational and administrative documents of Federal Grid Company to implement anti-corruption policy of the Company are listed in the subsection «Regulatory Framework».

Implementation of Anti-Corruption Policy in the branches and DSCs of the Company

In 2012, as part of Anti-Corruption Policy of Federal Grid Company anti-corruption expertise of organizational and administrative documents and drafts, anti-corruption monitoring of procurement activities, resolution of appeals on cases of corruption of the Company`s employees, contractors and other individuals and legal entities and conflicts of interest management and other activities were carried out in the branches of the Company.

In DSCs of Federal Grid Company anti-corruption legal framework is being improved. In 2012, in the following ten DSCs listed below its own anti-corruption policies, similar to anti-corruption policy of the Company, were adopted:

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| — JSC Glavsetservice UNEG; | — JSC Chitatechnoenergo; |
| — JSC Mobile GTPP; | — JSC ESSK UES; |
| — JSC MUS Energetiki; | — JSC Electrosetservice UNEG; |
| — JSC RDC FGC UES; | — JSC Kuban main grids; |
| — JSC TZIUS UES; | — LLC IT Energy Service. |