

Appendix No.1 to
Order No.675a of “Kubanenergo”, JSC
dated December 14, 2006

Approved by
Board of Directors of
“Kubanenergo”, JSC
Minutes No.23/2006
dated November 01, 2006

CORPORATE MANAGEMENT CODE
Open Joint Stock Company of
Power Industry and Electrification of Kuban
(“Kubanenergo”, JSC)

Krasnodar
2006

Contents

1. Introduction

2. Information on the Company

3. Principles and Structure of Corporate Management of the Company

3.1. Definition and Principles

3.2. Internal Documents

3.3. General Structure of Corporate Management

4. Practice of Corporate Management to Be Implemented in the Company

4.1. Board of Directors

4.2. Management Board and General Director

4.3. Interaction between Board of Directors and Executive Bodies

5. Shareholders of the Company

5.1. Rights of Shareholders and Protection of Rights of Shareholders

5.2. General Meeting of Shareholders

5.3. Dividend Policy

6. Information Disclosure and Transparency

6.1. Policy and Practice of Information Disclosure

6.2. Financial Statements

6.3. Control over Financial and Economic Activity of the Company

6.4. Ownership Structure

7. Relationship with Subsidiaries and Associates

7.1. Principles and Practice of Interaction with Subsidiaries and Associates

8. Final Provisions

1. Introduction

The aim of the present Corporate Management Code (hereinafter referred to as the Code) shall be improvement and systematization of Corporate Management of Open Joint Stock Company of Power Industry and Electrification of Kuban (hereinafter referred to as the Company), ensuring more transparent management of the Company and confirming invariable willingness of the Company to adhere to requirements of proper Corporate Management. In particular:

- management of the Company shall be carried out with proper responsibility and accountability, in order to maximize shareholder value;
- Board of Directors and executive bodies shall work efficiently, in the interests of the Company and its shareholders (including minority shareholders) and create conditions for steady increase of shareholder value;
- proper information disclosure, transparency and efficient activity of risk control and internal check systems shall be provided.

The Company shall confirm its intention to promote development and improvement of practice of proper Corporate Management by accepting, steadily improving and strictly adhering to provisions of the present Code, Charter of the Company and other internal documents.

In order to further increase confidence of shareholders, employees, investors and society, when developing the Code the Company has not confined itself to norms of legislation of the Russian Federation and included in the Code additional provisions, based on universally recognized Russian and international¹ standards of Corporate Management.

The Company shall undertake obligations stipulated by the Code and shall observe norms and principles set by it.

2. Information on the Company

Open Joint Stock Company of Power Industry and Electrification of Kuban ("Kubanenergo", JSC) has been established on February 10, 1993 following privatization of Production Association "Krasnodarenergo".

The main goal of the Company shall be profit earning. To earn profit the Company shall be entitled to carry out every kind of activity within the law, the main of which are transfer and distribution of power.

The Company is an energy company, the shareholders of which are Russian as well as foreign legal and physical persons.

The Company is of exceptional importance for economy of the Russian Federation. Activity of the Company, as well as its subsidiaries and associates secures activity of population and development of all economic sectors of Krasnodar region.

Activity of the Company is associated with responsibility to shareholders, as well as to the State, employees of the Company, suppliers, consumers and society on the whole.

Realizing this responsibility and admitting importance of high level of Corporate Management in order to ensure successful business of the Company and to reach mutual understanding between all the persons interested in the Company's activity, the Company shall undertake the obligation to follow in its activity the principles specified herein and to exert all reasonable efforts for their observance by the Company in its current activity.

3. Principles and Structure of Corporate Management in the Company

3.1. Definition and Principles

By "Corporate Management" the Company shall mean the whole range of processes ensuring management of and control over the Company's activity and including relationships between the Company and its shareholders in the interests of shareholders. The Company shall regard Corporate Management as a means of increasing the Company's efficiency, raising its reputation and reducing its capital attraction costs.

