

Management Bodies

We understand corporate governance as the aggregate of processes that ensure management and control over its activities and include relations between the shareholders and executive bodies of JSC IDGC of the North-West in the shareholders' interests. The Company considers corporate governance as means of increasing the Company's efficiency, strengthening its reputation and reducing the cost of raising capital.

Corporate governance in the Company is based on the principles of accountability, equity, transparency and responsibility.

The principles and structure, description of practices and other aspects of corporate governance are included in the Corporate Governance Code of JSC IDGC of the North-West.

The system and practice of corporate governance of JSC IDGC of the North-West provides reliable rights to shares, shareholders' right to participate in the management, right to receive a part of the Company's profit, right to receive relevant information about the Company.

The Company is complying with the Corporate Governance Code recommended for use by a Letter of the Bank of Russia No. 06-52/2463 dated April 10, 2014 and the Listing Rules, approved by the Board of Directors of JSC MICEX Stock Exchange on September 15, 2014.

The Company's management conducts regular monitoring of the Articles of Association and internal documents of the Company for compliance with the current legislation of the Russian Federation and initiates appropriate changes.

On June 25, 2014, the Company's Annual General Shareholders' Meeting approved the revised Articles of Association of JSC IDGC of the North-West, Regulation on the Procedure for Preparing and Holding a General Shareholders' Meeting of JSC IDGC of the North-West and the Regulation on the Auditing Commission of the Company.

The pre-conditions for the approval of the revised version of the Articles of Association are: amendments to the Federal law on Joint Stock Companies; bringing the Articles of Association into compliance with changes made to the Federal laws on Securities Market, on Licensing Certain Types of Activities and other laws and regulations.

Changes to the Regulation on the Procedure for Preparing and Holding a General Shareholders' Meeting of the Company were based on changes of the Federal Law on Joint Stock Companies, as well as approved new version of the Company's Articles of Association.

New version of the Regulations on the Auditing Commission is brought into compliance with the the new version of the Company's Articles of Association. It incorporates requirements of the current legislation and regulations in the area of internal control, as well as best practices and experience of leading Russian companies.

Based on the recommendations of the Auditing Commission, the Board of Directors of the Company defined the following priorities on September 01, 2014 (Minutes No. 164/6): improvement of internal control and risk management system, development of the internal audit function. The Company updated or generated internal documents in order to methodologically organize the process:

- New version of Internal Control Policy of JSC IDGC of the North-West;
- Auditor of JSC IDGC of the North-West;
- New version of Risk Management Policy of JSC IDGC of the North-West.

In order to organize the risk management system, the Company approved the Registry of key operational risks of the Company, the Registry of operational risks of the Company's main business processes with assigned owners, the Registry of operational risks of the Company's other business processes with assigned owners.

In 2014, the Board of Directors approved new versions of the Regulations on the Committee for Personnel and Remuneration and the Regulation on the Reliability Committee of the Board of Directors of JSC IDGC of the North-West. Authorities of the above Committees additionally include preliminary consideration of proposals for the reorganization of the corporate governance system (changes in the number of management levels, creation/elimination/ rearrangement of production departments and districts of power grids) in order to ensure reliable functioning of the electric grid complex in the areas of the Company's presence, preserve the Company's human resources and prevent the loss of qualified personnel.

In 2014, in accordance with the resolution of the rating committee (Minutes No. 5153 dated December 12, 2014) made on the basis of management quality analysis, the Expert RA rating agency assigned JSC IDGC of the North-West the rating A++ .gq, which is the Highest Level of Management Quality and stated that the system of quality management provides the highest degree of contribution to the support and protection of the rights of stakeholders.

The factors that had a positive impact on the rating include:

- High level of organization of the executive bodies.
- High level of information disclosure.
- High level of corporate social responsibility.
- High level of organization of the Board of Directors' Committees.
- The high level of cooperation between the managerial bodies.

