

Memorandum

of Accession by JSC ROSSETI to the Anti-Corruption Charter of the Russian Business

In accordance with part 1 of paragraph 3.11.2 of the Anti-Corruption Policy of JSC ROSSETI and Subsidiaries and Dependent Companies (SDCs) of JSC ROSSETI approved by the Board of Directors of JSC ROSSETI (Minutes of the Meeting of the Board of Directors of JSC ROSSETI No. 142 of December 27, 2013, as amended by Minutes of the Meeting of the Board of Directors of JSC ROSSETI No. 164 of September 10, 2014) (hereinafter, the “Anti-Corruption Policy”), one of the measures to prevent corruption in JSC ROSSETI and JSC ROSSETI’ SDCs is to take part in collective initiatives to combat and avoid corruption. This measure is implemented through accession by JSC ROSSETI to the Anti-Corruption Charter of the Russian Business.

The approval of the Anti-Corruption Charter of the Russian Business followed a long historical process related to Russia’s accession to international organizations, the ratification by the Russian Federation of international treaties, and implementing in Russian legislation the provisions of international treaties with respect to the adoption of anti-corruption standards by the business community.

The Russian Federation became a member state of the United Nations (hereinafter, the “UN”) on October 24, 1945, after the signature and ratification of the UN Charter and acceded to the Council of Europe on February 28, 1996, pursuant to Opinion of the Parliamentary Assembly of the Council of Europe No. 193 of January 25, 25, 1996, by assuming the obligations contained in the UN Charter and the Statute of the Council of Europe; Russian also became a member of a working group of the Organisation for Economic Co-operation and Development (hereinafter, the “OECD”) on January 11, 2000, pursuant to Resolution of the Government of the Russian Federation No. 25 of January 11, 2000, “On the Russian Federation’s Membership in a Working Group of the Organisation for Economic Co-operation and Development,” in which connection the following conventions were signed and ratified:

1. United Nations Convention against Corruption adopted by the UN General Assembly at 51st plenary meeting on October 31, 2003 (Federal Law No. 40-FZ of March 8, 2006, “On the Ratification of the United Nations Convention against Corruption”), *obligating a member state to take measures to prevent and combat corruption (including in the private sector)* and imposing a ban on certain actions that qualify as *corruption crime*. In the financial and economic context, the ratification of this Convention creates the conditions for returning illegally exported

capital (Explanatory Note on the Ratification by the Russian Federation of the United Nations Convention against Corruption – Annex 1).

2. Criminal Law Convention on Corruption signed at Strasbourg on January 27, 1999 (Federal Law No. 125-FZ of July 25, 2006, “On the Ratification of the Criminal Law Convention on Corruption”), consistently qualifying corruption offenses as criminal offenses and building up cooperation for the purpose prosecuting such offenses in member states.

3. Convention on Combating Bribery of Foreign Public Officials in International Business Transactions adopted by the OECD Negotiating Conference on November 21, 1997 (Federal Law No. 3-FZ of February 1, 2012, “On Accession by the Russian Federation to the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions”), providing for the fight against bribery of foreign public officials in international business transactions.

In order to implement this Convention, the OECD issued on November 26, 2009, the Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, obligating the business community to develop internal *standards and compliance programs that contain measures to prevent bribery of foreign officials*.

The Good Practice Guidance on Internal Controls, Ethics, and Compliance, which is an integral part of the Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, defines the areas that companies should take into consideration, specifically *approving ethics and compliance programs or measures regarding foreign bribery, establishing mechanisms for advice and confidential reporting with respect to violations of laws or professional standards, etc.*

Additionally, the Good Practice Guidance on Internal Controls, Ethics, and Compliance specify that assistance to organizations in developing programs and measures to introduce internal control mechanisms can be rendered by *business organizations and professional associations*.

Pursuant to the ratified conventions, Federal Law No. 273-FZ of December 25, 2008, “On Combating Corruption” was enacted, whereby and in accordance with the GRECO Recommendations (the Russian Federation automatically became a GRECO member upon the ratification of the Criminal Law Convention on Corruption), the President of the Russian Federation issued Decree of No. 460 of April 13, 2010, “On the National Strategy for Combating Corruption and the National Plan of Combating Corruption for 2010-2011,” obligating the Public Chamber of the Russian Federation, the Chamber of Commerce and Industry of the Russian Federation, the Association of Lawyers of Russia, political parties, self-regulatory organizations, public organizations of industrialist and entrepreneurs, and other public associations to work toward forming an environment of zero tolerance for corrupt practices in society.