The present Code, according to which Corporate Management in the Company shall be carried out, has been developed in accordance with the Russian Federation legislation, Code of Corporate Conduct, recommended to be applied by FCSM of Russia by Decree No.421/r dated April 04, 2002 (hereinafter referred to as the Code of FCSM) and internationally recognized principles of Corporate Management, such as Corporate Management Principles of the OECD (Organization for Economic Cooperation and Development).

Corporate Management principles in the Company shall be as follows:

- **Accountability.** The Code shall stipulate accountability of Board of Directors of the Company to all the shareholders according to the current legislation and shall be a guidance for Board of Directors when developing strategy and carrying out management and control over executive bodies of the Company.
- **Justice.** The Company shall be obliged to protect the rights of shareholders and ensure equal treatment of all the shareholders. Board of Directors shall provide all shareholders with an opportunity to be effectively protected in case of violation of their rights.
- **Transparency.** The Company shall provide timely disclosure of reliable information on all material facts related to its activity, including its financial situation, social and ecological indicators, results of its activity, structure of share capital and management of the Company, as well as free access of all the interested persons to such information.
- **Responsibility.** The Company shall recognize the rights of all the interested persons stipulated by the current legislation and shall aim at cooperation with such persons for the purpose of its development and providing financial stability.

3.2. Internal Documents

The present Code is a set of principles. Concrete structures, procedures and practice of Corporate Management shall be regulated by Charter and internal documents of the Company, including:

- Regulations on Procedure for Preparing and Holding of General Meeting of Shareholders;
- Regulations on Procedure for Convening and Holding of Meetings of Board of Directors;
- Regulations on Management Board;
- Regulations on Auditing Committee.

The above-listed internal documents of the Company have been developed according to the legislation, as well as taking into account the basic provisions of Code of Corporate Conduct, recommended to be applied by FCSM of Russia (Decree No.421/r of FCSM dated April 04, 2002). All the above-listed documents are available on the Company's website on the Internet at: <http://www.kubanenergo.ru>.

3.3. General Structure of Corporate Management

System of management bodies of the Company includes:

- General Meeting of Shareholders – supreme body of the Company management through which the shareholders exercise their right to participation in the Company management;
- Board of Directors –management body providing development of the Company's strategy, general guidance for its activity and control of activity of executive bodies. Board of Directors of the Company shall be entitled to establish Committees attached to Board of Directors.
- Committees attached to Board of Directors – consulting-deliberative bodies of Board of Directors of the Company established for the purpose of preliminary consideration of the most important issues within the competence of Board of Directors.
- Management Board and General Director – management bodies managing the company's current activity and implementing the strategy determined by Board of Directors and shareholders of the Company.
- Auditing Committee – body of control over the Company's financial and economic activity, accountable directly to General Meeting of Shareholders of the Company.

4. Practice of Corporate Management to Be Implemented in the Company

The Company considers existence of professional Board of Directors to be the important element of effective Corporate Management. Board of Directors influences the results of the Company's activity, providing general strategic guidance for and exercising control over the activity of executive bodies for the benefit of the Company and its shareholders.

Executive bodies of the Company responsible for management of the Company's current activity also play the important role in the process of management. Effective interaction between these bodies, clear delineation of their authorities are among the key factors ensuring the appropriate practice of Corporate Management.

4.1. Board of Directors

4.1.1. Election, term and termination of powers of members of Board of Directors.

Members of Board of Directors shall be elected for the term until the next annual meeting of shareholders. Board of Directors of the Company shall be elected by cumulative voting.

The Company does not consider the introduction of restrictions in relation to the amount of times the Board of Directors members can be reelected to be for the benefit of the Company and the shareholders. Experienced members of the Board, thoroughly familiar with the Company's activity, play important role in providing proper management.

Powers of Board of Directors shall be regulated by Charter of the Company according to the current legislation and recommendations of the Code of FCSM.

Number of members of the Board is stipulated by Charter of the Company.

