

Approved by
Decision of Board of Directors of
“IDGC of the South”, JSC
dated March 06, 2009
Minutes No.24/2009 dated 06.03.2009

INTERACTION PROCEDURE
BETWEEN “IDGC OF THE SOUTH”, JSC AND ECONOMIC ENTITIES WITH
“IDGC OF THE SOUTH”, JSC SHARES (SHARE FRACTIONS) POSSESSION

1. General Provisions

1.1. The present Procedure for Interaction between the Company and Economic Entities with the Company Shares (Share Fractions) Possession (hereinafter referred to as the Procedure) has been worked out in accordance with requirements of current legislation of the Russian Federation, item 15.1. of clause 15 of the Company's Charter.

1.2. The present Procedure shall:

- deal with the issues of exercise by the Company (hereinafter referred to as the Company) of the shareholder's, participant's (hereinafter referred to as the shareholder) rights in relation to subsidiaries and associates (hereinafter referred to as the SAC), certified by shares, share fractions (hereinafter referred to as shares) to ensure efficient activities of the Company's representatives at General Meetings of Shareholders / participants (hereinafter referred to as shareholders), on Boards of Directors and Auditing Committees of the SAC (hereinafter referred to as Representatives of the Company);
- establish general conditions for corporate interaction between the Company and the SAC within the spheres specified in the present Procedure including corporate planning, arrangement and control of corporate actions in the course of consideration by the SAC management bodies of issues on which in accordance with the Company's Charter it is required to determine the stand of the Company (Representatives of the Company).

1.3. Interaction between the Company and the SAC in accordance with the provisions of the present Procedure (corporate interaction) shall be carried out after the corresponding decisions (decisions of General Meetings of Shareholders, Boards of Directors, Auditing Committees, Management Boards and sole executive bodies falling within their competence) had been adopted by management bodies and control authorities of the SAC.

1.4. Issues of interaction between the Company and the SAC within the spheres which have not been specified in the present Procedure as well as within the spheres specified in the present Procedure but in relation to issues which have not been dealt with in it shall be specified in executive documents of the Company approved by

executive bodies of the Company within the competence defined by the Charter of the Company and decisions of the Company's Board of Directors.

1.5. The present Procedure shall not be the document containing confidential information (shall be the generally accessible document). The copy of the present Procedure shall be submitted by the Company's executive body to any shareholder of the Company, the SAC on demand and shall be placed on the Company's web-site.

2. Goals, Objectives and Areas of Interaction between the Company and the SAC

2.1. Interaction between the Company and the SAC shall be carried out for the purpose of:

- ensuring the stable financial development, profitability of operation of the Company and the SAC;
- ensuring the observance of current legislation of the Russian Federation in the process of operation of the Company and the SAC;
- ensuring the protection of rights and legally protected interests of shareholders of the Company and the SAC;
- enhancement of investment attractiveness of the Company and the SAC by guaranteeing their corporate "transparency", balance and predictability of corporate policy in general;
- establishing harmonious relations between shareholders, officials of the Company and the SAC, making the outbreak of conflicts between them impossible;
- creating conditions for balanced development of relations between power companies and organizations representing other sectors of economy;
- elaboration of coordinated and effective investment policy of the Company and the SAC and putting it into practice;
- increasing the efficiency of interaction among subsidiaries and associates in all spheres of their activity;
- establishing harmonious relations between the Company and the SAC, on the one hand, and federal authorities, government authorities of constituent entities of the federation and municipal authorities, on the other hand.

2.2. Goals specified in item 2.1. of the present Procedure shall be attained by the Company by:

- exercising control on the part of the Company in accordance with the present Procedure over prospective and current activities (in all aspects) of the SAC at General Meetings of Shareholders, operation of Boards of Directors and Auditing Committees of the SAC, determining at meetings of the Company's Boards of Directors in accordance with the Company's Charter and the present Procedure the Company's position when adopting the most important decisions by General Meetings of Shareholders and Boards of Directors of the SAC;
- coordinating personnel policy of the SAC;
- optimizing information flows between the Company and the SAC.

