

**Corporate Conduct Code of the Staff Member of
“IDGC of the South”, JSC**

Open Joint Stock Company “Interregional Distribution Grid Company of South” (hereinafter referred to as “IDGC of South”, JSC) was registered in June 28, 2007. The Company was established within the scope of implementation of the successive investment stage of RAO “UES of Russia” reforming in the course of which Interregional Distribution Grid Companies were subdivided.

“IDGC of South”, JSC is responsible for electric power transmission to 110 kV and lower grids on the territory of six constituent territories of the Federation: Krasnodar Region, Rostov, Astrakhan and Volgograd Areas, Republics of Kalmykiya and Adygeya.

Establishment of “IDGC of South”, JSC contributes to enhancement of investment attractiveness of the distributive grid complex of the South of Russia, effectiveness of power system management, reliability and quality of power supply for consumers in responsibility zone.

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Most Esteemed Colleagues!

We consider our corporate values and standards to be the basis for the Company's success. They inspire confidence and respect in business-community, partners, shareholders, representatives of state authority and mass media and above all – in our consumers, that is to say, in persons who determine our success and prosperity. These values instill pride in staff members of the Company and make them aim to attain better results in their activities.

We believe that it is the adherence to principles of corporate management and ideology that allows us to form a modern distributive grid complex intended for long-term efficient operation.

In order to achieve these goals we give special attention to corporate culture of the Company and ethical standards of behavior. The present Code of Corporate Ethics is their important instrument as the tasks which have been set require that all staff members of the organization should:

- know the Company's mission and have a strong commitment to achieve it;
- adhere to the corporate culture, understand the importance of the corporate brand and the Company's reputation;
- understand the importance of compliance of their activities with the Company's mission and with approved principles of corporate management and ethics;
- respond to existing ethical problems and violation of ethical norms in the Company.

We regard the present Code as guidelines for all staff members of the Company irrespective of their position. Observance of provisions of the present Code helps to preserve and develop the corporate culture, contributes to consolidation of the unity of employees, leads to the ensuring of reputation and authority of the Company and is the guarantee of its successful development.

CEO
"IDGC of South", JSC

Mr. Gavrilov A. I.

COMPANY'S MISSION

Company's mission - rendering assistance in creation and flourishing of economically strong and spiritually rich Russia by improving quality of life of inhabitants of regions that fall within the responsibility zone of "IDGC of South", JSC.

Ensuring reliability and quality of power supply, minimum environmental stress, acquisition of regular income is our duty.

Applying new technologies we ensure better quality and higher attractiveness of our services.

The key elements of our mission are as follows:

- the Customer as top priority;
- harmonizing the interests of staff members, shareholders, consumers, partners, the government and the Company;
- rationalizing the organizational structure within overall strategy of development and strengthening of corporate culture.

Company's mission is at the same time the mission of all its structural subdivisions.

INTRODUCTION

The present Corporate Conduct Code (hereinafter referred to as the Code) of "IDGC of South", JSC (hereinafter referred to as the Company) has been worked out in accordance with the existing legislation of the Russian Federation, with regard for accepted world standards of business conduct and corporate management, universal moral standards, on the basis of the Charter and other internal documents of the Company. The Code focuses on what the Company and its staff members understand by principles, norms and rules of business conduct and corporate values.

Goals of the present Code are as follows:

- regulation of rules and norms of the Company's corporate culture, its adoption and promotion among staff members;
- uniform interpretation and observance of business conduct norms approved by the Company in all structural subdivisions by employees irrespective of their profession and position;
- consolidating key values, principles and rules that all staff members of the Company are guided by in their activities both when taking strategically important decisions and in day-to-day situations.

The Code shall be applied equally with other internal documents and reflect the activity of management bodies and staff members of the Company with regard to application of norms and principles of business ethics and business conduct. The list of aforementioned norms and principles is not exhaustive and can be specified, altered and completed by drafters of the present Code and approved by the Chief Executive Officer of "IDGC of South", JSC.

CORPORATE VALUES

The Company shall have its own values, such as:

- improving quality of life of inhabitants of regions that fall within the responsibility zone of "IDGC of South", JSC;

- observance and protection of rights of shareholders and investors of the Company;
- application of the most modern, reliable, promising and long-lived methods and techniques;
- work of the Company's staff of many thousands aims at economic growth within JSC "IDGC of South" responsibility zone and Russia as a whole;
- the Company builds relations with employees on the basis of mutual respect, long-term cooperation and fulfillment of mutual obligations;
- the Company appreciates honesty, moral rectitude, professional competence, disciplined nature, inward culture and self-discipline, ability to work as a team member;
- the Company is a responsible employer that creates and holds positions of employment, observes the provisions of labor legislation of the Russian Federation, ensures decent working conditions and social security for its staff members.