General meeting of shareholders can terminate the powers only of the whole Board of Directors.

4.1.2. Independence

Law prohibits simultaneous holding of the position of sole executive body and Chairman of Board of Directors. The Company considers that Board of Directors shall be led by a director² who is not sole executive body and (or) member of collegiate executive body of the Company at the same time, since it allows Board of Directors to perform the functions more effectively.

The Board of Directors composition shall ensure proper execution of obligations related to exercise of control and determination of strategy and main directions of the Company's development.

The list of members of Board of Directors shall include no more than 25% of executive directors being at the same time employees of the Company.

For the purpose of ensuring objectivity of decisions to be taken and maintenance of balance of interests of different groups of shareholders, the Company aims to have no less than 3 (Three) independent directors in the list of members of Board of Directors. According to the present Code the Company defines that those directors are considered to be independent who meet the following requirements of independence:

- who are not officials or employees of the Company at the moment of election and within 3 years preceding the election;
- who are not officials of other economic entity in which any official of the Company is a member of Personnel and Remuneration Committee attached to Board of Directors;
- who are not spouses, parents, children, brothers and sisters of the Company's officials;

- who are not affiliated persons of the Company, except for a member of Board of Directors of the Company;
- who are not parties to obligations with the Issuer according to terms of which they can purchase property (receive cash assets) the value of which amounts to 10 or more percent of total annual income of aforementioned persons except for the receipt of remuneration for participation in the activity of the Company's Board of Directors;
- who are not representatives of the State and/or bodies of local self-government, that is persons who shall vote on the basis of written directives (instructions etc.) of authorized federal bodies of state power, bodies of state power of constituent territories of the Russian Federation or bodies of local self-government.

4.1.3. Structure of Board of Directors and Committees attached to Board of Directors.

Reliability Committee attached to Board of Directors has been established in the Company.

Activity of Reliability Committee shall be regulated by Regulations on Reliability Committee which contain provisions on its composition, competence, procedure of activity of the Committee, as well as on the rights and obligations of its members.

Other Committees attached to Board of Directors can be established in the Company.

Committees attached to Board of Directors shall be established for preliminary consideration of the most important issues falling within the competence of Board of Directors.

4.1.4. Work Procedure

Board of Directors shall hold meetings according to the plan that has been worked out at the beginning of term of office, what ensures proper implementation of the obligations. Board of Directors shall hold meetings at least once every quarter. Board of Directors shall hold the meetings according to the schedule that has been worked out at the beginning of term of office and as the need arises, this ensures proper discharge of obligations. Extraordinary meetings of Board of Directors can be held if necessary.

Work Procedure of Board of Directors shall be regulated by Regulations on Procedure for Convening and Holding of Meetings of Board of Directors. Secretary of Board of Directors shall provide timely receipt of concise but comprehensive information by all the directors, along with notification of holding a Board of Directors meeting no later than 11 working days before holding each meeting.

Board of Directors shall draw up minutes of its meetings. Minutes shall be signed by Chairman and Secretary of Board of Directors.

4.1.5. Remuneration

Remuneration to members of Board of Directors shall be paid according to the market conditions and shall be set in such a way as to get highly skilled specialists involved in the work of Board of Directors, to motivate them to perform faithful and effective activity.

The Company shall publicly disclose the information on remuneration to members of Board of Directors.

The Company shall not grant loans to members of Board of Directors (except for the case when a member of Board of Directors is sole executive body or a member of collegiate executive body at the same time).

4.1.6. Obligations of members of Board of Directors

Board of Directors members shall act in good faith and with proper thoroughness for the benefit of the Company and all of its shareholders. Each director shall aim to participate in all the Board of Directors meetings.

Board of Directors members shall realize the responsibility to the shareholders and consider faithful and competent implementation of their obligations concerning management of the Company ensuring maintenance and increase of its share value as well as protection and possibility for shareholders to exercise their rights to be their main purpose.

Members of Board of Directors shall always be open to dialogue with shareholders.

