

APPROVED by  
RusHydro OJSC Board of Directors  
(minutes of the Board of Directors' Meeting No.106 of  
01.09.2010)

**PROCEDURE  
FOR INTERACTION BETWEEN RUSHYDRO OJSC AND ENTITIES IN WHICH RUSHYDRO OJSC  
IS A SHAREHOLDER**

**1. General Provisions**

1.1. This Procedure for interaction between RusHydro OJSC and entities in which RusHydro OJSC is a shareholder ("the Procedure") has been developed in compliance with applicable laws of the Russian Federation and subparagraph 27), paragraph 12.1, article 12 of the Articles of Association of RusHydro OJSC ("the Company").

1.2. This Procedure:

- regulates the issues related to exercise by the Company of its rights as a shareholder/participant ("shareholder") in its subsidiaries and affiliates ("SA"), certified by shares/interest ("shares"), to ensure that the Company's representatives work efficiently at SA general meetings of shareholders/participants ("shareholders"), boards of directors and audit committees ("Company's Representatives);
- regulates the issues related to exercise by SA of their rights as shareholders in their subsidiaries and affiliates – grandchildren companies ("GC");
- regulates the issues related to exercise by the Company of its rights as a participant (founder, member) in non-commercial organizations ("non-profit organizations");
- establishes general terms for corporate interaction between the Company and SA in the areas as specified herein, including corporate planning, arrangement and monitoring of corporate actions when SA management bodies make decisions on issues, on which a stand of the Company (Company Representatives) has to be known in accordance with the Articles of Association.

1.3. Under the provisions of this Procedure, interaction between the Company and SA (corporate interaction) shall occur in decision-making by SA management and supervisory bodies (resolutions by general meetings, boards of directors, audit committees, sole executive bodies within their terms of reference).

1.4. The issues of interaction between the Company and SA in the areas not stipulated in this Procedure as well as in those referred to but not defined herein, shall be governed by the Company's administrative documents adopted by the Company's executive bodies within the competence established in the Company's Articles of Association and individual resolutions by the Company's Board of Directors.

1.5. The Procedure is posted by the Company on the Company's website.

## **2. Goals, objectives and areas of interaction between the Company and SA**

2.1. The Company's interaction with SA is aimed:

- to implement the Company's hydropower strategy;
- to ensure efficient use and centralized process management of hydropower facilities;
- to ensure sustainable economic development and increasing value of the Company and SA;
- to ensure that SA's business meets applicable Russian laws;
- to ensure protection of rights and law-protected interests of the Company's and SA's shareholders;
- to implement a single investment and capital mobilization strategy aimed at attaining systemwide hydropower development objectives;
- to enhance the Company's and SA's investment appeal by guaranteeing their corporate transparency, balance and predictability of the corporate policy as a whole;
- to harmonize relations between the Company's and SA's shareholders and officials and to avoid any conflicts therebetween and inside the above groups;
- to provide conditions for balanced development of relations between hydropower and other industries' entities;
- to enhance SA interaction efficiency across the entire range of activities.

2.2. The Company shall attain its goals through:

- corporate control exercised under this Procedure of SA's long-term and current business at SA's general meetings, boards of directors and audit committees and determining the Company's stand on critical decisions taken by SA's management bodies, in accordance with the Company's Articles of Association and this Procedure;
- corporate planning and providing coordinated joint production/process activities of the Company and SA;
- optimization of data flows between the Company and SA.

2.3. While interacting with SA, the Company shall seek to develop the basic corporate management principles with respect to SA, provided by the Corporate Code of Conduct recommended for application by Order of the Federal Securities Commission of Russia No.421/r of 04.04.02.

2.4 The Company shall provide for the SA transparency level to be enhanced in relationships between SA and shareholders, creditors, potential investors, professional securities market players, public authorities and other persons concerned by arranging development and approval of by-laws at SA. The Company shall also monitor SA for meeting the requirements of Russian laws as regards compulsory disclosure of information in the securities market by monitoring SA for disclosure of information and giving requisite clarifications.

2.5. The Company shall effect corporate interaction with SA through its representatives at SA's general meetings, boards of directors and supervisory bodies ("Company Representatives").