In order for the above-mentioned organizations to form an environment of zero tolerance for corrupt practices in society, Decree of the President of the Russian Federation No. 297 of March 13, 2012, “On the National Plan of Combating Corruption for 2012–2013 and on Amendments to Certain Acts of the

President of the Russian Federation Concerning the Issues of Combating Corruption” provided for intensified cooperation between the business community and governmental authorities in the area of combating corruption, including with respect to formulating the *Anti-Corruption Charter*.

In view of the foregoing, Federal Law No. 231-FZ of December 3, 2012, included in Federal Law No. 273-FZ of December 25, 2008, “On Combating Corruption” Article 13.3, *obligating organizations to take measures to prevent corruption*. In order to implement this article, Decree of the President of the Russian Federation No. 309 of April 2, 2013, “On Measures to Implement Certain Provisions of the Federal Law ‘On Combating Corruption’” instructed the Ministry of Labor and Social Protection of the Russian Federation to prepare recommended guidelines on preventing corruption jointly with the executive authorities concerned, the Chamber of Commerce and Industry of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs, Business Russia All-Russia Public Organization, and OPORA RUSSIA All-Russian Public Organization of Small and Medium Business.

The Recommended Guidelines on Measures Developed and Approved by Organizations to Prevent and Combat Corruption approved by the Ministry of Labor and Social Protection of the Russian Federation on November 8, 2013, *obligate organizations to take part in collective initiatives to combat corruption, specifically accession to the Anti-Corruption Charter of the Russian Business*. In addition, Decree of the President of the Russian Federation No. 226 of April 11, 2014, “On the National Plan of Combating Corruption for 2014–2015” instructs the Government of the Russian Federation to pay special attention to implementing the *Anti-Corruption Charter of the Russian Business*.

Pursuant to the above-mentioned legal regulations, the Chamber of Commerce and Industry of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs, Business Russia All-Russia Public Organization, and OPORA RUSSIA All-Russian Public Organization of Small and Medium Business initiated the approval of the Anti-Corruption Charter of the Russian Business at the 11th International Investment Forum in Sochi on September 21, 2012, and over one thousand companies acceded in 2012–2014 to the Anti-Corruption Charter of the Russian Business, including such major companies as JSC RusHydro, VTB Bank, MMC Norilsk Nickel, MegaFon, and Bank of Moscow.

Pursuant to Article 13.3 of Federal Law No. 273-FZ of December 25, 2008, “On Combating Corruption” and the act that is the official interpretation thereof, namely the Recommended Guidelines on Measures Developed and Approved by Organizations to Prevent and Combat Corruption approved by the Ministry of Labor and Social Protection of the Russian Federation on November 8, 2013 (as amended on April 16, 2014), one of JSC ROSSETI’s measures to prevent corruption is to *take part in collective initiatives through accession to the Anti-Corruption Charter of the Russian Business* (paragraph 3.11.2 of the Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI’ SDCs approved by the Board of Directors of JSC ROSSETI (Minutes of the Meeting of the Board of Directors of JSC ROSSETI No. 142 of December 27, 2013, as amended by Minutes of the Meeting of the Board of

Directors of JSC ROSSETI No. 164 of September 10, 2014)).

With the aim of implementing paragraph 3.11.2 of the Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI' SDCs, JSC ROSSETI submitted an application for accession by JSC ROSSETI to the Anti-Corruption Charter of the Russian Business to President of the Chamber of Commerce and Industry of the Russian Federation S. N. Katyrin (JSC ROSSETI's letter No. OB-2936 of September 23, 2014,).

Based on this application, the decision was approved in relation to accession by JSC ROSSETI to the Anti-Corruption Charter of the Russian Business and inclusion on the Consolidated Register of Members of the Anti-Corruption Charter of the Russian Business (in accordance with the Regulations for the Consolidated Register of Members of the Anti-Corruption Charter of the Russian Business and the Regulations for the Conditions and Procedure for Implementing the Provisions of the Anti-Corruption Charter of the Russian Business (Road Map)), which is evidenced by Certificate No. 496 of September 23, 2014.