Members of Board of Directors shall provide formation and carrying out of development strategy of the Company.

Board of Directors shall establish and maintain the necessary mechanisms of control over activity of Management Board of the Company, including monitoring and assessment of its results.

Board of Directors shall create a system of comprehensive and transparent criteria and procedures for appointment and replacement of members of Management Board of the Company, as well as effective remuneration system of its members.

Members of Board of Directors shall not disclose or use for personal advantage confidential information on the Company.

Members of Board of Directors shall refrain from any actions which may lead to outbreak of conflict between their interests and the interests of the Company. Shall such a conflict outbreak, a member of Board of Directors shall be obliged to inform other members of the Board and to refrain from voting on the corresponding issues.

4.2. Management Board and General Director

The Company realizes that sole executive body is essential in the person of General Director to manage the current activity of the Company. It also admits that in the process of management complicated tasks have to be solved and it is necessary to use collective approach, not individual one, to solve them. Following this, the Company forms Management Board led by Chairman of Management Board. The functions of Chairman of Management Board shall be performed by General Director of the Company.

4.2.1. Powers

General Director and Management Board shall provide management of the Company's activity in order to solve tasks and carry out strategy of the Company.

4.2.2. Number of Members

Members of Management Board of the Company shall be elected by Board of Directors in the number stipulated by Charter of the Company at the suggestion of General Director of the Company.

4.2.3. Election, terms and termination of powers of members of General Director and Members of Management Board

General Director and members of Management Board shall be elected by a majority vote of members Board of Directors of the Company participating in a meeting.

Board of Directors shall be entitled to take decision on termination of powers of General Director and members of Management Board of the Company at any time.

4.2.4. Composition of Management Board

Composition of Management Board that consists of competent and experienced persons shall provide effective management of current activity of the Company. Each member of Management Board including Chairman of Management Board shall have experience, knowledge and qualification necessary for proper execution of entrusted obligations.

4.2.5. Work Procedure of Management Board

Management Board shall hold scheduled meetings, members of Management Board shall receive information on agenda items in advance. Work Procedure of Management Board shall be regulated by Regulations on Management Board of the Company.

4.2.6. Remuneration and Assessment of Activity

Remuneration system of General Director and members of Management Board shall be specified by board of directors. Remuneration shall consist of invariable and variable parts, the latter being dependent on carrying out of a certain work performance characteristics (hereinafter referred to as Work performance characteristics), activity of executive bodies and related to their personal contribution to ensuring long-term development of the company for the benefit of its shareholders.

Work performance characteristics shall be understood as financial and nonfinancial factors that influence quantitative and qualitative changes of results in relation to strategic goal of the Company.

When determining Work performance characteristics in relation to executive bodies, Board of Directors of the Company shall concentrate only on the most important of them without taking into account the minor ones, reducing their number to "key" ones. The number of Work performance characteristics shall be limited (to ensure the real possibility of their achievement and quality of monitoring).

Objective of Work performance system shall consist in implementation of the Company's strategy that is confirmed by complex set of its work performance characteristics specifying the main parameters of system of measurement and regulation. The set of characteristics shall form the base for working out of strategy of the Company and include quantitative characteristics that are used to inform executive bodies on the main success factors at present and hereafter. Defining the strategy the Company shall set the goal and create conditions for its achievement.

4.2.7. Obligations of Executive Bodies

General Director and members of Management Board shall act in good faith and with proper thoroughness for the benefit of the Company and all of its shareholders.

General Director and members of Management Board shall refrain from any actions which may lead to outbreak of conflict between their interests and the interests of the Company. Shall such a conflict outbreak, General Director and members of Management Board shall be obliged to inform Board of Directors on it and to refrain from deliberating and voting on the corresponding issues.

The Company realizes that experience, social ties, knowledge and qualification of the Management Board members including those that have been acquired by them in course of work in the Company, enable them to perform commercial activity (both private and collective – holding share fractions, shares) that is not connected with interests of the Company.