Corporate interaction with non-profit organizations, in which the Company is a shareholder, shall be effected through the Company Representatives in non-profit organizations' management bodies ("Company Representatives in a non-profit organization").

The rights and obligations of the Company Representatives are defined in Section 4 hereof.

2.6. The basic form of interaction between the Company and SA (including interaction between the Company and SA with respect to GC) shall be determination of the Company's (Company Representatives') stand on the following items on the agenda of SA's management bodies (including instructions for the Company Representatives to participate or not to participate in voting "for", "against" or "abstained" on agenda items).

2.7. The Company's (Company Representatives') stand on the following items on the agenda of SA's management bodies shall be determined by the Company Board of Directors:

- a) SA restructuring or winding-up;
- b) determining the number, par value and category (type) of SA's authorized shares and the rights granted thereby;
- c) increasing SA's authorized capital by raising the par value of shares or by placement of additional shares;
- d) placement of SA's securities convertible into common stock;
- e) splitting/reverse splitting of SA's shares;
- f) SA conducting transactions (including acquisition, alienation, pledging or other encumbrances by conducting one or more related transactions) with stocks and shares of SA's subsidiaries and affiliates involved in generation, transfer, dispatching, distribution and sales of electric and heat power, irrespective of the number of stocks (shares in the authorized capital) of such subsidiaries and affiliates;
- g) approval of major transactions conducted by SA;
- h) SA conducting transactions (including several related transactions) connected with alienation or possible alienation of SA's property comprising fixed assets, intangible assets and incomplete construction projects intended for generation, transfer, dispatching, distribution and sales of electric and heat power, of which the balance sheet value exceeds RUB100 million;

2.8. The Company's (Company Representatives') stand on the following items on the agenda of SA's management bodies shall be determined by the Company Management Board:

- a) approval (adjustment) of SA's target KPI values and review of implementation reports;
- b) SA's participation in other entities (joining an existing entity or setting up a new one); acquisition, alienation and encumbrance of stocks and shares in the authorized capital of the entities in which SA are shareholders; changing a share in an entity's authorized capital,

except for the issues coming within the competence of the Board of Directors;

c) determining the stand of SA representatives on items on the agenda of management bodies of SA's subsidiaries and affiliates, concerning settlement (approval) of transactions (including a few related transactions) connected with alienation or possible alienation of SA's property comprising fixed assets, intangible assets and incomplete construction projects intended for generation, transfer, dispatching, distribution and sales of electric and heat power, of which the balance sheet value exceeds RUB15 million;

d) determining the stand of SA representatives on items on the agenda of management bodies of SA's subsidiaries and affiliates involved in generation, transfer, dispatching, distribution and sales of electric and heat power; restructuring, winding-up and increasing SA's authorized capital by raising the par value of shares or by additional share placement; placement of securities convertible into common stock.

2.9. The Company Board of Directors may determine a procedure for the Company Board of Directors and executive bodies to exercise their powers in closing transactions and making decisions on the issues as referred to in this Section.

### **3. Procedure for determining the Company's (Company Representative's) stand on items on the agenda of SA's general meetings of shareholders and boards of directors meetings**

3.1. Preparation, coordination and submission for review to the Company Board of Directors and the Company Management Board of draft resolutions on determining the Company's (Company Representative's) stand on items on the agenda of SA's general meetings of shareholders and boards of directors meetings shall be carried out pursuant to the Company's by-laws regulating the work of the Company Board of Directors and Management Board, individual resolutions passed thereby, this Procedure and administrative documents of the Company.

3.2. The Company Representative may not vote on an item on the agenda of SA's boards of directors meeting and general meeting of shareholders, provided for in par.2.7 and 2.8 hereof, the stand on which has not been determined by the Company Board of Directors/Management Board.

3.3. If a resolution, which may be passed by SA's general meeting of shareholders and/or board of directors before a meeting of the Company Board of Directors or Management Board determines the Company's stand, poses a real threat to the Company's rights and law-protected interests, the Company Representative in SA board of directors (Company Representative at SA's general meeting of shareholders) shall use every effort to prevent SA's management bodies from passing such resolution.