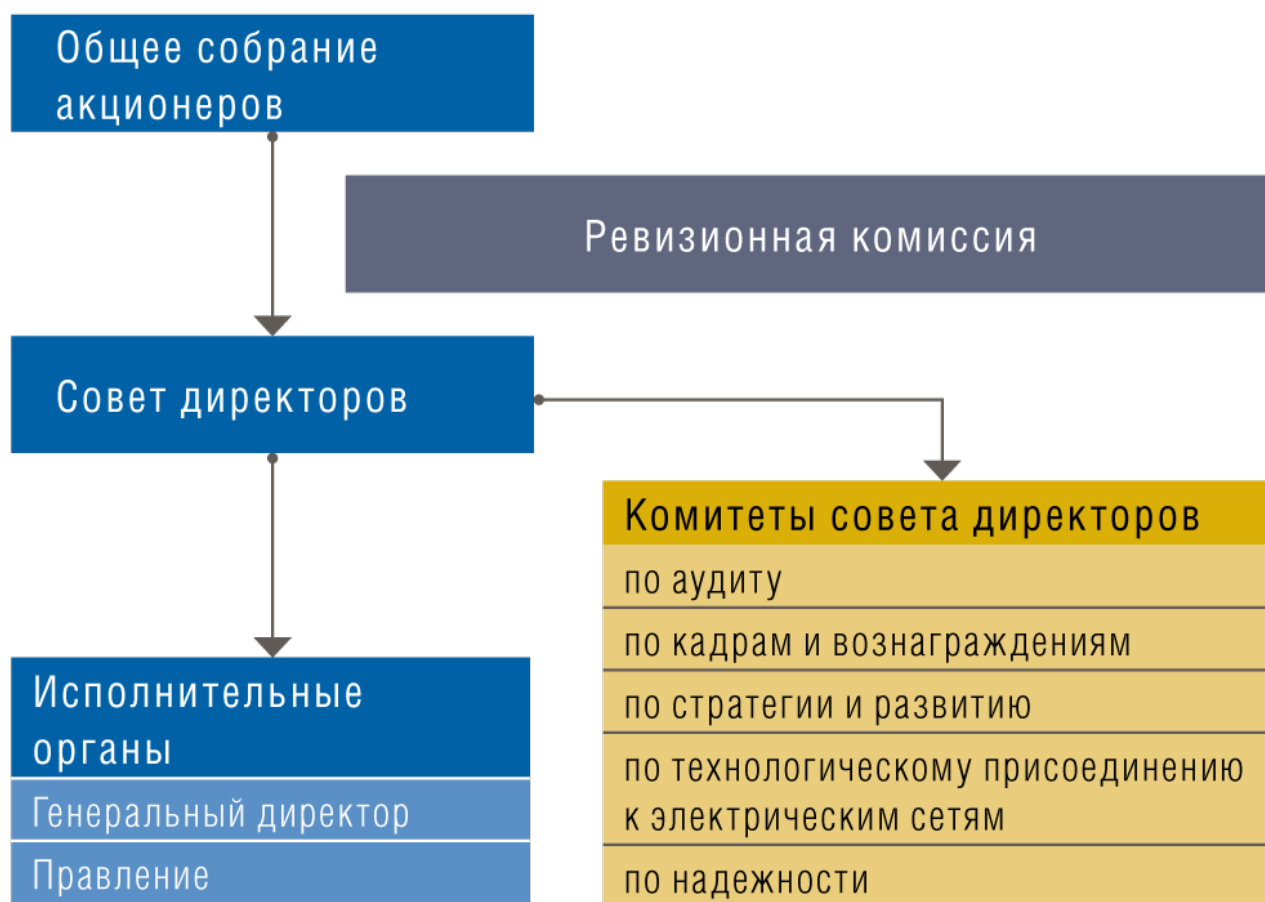
- Relatively high level of organization of the Board of Directors.
- Certificate of quality management ISO 9001 (certificate issued by Russian Register Certification Association, valid until June 27, 2016).

The Company tends to improve its corporate governance using positive experience of other companies, monitoring the latest changes of the legislation of the Russian Federation and the leading standards in this sphere, as well as making corresponding corrections to its corporate governance system.

The Management System of the Company is implemented based on the current legislation of the Russian Federation, [the Company's Articles of Association](#)¹, as well as the Corporate Governance Code. The System of the Corporate Governance of JSC IDGC of the North-West includes the following management and control bodies:

- General Shareholders' Meeting is the supreme management body of the Company.
- Board of Directors is a management body responsible for generation of the development strategy, control over activities of executive bodies and performance of an objective assessment of the Company's financial condition.
- Management Board is a collegial executive body designated to solve the most difficult issues relating to management of the Company's current activities.
- General Director is the sole executive body carrying out the current management of the Company's activities and responsible for the implementation of its strategy worked out by the Board of Directors.
- Auditing Commission is a body carrying out the regular control over the Company's financial and business activities.

Scheme of interaction between management and control bodies



1: [the Company's Articles of Association](#) - The full version of the Articles of Association and internal documents of JSC IDGC of the North-West is available on the Company's website at <http://www.mrsksevizap.ru>.