2.3. The main organizational and managerial form of the Company's activity when exercising the corporate control of the Company over the SAC operation shall be the adoption of decisions of the Company's Board of Directors in accordance with the Charter of the Company and the present Procedure with respect to determination of

position of the Company (Representatives of the Company) on the following agenda items of General Meetings of Shareholders and meetings of Boards of Directors of the SAC (including the instruction for Representatives of the Company to participate or not to participate in voting on agenda items, to vote "for", "against" or "abstained" on draft decisions):

2.3.1. on setting the agenda of the General Meeting of Shareholders (participants) of the SAC;

2.3.2. on reorganization, liquidation of the SAC;

2.3.3. on determination of the quantitative composition of Board of Directors of the SAC, on nomination and election of its members and early termination of their powers;

2.3.4. on determination of the quantity, par value, category (type) of the SAC declared shares and rights granted by these shares;

2.3.5. on increase of the authorized capital of the SAC by increasing the par value of shares or by placing additional shares;

2.3.6. on placement of securities convertible into ordinary shares;

2.3.7. on splitting, consolidation of shares of the SAC;

2.3.8. on approval of major transactions made by the SAC;

2.3.9. on participation of the SAC in other organizations (on joining an active organization or establishing a new one), and about the purchase, carve-out and encumbering of shares and fractions in the organizations' authorized capitals in which the SAC have a share, the change of ownership interest in the authorized capital of the corresponding organization;

2.3.10. on conclusion of transactions by the SAC (including several interrelated transactions) connected with the acquisition, alienation or the possibility to alienate property making up fixed assets, intangible assets, construction in progress which are used to produce, transmit, execute dispatching, distribute electric and heat energy irrespective of their balance sheet value or market value;

2.3.11. on conclusion of transactions by the SAC (including several interrelated transactions) connected with the acquisition, alienation or the possibility to alienate property making up fixed assets, except for those assets which in accordance with the legislation are related to real estate irrespective of intended purpose, the balance sheet value or market value of which exceeds 30 million rubles;

2.3.12. on determination of the SAC representatives' position on the agenda items of the General Meetings of Shareholders (participants) and of the Board of Directors meetings of subsidiaries and associates of the SAC, concerning the making (approval) of transactions (including several interrelated transactions) connected with property alienation or the possibility to alienate the property making up the fixed assets which in accordance with the legislation are related to real estate as well as intangible assets, construction in progress which are used to produce, transmit, execute dispatching, distribute electric and heat energy the balance sheet value or market value of which exceeds 30 million rubles;

2.3.13. on determination of the SAC representatives' position on the agenda items of the General Meeting of Shareholders (participants) and of the Board of Directors meetings of subsidiaries and associates of the SAC producing, transmitting, executing the dispatching, distributing electric and heat energy, on reorganization, liquidation, increasing of the authorized capital of these companies by increasing the par value of

shares or by placement of additional shares, on placement of securities convertible into ordinary shares;

2.3.14. on making alterations and additions in constituent documents of the SAC;

2.3.15. on establishing the procedure for payment of emolument to members of Board of Directors and Auditing Committee of the SAC;

2.3.16. on approval of target measures of key performance indicators (target measures of key performance indicators to be adjusted);

2.3.17. on approval of the report on achievement of target measures of annual and quarterly key performance indicators;

2.3.18. on approval of the business-plan (adjusted business-plan);

2.3.19. on approval (consideration) of the report on the business-plan implementation;

2.3.20. on approval of distribution of profits and losses according to financial year results;

2.3.21. on recommendations in relation to the share dividend size and procedure for its payment;

2.3.22. on payment (declaring) of dividends following the results of the first quarter, half year, nine months of the financial year as well as following the results of the whole financial year;