At the same time members of Management Board shall guarantee that performance of such activity:

- does not impede somehow execution of functions of member of Management Board of the Company;
- is not connected with use of material and intellectual resources of the Company;
- will not inflict material damage to the Company;
- will not inflict damage to the Company's professional reputation;
- does not provoke competition for the Company.

Shall at least one of the aforementioned conditions not be satisfied or precondition for default on fulfillment have been created, a member of Management Board shall terminate performance of any activity connected with such non-execution.

In order to prevent possible negative consequences for the Company, members of Management Board shall disclose to the Company information on performance of commercial activity that is not connected with the Company's interests according to the procedure established by local regulatory documents of the Company.

4.3. Interaction between Board of Directors and Executive Bodies

Effective Corporate Management requires open dialogue between Board of Directors and executive bodies of the Company.

For this purpose General Director of the Company shall submit reports on the Company's activity, on implementation of decisions of General meetings of shareholders and Board of Directors to Board of Directors according to Charter of the Company.

5. Shareholders of the Company

5.1. Rights of Shareholders and Protection of Rights of Shareholders

Shareholders of the Company shall possess a set of rights in relation to the Company, the observance and protection of which shall be ensured by Board of Directors and Management Board.

Shareholders Register of the Company shall be kept by an independent registrar. Election and appointment of an independent registrar having all necessary technical facilities and impeccable reputation allow the Company to ensure reliable and effective registration of ownership rights to shares and other securities of the Company.

Shareholders shall have the right to regular and timely receiving of information on the Company's activity in the volume and according to the procedure in line with legislation of the Russian Federation.

The Company shall guarantee observance of requirements for the information disclosure stipulated by the legislation in order to observe and protect the aforementioned right properly.

The Company shall disclose financial statements every quarter, according to the requirements of legislation of the Russian Federation.

All information disclosed in various ways shall be without fail placed on the Company's website on the Internet.

Shareholders holding the voting shares shall be entitled to participate in General meeting of shareholders having the right to vote on all the issues within its competence.

In order to observe and protect the aforementioned right properly the Company shall arrange holding of General meeting of shareholders in a way which allows shareholders to participate without great material expenses and time expenditures, ensuring equal treatment for all shareholders.

The Company shall provide shareholders with information on agenda items of General meeting of shareholders in the volume and within the period allowing shareholders to take reasoned decisions.

In the cases stipulated by the legislation and Charter of the Company Board of Directors shall prepare for shareholders objective and reasoned recommendations.

All information concerning General meeting of shareholders shall be disclosed without fail on the Company's website on the Internet.

Shareholders shall have a right to get a share of net profit of the Company in the form of dividends.

In order to observe and protect the aforementioned right properly the Company shall pay the announced dividends within the period stipulated by General meeting of shareholders.

Rights of shareholders shall be regulated by the provisions of Charter and internal documents of the Company.

5.2. General Meeting of Shareholders

Regulations on Procedure for Preparing and Holding of General Meeting of Shareholders in which a detailed account of the procedure for preparing, holding and decision-taking by General meeting of shareholders is given are adopted in the Company.

5.2.1. Preparation for a Meeting

Each shareholder shall be entitled to participate in General meeting of shareholders, to vote on its agenda items, to get in advance a notice on such a meeting and its agenda, as well as reliable, objective and actual information sufficient for taking decisions on agenda items. Executive bodies of the Company shall be responsible for ensuring this process.

The Company shall provide just and efficient procedure for putting proposals on agenda of General meeting, including proposals on nominating candidates to members of Board of Directors. Agenda of the General meeting shall not be altered after being approved by Board of Directors.

5.2.2. Holding of a Meeting

The Company shall take all the necessary measures to ensure participation of shareholders in the General meeting and voting on agenda items.

All the shareholders shall have access to the place of holding of the General meeting. Procedure for registration shall be convenient for all the participants and shall provide for prompt and free access to the place, a meeting is to be held.