For member companies, the Anti-Corruption Charter of the Russian Business provides a number of guarantees and advantages, namely:

- a company benefits from inclusion on the Register of Reliable Partners when foreign companies select their counterparties (application for inclusion on the Register of Reliable Partners No. OB-3100 of October 7, 2014);
- work is underway on developing a mechanism of preferences for participation in competitive bidding procedures organized by major companies and contracting public entities.

The Anti-Corruption Charter of the Russian Business specifies that an organization should include in corporate governance practices an anti-corruption program and other measures of the corporate anti-corruption policy to protect the interests of entrepreneurs and do fair and transparent business, namely:

- introducing into corporate governance practices an anti-corruption program and other measures of the corporate anti-corruption policy;
- monitoring and evaluating the results of program implementation in relation to the Anti-Corruption Charter of the Russian Business;
- conducting effective financial control procedures;
- carrying out personnel training and exercising personnel control;
- performing collective actions and ensuring the publicity of anti-corruption measures;
- refusing to obtain any undue advantage;
- building relationships with partners, counterparties, and third persons on anti-corruption principles;
- purchasing goods, work, and services on the principles of transparency, competition, and objective decision-making criteria;
- information countermeasures against corruption;
- cooperating with the government, rendering assistance to the implementation of justice and compliance with law;
- combating bribery of foreign public officials and officials of public international organizations.

With the aim of achieving success in implementing the provisions of the Anti-Corruption Charter of the Russian Business in entrepreneurial activities, the Expert Group of the Joint Committee of the Chamber of Commerce and Industry of the Russian Federation was established to develop organizational, methodological, and informational recommendations. As a member of the Anti-Corruption Charter of the Russian Business, JSC ROSSETI was included in the Expert Group and takes an active part in its work.

For instance, the Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI' SDCs was approved by the Board of Directors of JSC ROSSETI (Minutes of the Meeting of the Board of Directors of JSC ROSSETI No. 142 of December 27, 2013, as amended by Minutes of the Meeting of the Board of Directors of JSC ROSSETI No. 164 of September 10, 2014) and the Program of Anti-Corruption Measures of JSC ROSSETI and JSC ROSSETI' SDCs was formulated.

Accession to the Anti-Corruption Charter of the Russian Business proves that JSC ROSSETI complies with the anti-corruption requirements of international legal standards and Russian laws in relation to developing and taking measures to prevent corruption, publicly confirms JSC ROSSETI's willingness to implement measures to avoid and combat corruption, and create the conditions for a negative public opinion about corruption and zero tolerance for corrupt practices in interaction with governmental authorities and in corporate relations, which also builds up a positive reputational image of JSC ROSSETI.

This contributes to building up rapidly growing business relations with Southeast Asian partners, specifically China (also a UN member state), which pursues a tough policy on compliance with international legal standards and national laws in the area of avoiding and combating corruption.

At the same time, accession to the Anti-Corruption Charter of the Russian Business imposes an obligation on member companies with respect to the public acknowledgment of adhering to its principles, failing which a company's membership is suspended and subsequently terminated, which exposes JSC ROSSETI to a significant reputational risk.

Due to accession by JSC ROSSETI to the Anti-Corruption Charter of the Russian Business and with the aim of bringing the Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI' SDCs into line with the provisions of the Anti-Corruption Charter of the Russian Business, the provisions of the Anti-Corruption Charter of the Russian Business were adapted and incorporated into the restated version of the Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI' SDCs.

The implementation of the provisions of Anti-Corruption Charter in the Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI' SDCs is analyzed in detail in paragraph 5 of the Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI' SDCs (Implementation of the Provisions of the Anti-Corruption Charter of the Russian Business).

The Anti-Corruption Policy of JSC ROSSETI and JSC ROSSETI' SDCs is subject to approval by the Board of Directors of JSC ROSSETI.

The provisions of the Anti-Corruption Policy of JSC ROSSETI and the Anti-Corruption Charter of the Russian Business are implemented in JSC ROSSETI and JSC ROSSETI' SDCs in accordance with the Program of Measures to Prevent Corruption in JSC ROSSETI and JSC ROSSETI' SDCs for 2014–2015, which is subject to approval by the Director General of JSC ROSSETI.