2.3.23. on approval (adjustment) of the Investment Programme;

2.3.24. on approval (consideration) of the report on the Investment Programme implementation;

2.3.25. on approval of the Regulations on ensuring the SAC insurance coverage;

2.3.26. on approval of insurers of the SAC (approval of results of election of the SAC insurers);

2.3.27. on approval of the insurance broker choosing the SAC insurers;

2.3.28. on approval of the Insurance Coverage Programme of the SAC;

2.3.29. on approval of alterations to the Insurance Coverage Programme of the SAC;

2.3.30. on consideration of the report of the sole executive body of the SAC on coverage ensuring.

Adoption of decisions by Board of Directors of the Company with regard to determination of the position the Company (Representatives of the Company) adheres to on items specified in sub-items "2.3.1." and "2.3.3." of the present item is not required in cases when placement of items on the agenda of the Annual General Meeting of Shareholders (participants) of the SAC is obligatory in pursuance of legislation requirements as well as in cases when issues are subject to placement on the agenda of the General Meeting of Shareholders (participants) of the SAC at the request of the SAC Auditing Committee, the Auditor of the SAC and the SAC shareholders.

3. Determination of Position of the Company (Representatives of the Company) on Issues on Agenda of General Meetings of Shareholders and Meetings of Boards of Directors of Subsidiaries and Associates

3.1. The procedure for preparation for meetings of the Company's Board of Directors at which decisions of Board of Directors of the Company with regard to determination of the stand of the Company (Representatives of the Company) on items on agendas of General Meetings of Shareholders and meetings of Board of Directors of the SAC

stipulated by the Company's Charter are adopted as well as arrangement of submission of the issue of determination of the Company's position for consideration of Board of Directors of the Company shall be provided for by decisions of Board of Directors of the Company, the present Charter and administrative regulatory documents of the Company.

3.2. The subdivision of the Company's executive authority the functional obligations of which include the general guidance for the procedure for preparation for meetings of the Company's Board of Directors at which decisions of the Company's Board of Directors with regard to the position of the Company (Representatives of the Company) on items on agendas of General Meetings of Shareholders and meetings of Board of Directors of the SAC (hereinafter referred to as the authorized subdivision of the executive authority) shall be determined by administrative regulatory documents of the Company.

3.3. Provided that certain information is available (in particular, on the intent of the SAC (management bodies of the SAC) and/or the SAC shareholders to adopt decisions on which it is necessary to define the attitude of the Company (Representatives of the Company), Representatives of the Company within 5 working days from the moment of receipt of such information by them shall be obliged to prepare and submit to the authorized subdivision of the executive authority the operative statement which contains:

- the item planned to be considered at the General Meeting of Shareholders and/or meetings of Board of Directors of the SAC;
- expected terms and procedure for consideration of the issue;
- reasons and grounds for such initiative;
- initiators and communication channels for interaction with the persons who have initiated the consideration of the issue;
- the draft decision of the General Meeting of Shareholders and/or Board of Directors on the item;
- the position of executive bodies, leading shareholders, other (apart from the Representatives of the Company) members of Board of Directors of the SAC and other interested persons;
- supporting informational and analytical materials on the item which the Company's Representative and the executive body of the SAC dispose of.

3.4. The authorized subdivision of the executive authority shall be obliged to: carry out prompt analysis of the statement of the Company's Representatives and accompanying materials attached to them; interact with Board of Directors and executive bodies of the SAC; taking into account the results of the aforementioned work adopt a decision on submitting the issue for consideration at the meeting of Board of Directors of the Company.

3.5. When adopting the decision stipulated by item 3.4. of the present Procedure the authorized subdivision of the executive authority shall take into account the necessity to consider the item at the meeting of Board of Directors of the Company in advance (taking into account the terms and procedure for convocation and holding of the General Meeting of Shareholders and/or the meeting of Board of Directors of the SAC) as well as appropriateness of taking preparatory measures of organizational and expert character before the adoption of the final decision by the Company's Board of Directors.