The Company shall as far as possible ensure attendance of members of Board of Directors, executive bodies, Auditing Committee and Auditor of the Company at the General meeting and authorize them to answer questions of shareholders. Shareholders shall be entitled to speak on agenda items, to put forward proposals and to ask questions. Chairman of the General meeting shall ensure its efficient work.

Voting shall be carried out by means of voting ballots.

Procedure for counting of votes at the General meeting shall rule out the possibility of manipulation of voting results. Independent registrar of the Company shall perform the functions of Counting Board.

5.2.3. Results of a Meeting

Results of a meeting as well as other necessary materials shall be submitted to shareholders on the day of holding of the General meeting or following it. They shall also be published on the website of the Company and in mass media.

5.3. Dividend Policy

Dividend policy of the Company shall be based on the balance between the interests of the company and its shareholders when determining the volume of dividend payments, on respect and strict observance of rights of shareholders stipulated by current legislation of the Russian Federation, Charter and internal documents of the Company and shall be aimed at increasing investment attractiveness of the Company, its capitalization and shareholder value.

Dividend policy shall be disclosed on the Company's website as well.

Dividend policy of the Company shall provide for:

- creating transparent and comprehensive mechanism of determination of dividend volume;
- ensuring the most convenient for shareholders procedure of dividend payment;
- measures excluding incomplete or untimely payment of the announced dividends.

6. Information Disclosure and Transparency

6.1. Policy and Practice of Information Disclosure

The main objective of policy of disclosure of information on the Company implemented in the Company shall be providing maximally high level of confidence of shareholders, potential investors, contractors and other interested persons for the Company by means of presenting to the specified persons information on itself, its activity and securities in the volume sufficient for taking grounded and reasoned decisions in relation to the Company and its securities by the specified persons.

When disclosing information on itself the Company shall not confine itself to information the disclosure of which is stipulated by regulatory legal acts of the Russian Federation, but shall disclose additional information which ensures high level of transparency of the Company and contribute to achievement of goals of information disclosure policy implemented by the Company.

List of data disclosed by the Company, procedure and terms of information disclosure shall be stipulated by Regulations on Information Policy of "Kubanenergo", JSC approved by Board of Directors of the Company.

In the course of information disclosure the Company shall be guided by the following principles:

- **principle of completeness and reliability of disclosed information**, according to which the Company shall provide all the interested persons with trustworthy information, shall not evade disclosing negative information in relation to itself in the volume that makes it possible to give the fullest idea of the Company, results of the Company's activity;
- **principle of availability of information**, according to which when disclosing the information the Company shall use channels of distribution of information on its activity, providing free and easy access for shareholders, creditors, potential investors and other interested persons to information to be disclosed;
- **principle of information balance** which means that the Company's informational policy is based on reasonable balance of transparency of the Company for all interested persons, on the one part, and confidentiality, on the other, for the purpose of exercise to the extent possible of shareholders' rights to receive information about the Company's activity on condition that the information related to confidential or inside one is protected;
- **principle of regularity and timeliness of information disclosure** which stipulates that the Company shall provide shareholders, creditors, potential investors and other interested persons with information on its activity within the terms stipulated by regulatory legal acts of the Russian Federation and internal documents of the Company.

Information disclosed by the Company shall be published on the Company's website. The website of the Company has an English version available.

Executive bodies of the Company shall bear responsibility for information disclosure. Members of Board of Directors shall disclose to the Company information on themselves necessary for information disclosure by the Company according to regulatory legal acts of the Russian Federation and Regulations in Information Policy of the Company.

6.2. Financial Statements

The Company shall maintain records and prepare financial statements according to Russian Accounting and Financial Reporting Standards.

Financial statements shall be provided with detailed comments that make it possible for a recipient of such accounting statements to interpret the data on financial results of the Company's activity correctly. Financial information shall be supplemented with commentaries and analytical assessment of the Company's management as well as with the report of the Company's Auditor and Auditing Committee.