ONE TEAM

"IDGC of the South", JSC is the team of professionals of many thousands united by the idea of reliable and uninterrupted power supply of consumers of regions falling within responsibility zone of the Company.

- Company's goals are attained by combining efforts of employees of all its structural subdivisions, by building a highly professional and united team being able to achieve maximum results at the place of production promptly and regularly.
- the Company arranges and coordinates cooperation between all employees on the basis of common work techniques and corporate values.
- Job performance of each staff member is important, it influences the Company's general activity.

IN-HOUSE RELATIONS

This section represents standards of interrelation between "IDGC of the South" and employees of the Company. The Company appreciates its staff members; it is their activity that is the guarantee of the Company's success – and expect adherence to high standards of business conduct and professional achievements from them.

- The Company shall respect personal liberty, rights and merits of a person, trust its employees and afford each of them equal opportunities. It shall also debar from any form of discrimination, oppression in the workplace and conduct which could be regarded as abusive and unacceptable within the context of universal moral principles.
- The Company shall always perform its obligations to employees and they, in their turn, shall observe the obligations to the Company and to each other.
- The staff member shall discharge the obligations with maximum completeness and responsibility contributing to the achievement of shared objectives of the Company. When exercising the functions the staff member shall aim to reach the optimal decision combining low costs with high effectiveness.
- The Company shall encourage leadership as the capability to take decisions at all levels. Necessary powers shall be delegated to each employee who is expected to assume personal responsibility for fulfillment of tasks which have been set, within

his/her functions specified in the instructions and regulations on structural subdivisions of the Company.

- The Company expects initiative and maximum contribution of each employee to meeting general challenges and appreciates team work when each person's ideas are taken into consideration.
- Employees of the Company shall always communicate openly articulating their ideas. Any feedback being of importance to work shall be encouraged: it is allowed to address to any head of the Company right up to the CEO submitting a proposal on activity improvement.
- The Company shall encourage holding corporate parties and celebrations if it is possible for all employees of the Company to participate in such events.
- The Company shall create conditions for professional development of staff members thereby upgrading the quality of work performed and striving to achieve the goals which have been set.
- The Company shall value its employees and encourage them for success in work relying on goals achievement.
- The Company shall take into account cultural, religious, ethnic and national peculiarities of inhabitants of regions to be served by the Company when taking strategic decisions and performing joint activity.

ETHICAL STANDARDS OF CONDUCT

- Conduct of each employee exerts direct influence on the image and reputation of the Company, shapes public opinion about the Company in general.
- The staff member shall not be allowed to speak or act so that he/she can do damage to the Company.
- Personal contacts between the Company's staff members during working hours shall be held in accordance with generally accepted norms of business custom and shall be friendly, based on mutual politeness and respect to each other.
- Personal, friendly, family, blood affection shall not impede the implementation of the principle of equal opportunities for all employees of the Company, restrict taking effective decisions by the Company's employee and be the cause for confidential information disclosure.
- The Company demands close adherence to rules for internal labor order and all local regulatory enactments from the staff members, maintenance at the high level and constant rise in personal labor productivity.

HEALTH AND SAFETY

- The Company shall encourage a healthy life-style of its employees.
- The Company shall value life of a person and his/her health above economic performances and production progress that is why it aims to provide safe labor conditions for all employees. Safety regulations, job and health safety rules include:
 - creating and maintaining healthy psychosocial environment in the Company
 - absolute observance of statutory requirements and norms in the field of safety ensuring, maintenance of health and capacity for work of employees;
 - taking managerial decisions which guarantee safety and health of the Company's personnel in the workplace;

- preventing the threat of doing direct or indirect damage or the conduct which impedes the performance of work by other employees, leads to its non-performance or creates the oppressive work environment;
- ban on drinking alcohol, keeping and use of narcotic and other prohibited substances in the workplace and during working hours as well as prohibition of being intoxicated with alcohol, narcotics or other toxic substances in the workplace and during working hours;
- prohibition of assault and battery and immoral conduct of staff members at work and during all corporate events;
- prohibition on bearing and keeping of weapon in the workplace except for employees who need weapons to perform the functions.

APPEARANCE CULTURE

Appearance of staff members of “IDGC of South”, JSC is of significant importance both for making a positive business image of the Company in general and for employees themselves.

Main constituent parts of the employee’s smart appearance shall be as follows:

- clothes and footwear;
- hairstyle;
- make-up (for women).