3.6. If the adoption of the appropriate decision by the General Meeting of Shareholders and/or Board of Directors of the SAC before the moment of determination of the

Company's position at the meeting of Board of Directors of the Company can entail the justifiable threat of violation of rights and interests of the Company protected by the law, the Representative of the Company shall take all possible measures to prevent the adoption of such decision by the SAC management bodies.

3.7. Taking decision to place the item on agenda of the meeting of Board of Directors of the Company the authorized subdivision of the executive authority shall provide the members of the Company's Board of Directors with documents, informational, analytical and other materials on the item so that the drafts of relevant documents and materials be submitted by the Corporate Secretary of the Company according to the procedure for preparation of the meeting of the Company's Board of Directors within the term stipulated by internal documents of the Company.

4. Ensuring the Activity of Representatives of the Company

4.1. The Company shall perform corporate interaction with the SAC through its Representatives:

- at General Meetings of Shareholders (participants) of the SAC;
- on Boards of Directors (supervisory boards) of the SAC;
- in control bodies of the SAC.

4.2. The Representative of the Company at the General meeting of shareholders of the SAC (hereinafter referred to as the Representative at the Meeting) shall be the natural person (irrespective of whether he/she is or is not in labor relations with the Company) who is authorized on the basis of the power of attorney to represent the Company at the General Meeting of Shareholders of the SAC.

The term of office of the Representative at the Meeting shall be determined by the Company's power of attorney.

4.3. The Representative of the Company on Board of Directors of the SAC (hereinafter referred to as the Representative on Board) shall be the natural person (irrespective of whether he/she is or is not in labor relations with the Company) who has been:

- nominated by the Company as the candidate for Board of Directors of the SAC, for whom the Company has voted at the General Meeting of Shareholders of the SAC and who has been elected to Board of Directors of the SAC according to voting results at the General Meeting of Shareholders of the SAC;
- nominated by other shareholders but has voluntarily expressed intention to discharge the functions of the Representative of the Company for whom the Company has voted at the General Meeting of Shareholders of the SAC and who has been elected to Board of Directors of the SAC according to voting results at the General Meeting of Shareholders of the SAC;
- elected to Board of Directors of the SAC being the candidate proposed by other shareholders but who has expressed intention to perform the functions of the Representative of the Company.

4.4. The term of office of the Representative on Board of Directors shall depend on the term of office of Board of Directors of the SAC.

Powers of the Representative on Board of Directors shall be terminated from the moment of reelection of Board of Directors at the Annual General Meeting of Shareholders and if the powers of this composition of Board of Directors have terminated before the expiration of the term of office at the Extraordinary General

Meeting of Shareholders of the SAC – as of the moment of adoption of the corresponding decision by the General Meeting of Shareholders of the SAC.

4.5. The Representative of the Company on the Auditing Committee of the SAC (hereinafter referred to as the Representative on the Committee) shall be the physical person (irrespective of whether he/she is or is not in labor relations with the Company) who has been:

- nominated by the Company as the candidate for the SAC Auditing Committee for whom the Company has voted at the General Meeting of Shareholders of the SAC and who has been elected as a member of the Auditing Committee of the SAC according to voting results at the General Meeting of Shareholders of the SAC;
- proposed by other shareholders but has voluntarily expressed the intent to exercise the functions of the Representative of the Company for whom the Company has voted at the General Meeting of Shareholders of the SAC and who has been elected as a member of the Auditing Committee of the SAC according to voting results at the General Meeting of Shareholders of the SAC;
- elected to Auditing Committee of the SAC being the candidate proposed by other shareholders but who has expressed intention to perform the functions of the Representative of the Company.

4.6. The term of office of the Representative on the Committee shall depend on the term of office of the Auditing Committee of the SAC.