6.3. Control over Financial and Economic Activity of the Company

The Company shall establish a system of control over financial and economic activity, as it realizes the necessity to decrease possibility of events that exercise negative influence on achievement of the Company's goals and entail losses due to decisions that have been taken on the basis of errors of judgment, human failures, willful evasion

of control, and as it admits high necessity of protection of the shareholders' investments and safety of the Company's assets.

Internal control over financial and economic activity shall be aimed at achievement of the following goals:

- ensuring completeness and reliability of financial, accounting, statistic, management and other reporting statements;
- ensuring observance of regulatory legal acts of the Russian Federation, decisions of management bodies of the Company and internal documents of the Company;
- ensuring safety of the Company's assets;
- ensuring achievement of goals set forth by the Company in the most effective way;
- ensuring effective and economical use of the Company's resources;
- ensuring timely revealing and analysis of financial and operational risks, which can exercise significant negative influence on achievements of the Company's goals connected with its financial and economic activity.

System of control over financial and economic activity of the Company shall include procedures of control stipulated by regulatory legal act of the Russian Federation, decisions of General meeting of shareholders and Board of Directors of the Company, as well as set of bodies (departments, persons) of the Company carrying out internal check, namely, Auditing Committee, Board of Directors, and also separate structural subdivision authorized to exercise such control.

Functions, rights and obligations, responsibility of the Company's subdivisions shall be stipulated by organizational and administrative documents of the Company.

For the purpose of providing system character of control over financial and economic activity of the Company, procedures for internal check shall be carried out by an authorized department of the Company responsible for internal check in interaction with other bodies and departments of the Company.

Concrete procedures as well as bodies and persons responsible for carrying out procedures for internal check can be stipulated by Regulations on Procedures for Internal Check of the Company approved by Board of Directors of the Company.

6.4. Ownership Structure

The Company aims at disclosure of information on beneficial owners of five or more percent of the Company's voting shares. Corporate relations in a group of companies shall also be specified as a part of information disclosed by the Company. The Company aspires to provide transparency of structure of share capital of the Company.

7. Relationship with Subsidiaries and Associates

7.1. Principles and Practice of Interaction with Subsidiaries and Associates

The Company aims at balanced development based on effective mechanisms of Corporate Management.

The Company shall maintain mutual relations with subsidiaries and associates (SAC) according to the requirements of legislation of the Russian Federation, Charter, internal documents of the Company, and Charters of subsidiaries and associates.

The main goals of the Company's mutual relations with SAC shall be as follows:

- ensuring stable financial development, profitable functioning, increase of investment attractiveness of the Company and SAC;
- ensuring protection of rights and interests of shareholders of the Company and SAC protected by law;
- harmonizing relationship between shareholders, officials and employees of the Company and SAC, excluding possibility of conflict outbreaks between them and inside the aforementioned groups;
- development and implementation of coordinated and effective investment policy of the Company and SAC.

Procedure for Interaction between "Kubanenergo", JSC and Economic Entities in which "Kubanenergo", JSC Holds Shares (Share Fractions) (hereinafter referred to as the Procedure) shall be the document which stipulates the main principles and provisions of Corporate Management of SAC of the Company. According to the specified Procedure interaction between the Company and SAC shall be carried out when management and control bodies of SAC take the corresponding decisions (decisions of General meetings of shareholders, Boards of Directors, Auditing Committees and sole executive bodies within the scope of their competence).

Besides the specified Procedure the process of Corporate Management of SAC shall be regulated by the following documents:

- Charter of the Company;
- Code of Corporate Management of the Company;
- Charters of SAC of the Company;
- Standards and Regulations related to Corporate Management procedures.

As the practice of Corporate Management develops the Company shall aspire to improving the principles of Corporate Management in relation to its subsidiaries and associates.

8. Final Provisions

The present Code shall come into effect from the moment of its approval by Board of Directors of the Company.