Giving preference to this or that type of clothes, shoes, hairstyles and make-up the Company’s employee shall be guided by the following key principles: officiality, self-restraint, carefulness, freshness and cleanliness.

The Company shows sympathetic understanding of the employees’ need for recreation that brings about the necessity to change the style of dress. That is why a special day is fixed for employees when it is allowed to be in the workplace wearing smart casual clothing – Friday. At the same time on all workdays without exception the appearance of the Company’s employees shall not be excessively provocative or hurt moral, religious or other feelings of other persons.

WORKPLACE

Order, cleanness, cleanliness of the office and workplace create favorable impression of any organization. Each staff member shall aim to create the most comfortable conditions in the workplace for himself/herself and his/her colleagues. The Company shall encourage individual style of a workplace unless it contradicts the Company’s image.

Each employee shall:

- keep the workplace clean, maintain order at the workplace, keep order in the office;
- not use communication facilities, office equipment provided by the Company for personal advantage (except for cases of emergency);
- not pay attention to outside matters which are not connected with in-house issues;
- ensure the preservation and confidentiality of documents making commercial secret as well as other documents, things, objects and materials, disclosure or

use of which by external persons can lead to any kind of damage to the Company.

TRAINING AND DEVELOPMENT OF PERSONNEL

Changes that occur in the world, business, technologies, legislation, management principles and business practice exert a significant influence on us. It is necessary to adapt to all these changes quickly and thoroughly that is why the key aspect of the Company's policy in the field of training and development of personnel shall be the strategy of personal and professional development of employees.

- The Company shall provide equal opportunities for constant improvement of their knowledge and skills, development of abilities.
- The Company shall implement corporate training programs aimed at the increase of employees' educational level, strengthening their personal motivation.
- The Company shall be interested in professional development of its employees and provide conditions for promising specialists and managers to continue in those subdivisions of the Company where their full potential can be fulfilled.

PREVENTION OF CONFLICT OF INTERESTS

Conflict of interests is a situation when the employee's vested interest influences or can exercise influence on proper performance of his/her functions. The situation causes conflicts between personal interest and the Company's interests which can damage these legal interests.

- All employees of the Company shall avoid any relations or actions which can prevent from taking impartial and honest decisions in the conduct of their obligations.
- All employees of the Company shall carry on business with suppliers, consumers, contractors and other persons having business relations with the Company relying solely on its interests and shareholders' interests without a push or preference of third parties which are based on employees' personal considerations.
- Staff members shall abstain from any activity that conflicts with Company's interests, can give rise to doubt about its reputation and reliability.
- The Company expects its employees to immediately inform their direct supervisors on any conflicts of interests.
- If it is impossible to avoid a conflict of interests staff members shall inform their supervisors on such conflict of interests and shall not take part in decision-making on this issue hereafter.
- The Company does not encourage kinship relations between officials who are immediately subordinate to each other if their activity is connected with control of financial and material resources.

The present Code does not specify all possible conflicts of interests which can arise. The Code shall be resorted to in any situation when the employee's existing personal interest contradicts interests of the Company in general or when the employee can be regarded as a recipient of unlawful personal advantage due to the position in the Company.

OUTSIDE LABOR ACTIVITY

If employees are engaged in labor activity outside the Company they shall:

- inform the immediate supervisor and head of human resources department of the Company (structural subdivision) on their involvement in outside labor activity;
- perform outside labor activity only out of duty taking into account the requirements of the present Code, except for cases stipulated by applicable legislation;
- be sure that outside activities do not influence the performance of major obligations, do not damage the image and interests of the Company;
- conform to rules of confidential insider information storage specified in the Company's regulatory documents.

Employees shall not be entitled to be directly or indirectly involved in any activity which, being competitive, can do damage to the Company.

EMPLOYEES' INVOLVEMENT IN ACTIVITIES OF POLITICAL, RELIGIOUS AND PUBLIC ORGANIZATIONS

- The Company shall not restrict employees' involvement in activities of political, religious and public organizations out of hours.
- Religious and political preferences shall be regarded as employees' own affair and shall not impede functions discharging and communication between colleagues.
- Employees of the Company who are engaged in political, religious and public activities shall act as private persons, rather than representatives of the Company.
- Staff members shall not carry out political, religious and public activities using Company's resources, its image and reputation for these purposes.