Powers of the Representative on the Committee shall terminate from the moment of reelection of the SAC Auditing Committee at the Annual General Meeting of Shareholders and in case of early termination of powers of the Auditing Committee members at the Extraordinary General Meeting of Shareholders of the SAC – as of the moment of adoption of the corresponding decision at the General Meeting of Shareholders of the SAC.

4.7. The Representative at the Meeting shall be determined by the Chief Executive Officer of the Company and the power of attorney shall be given according to the established procedure.

The Representative on Board and Committee shall be approved according to the procedure established by administrative regulatory documents of the Company and shall be nominated pursuant to the procedure established by the applicable legislation of the Russian Federation.

4.8. For nomination by the Company of the candidate for management bodies and control authorities of the SAC the authorized subdivision of the executive authority shall ensure the receipt of the statement of consent to nomination and election of the candidate to management bodies and control authorities of the SAC in the form specified in Appendix to the present Procedure.

Following the procedure for preparation of the issue of nomination the candidate for the Representative on Board or Committee the authorized subdivision of the executive authority shall be entitled to interview the candidate.

4.9. The consent of the person approved as the candidate for management/control bodies of the SAC shall be executed as the statement of consent to carry out the activity as the Representative at the Meeting, on Board or Committee.

The candidate shall be offered to sign the above-mentioned statement, as a rule, before holding the General Meeting of Shareholders of subsidiaries and associates which forms the management/control bodies of the SAC.

The statement can also be signed by persons who have been earlier elected by the General Meeting of Shareholders of the SAC as members of Board of Directors or Auditing Committee of the SAC.

4.10. Functions of the Representative at the Meeting.

4.10.1. The main functions of the Representative at the Meeting shall be as follows:

- timely receipt according to the established procedure of the power of attorney to represent the Company at the General Meeting of Shareholders of the SAC as well as the Final Instruction – the document stating the Company's position when voting on items which have been placed on the agenda of the General Meeting of Shareholders of the SAC;
- participation in the activities of the General Meeting of Shareholders of the SAC voting at the General Meeting of Shareholders in accordance with the Final Instruction;
- submission to the authorized subdivision of the executive authority of the report on the course and results of the meeting of the SAC shareholders according to the procedure and terms to be set by administrative regulatory documents of the Company;
- submission to the authorized subdivision of the executive authority of the minutes (and/or minutes on voting results at the general meeting) and other documents and materials of the General Meeting of Shareholders of the SAC upon the receipt of the aforementioned documents within 15 days after the end of work of the General Meeting of Shareholders of the SAC;
- informing the authorized subdivision of the executive authority on the facts of violations of procedures for preparation and holding of the General Meeting of Shareholders of the SAC established by the current legislation of the Russian Federation, the Charter and internal documents of the SAC;
- if the meeting of shareholders of the SAC is held in the off-site form – the filling out of voting ballots in accordance with the Final Instruction and their submission to the SAC according to the established procedure;
- discharging other obligations and carrying out orders determined by the authorized subdivision of the executive authority and/or stipulated by administrative-regulatory documents of the Company.

4.11. Functions of Representatives on Board/Committee

4.11.1. Functions of Representatives on Board/Committee shall be specified in administrative regulatory documents of the Company with due regard for provisions stipulated by the present Procedure.

4.11.2. Functions of Representatives on Board/Committee shall be as follows:

- providing the Company with information (materials, documents) on items placed on the agenda of meetings of Board of Directors or Auditing Committee of the SAC according to the procedure and within the terms provided for by administrative regulatory documents of the Company;