DISCLOSURE AND KEEPING CONFIDENTIALITY OF INFORMATION

- The Company establishes the procedure, forms and means of insider information representation proceeding from the existing legislation requirements, type of information to be conveyed and needs of interested persons.
- The Company keeps confidentiality of insider information on its staff members including information of personal character and information on individual income. The Company ensures confidentiality of such data except for cases stipulated by the legislation.
- Employees are not entitled to carry out unauthorized use of protected inside information.
- The Company shall restrict the circle of persons entitled to deal on its behalf with mass media. Only persons authorized to give comments on the Company's operation for mass media and other sources shall do it.
- Employees shall be personally liable for the content of information about the Company subject to unauthorized dissemination by them outside the Company.
- The Company shall retain the right to impose sanctions stipulated by the current legislation on the employee in case of willful or unadvised disclosure by the Company's employee of information related to commercial secret to which he/she has gained access when exercising labor obligations.

EXTERNAL RELATIONS

Relations with Society.

The Company recognizes its responsibility to society in full and regards social investment as the most important element of sustainable development of regions in which its production activity is carried out. The multilateral dialogue is an obligatory aspect of the Company's social activity. The main task is the arrangement of social and cultural relations which aim to satisfy wants of the society.

- It is of prime importance for the Company to establish relations with society in which it performs its activity on the basis of mutual exchange of information, opinions and creation of conditions for discussion.
- The Company develops and maintains social initiatives which aim at improvement of the quality of life of people in regions falling within its responsibility zone.
- The Company encourages participation of employees and members of their families in social initiatives of the organization and provides all necessary conditions for them.
- The Company considers it its duty to participate in social processes taking place in the country by implementing both its own and state socially-oriented programmes.

Relations with Business Partners

The Company believes that long-term relations with business partners (suppliers, contractors, joint venture partners and counterparts) based on mutual respect, trust, honesty and fairness are the earnest of success.

- The Company impels its business partners to comply with accepted corporate norms of conduct.
- The Company fulfills contractual obligations and values its business relations with partners.
- The Company carries on negotiations for conclusion of contracts on the basis of principles of mutual respect and mutual advantage.
- Business relations of the Company with partners presuppose proper performance of obligations by the Company at high professional level.
- In case of the economic dispute the Company shall aim to work out mutually acceptable and equitable solutions.
- The Company shall strictly adhere to anti money laundering legislation of Russia and do business only with reliable suppliers, clients and partners who are involved in legitimate activity and have legitimate sources of revenue.

Relations with Authorities

The Company's activity is characterized by sustainable determination to strengthen and maintain social stability in regions within its responsibility zone, carries out active cooperation with state bodies of power of all levels, bodies of local self-government and their officials.

- The Company observes federal and regional legislation.
- The Company does not make attempts to exercise an influence in an unlawful manner on decisions taken by state authorities of all levels, authorities of local self-government and their officials.

- The Company provides an open access to all information on its activity that it is obliged to disclose at the request of the current legislation and its own internal provisions.
- In cases when in accordance with the current legislation it is required to disclose information on the Company's activity as the Issuer, we guarantee reliability and timeliness of information.

Relations with mass media

- The Company monitors the adherence to high ethical standards when entering into relations with mass media.
- Only the sole executive body of the Company – the Chief Executive Officer as well as officials or structural subdivisions of the Company authorized by the CEO – has the right to transfer the official information on JSC "IDGC of South" activity to mass media.

CODE OBSERVANCE

Corporate Conduct Code provisions shall apply to all staff members of "IDGC of South", JSC who assume obligations to be guided by the above mentioned provisions in ones' activities. In the employment of the Company's staff the employees shall become familiar with the ones of the Code.

If the staff member of "IDGC of South", JSC IS NOT SURE of:

ethics of his/her actions or decisions,

ethics of actions or decisions of his/her colleagues and supervisors,

compliance of his/her actions or decisions with the values and principles of the Company:

he/she shall ask the advice of his/her direct supervisor.

If the staff member of "IDGC of South", JSC witnesses the improper conduct of his/her colleague, the employee shall tell the colleague about it pointing to the provision of the Code which has been infringed. All controversial issues in such situations shall be decided with the immediate supervisor.

The application concerning ethical issues can be submitted for consideration to a higher supervisor if:

a direct supervisor does not take necessary measures to decide arising matters or the issue does not fall within his/her competence.

The Company guarantees that the information submitted by the employee about infringement by his/her colleagues of ethical norms specified in the present Code will not be used against this employee.

All employees of the Company shall render the utmost assistance in conduct of internal investigation into facts of infringement of ethical norms specified in the present Code. Ethical issues shall be regularly reported in corporate mass media.

Krasnodar Region “Kubanenergo”, JSC

Republic of Adygeya

Rostov Area “Rostovenergo” branch

Astrakhan Area “Astrakhanenergo” branch

Volgograd Area “Volgogradenergo” branch

Republic of Kalmykiya “Kalmenergo” branch