- receiving of Final Instructions issued by the authorized subdivision of the executive authority concerning the voting on items on agendas of meetings of Board of Directors and Auditing Committee of the SAC containing directives and information (materials) on agenda items reflecting the position and/or recommendations of the Company on voting on agenda items;
- participation in meetings of Board of Directors or Auditing Committee of the SAC in all forms of their activities stipulated by the regulations including the vote at meetings of the aforementioned bodies of the SAC;
- informing the authorized subdivision of the executive authority on facts of violations of procedures for preparation and holding of the meeting of Board of Directors or the Auditing Committee established by the current legislation, the Charter and internal documents of the SAC;
- receiving oral recommendations for voting from the authorized subdivision of the executive authority provided that issues which at first have not been subject to placement on the agenda have finally been included in the agenda of the meeting of Board of Directors and the Auditing Committee and in case of raising any other issues, including procedural matters, for which no Final Instructions have been given by the Company at the on-site meeting of Board of Directors or the Audit Committee of the SAC;
- in case of holding the meeting of Board of Directors or the Auditing Committee by means of questionnaires – filling in the voting questionnaires with regard for Final Instructions and their submission to the SAC according to the established procedure;
- initiating scheduled and/or extraordinary meetings of Board of Directors or Audit Committee of the SAC as well as putting forward proposals for the meeting agenda of Board of Directors or Audit Committee of the SAC in conformity with Final Instructions;
- initiating audits of financial and economic activities of subsidiaries and associates by agreement with the subdivision of the executive authority the competence of which includes the conducting of audit of the Company and the SAC;
- submission to the authorized subdivision of the executive authority of the minutes of the meeting of the SAC Board of Directors as well as some other documents and materials of the meeting according to the procedure established by administrative regulatory documents of the Company and certificates of scheduled and unscheduled audits (check-outs, inspection) to be carried out by the SAC Auditing Committee within 3 working days after their receipt;
- submission to the authorized subdivision of the executive authority of information on material facts (events) of the SAC operation to be disclosed according to the procedure regulated by the Federal Executive Authority on Securities Market within 5 days after submission by the SAC of relevant information to the Russian Federal Executive Authority on Securities Market;
- exercising control over implementation of decisions of the SAC Board of Directors according to the procedure established by administrative regulatory documents of the Company;

- submission to the authorized subdivision of the executive authority of reports on his/her activities according to the established procedure.

4.12. The authorized subdivision of the executive authority shall arrange the Representatives' activities and exercise control over their activities.

4.13. Any actions performed by the Representative which contradict the interests of the Company (voting that does not comply with the Final Instruction) can be regarded as the ground for the initiation by the Company of the procedure for early termination of powers of all members of Board of Directors or Auditing Committee of the SAC or early termination of powers of the Representative of the Company in this body unless it contradicts the applicable legislation and the Charter of the SAC as well as reelection of Board of Directors or Auditing Committee.

4.14. The Final Instruction specified in the present Procedure shall not be disclosed to bodies of the General Meeting of Shareholders of the SAC, Board of Directors of the SAC, Auditing Committee of the SAC and third parties.

The Final Instruction format and the procedure for hereof signing shall be established by the Company's executive documents.

5. Final Provisions

If one or some items (paragraphs, provisions) of the present Procedure become dormant (invalid) as a result of alteration of legislation or the Charter of the Company, other items of the present Procedure shall not be affected, they shall be considered valid to the extent that they do not contradict the Russian Federation legislation and the Company's Charter.

Appendix to standard Interaction
Procedure between “IDGC of the South”,
JSC and Economic Entities with JSC
“IDGC of the South” Shares (Share
Fractions) Possession

Statement
of consent to nomination and election
to Board of Directors (Supervisory Board)/Auditing Committee
“NAME OF THE COMPANY”

(year)_____

dated _____(year)

I, full name (name of the document proving the identity, number and series of the document, issuing authority, date of issue), do hereby concur with nomination and election of my candidature to Board of Directors (Supervisory Board)/Auditing Committee “NAME OF THE COMPANY”.

Should I be elected at the General Meeting of Shareholders/General Meeting of Participants, I undertake to work as a member of Board of Directors (Supervisory Board)/Auditing Committee of the aforementioned Company.

_____/_____
(signature) (Full name)