#### **4. Support of Company Representatives' work**

4.1. Representatives' work shall be managed and supervised by an authorized division of the Company.

4.2. To ensure corporate management of SA by Company Representatives (except for representatives of public and municipal authorities and independent directors), instructions in the form of a written Order shall be given for voting on all issues considered by SA's general meetings of shareholders and board of directors meetings ("Voting Order").

4.3. The Voting Order format, preparation and signing procedure shall be established in the Company's administrative documents.

The Voting Order shall not be disclosed to third parties and shown to SA's management and supervisory bodies.

4.4. If a Company Representative acts in a way conflicting with the Company's interests (including failure to vote in accordance with the Voting Order), the Company may initiate a procedure for replacement of such Representative by terminating the powers of SA's boards of directors and electing new members thereto.

A Company Representative's actions contradictory to the Voting Order, resulting in damage to SA may be a reason for the Company (as SA's shareholder) to initiate a procedure for bringing the Company Representative to responsibility under applicable laws of the Russian Federation.

#### **4.5. Company Representative at SA's general meetings of shareholders**

4.5.1. The Company Representative at SA's general meetings of shareholders ("Representative at the Meeting"), except when the Company Management Board assumes the functions of SA's general meetings of shareholders, shall be an individual (having or not having an employment relationship with the Company) who is authorized to represent the Company at SA's general meetings of shareholders under a power of attorney.

The term of powers of the Representative at the Meeting shall be specified in a power of attorney issued by the Company.

4.5.2. The Representative at the Meeting shall be chosen by the Chairman of the Company Management Board in accordance with the Company's administrative documents.

4.5.3. The Representative at the Meeting shall have the following primary functions (responsibilities):

-voting at a general meeting of shareholders on behalf of the Company, subject to the Voting Order;

-participation in SA's general meetings of shareholders;

-duly obtaining of a power of attorney for representing the Company at SA's general meetings of shareholders and of the Voting Order;

-in the case of an SA's general meeting in absentia – completion of voting bulletins in accordance with the Voting Order and their duly submission to SA;

-submission of a report on the course and outcomes of an SA's general meeting to the authorized division, as prescribed by the Company's administrative documents;

-submission to the authorized division of a copy of the minutes (and/or a copy of the general meeting's voting deed) and other documents and materials of an SA's general meeting within 7 days of the date on which the general meeting was adjourned;

-reporting the failures to meet SA's general meeting procedures established by applicable Russian laws, SA's Articles of Association and by-laws, to the authorized division;

-notify the authorized division in advance about attendance of a SA's general meeting being impossible;

-fulfillment of other responsibilities and instructions specified in the Company's by-laws.

#### **4.6. Company Representative in SA Board of Directors**

4.6.1. The Company Representative in SA Board of Directors ("Representative in the Board) shall be an individual (having or not having an employment relationship with the Company) who has been:

-nominated by the Company as a candidate for SA Board of Directors, for whom the Company has voted at SA's general meeting of shareholders and who has been elected as a member to SA Board of Directors by the shareholders' vote at SA's general meeting;

-nominated by other shareholders (but has agreed to function as the Company Representative), for whom the Company has voted at SA's general meeting of shareholders and who has been elected as a member to SA Board of Directors by the shareholders' vote at SA's general meeting;

-elected to SA Board of Directors by other shareholders, but has agreed to function as the Company Representative.

4.6.2. The term of powers of the Representative in the Board shall depend on that of SA Board of Directors.

The powers of the Representative in the Board shall be terminated from the time the annual general meeting of shareholders elects new members to the board of directors. In the event of early termination of powers of the current board of directors by an extraordinary general meeting the powers of the Representative in the Board shall be terminated from the time the general meeting passes a resolution of termination.

4.6.3. Candidates for Representatives in SA boards of directors shall be nominated by the Company Management Board.

Candidates for Representatives in SA boards of directors shall be nominated for election by SA general meetings under applicable Russian laws.

Before the Company Management Board members are elected to SA management bodies the overlapping of their positions in the Company and SA management bodies shall be approved by the Company Board of Directors.

4.6.4. To meet the recommendations in the area of corporate management (conduct), the following individuals shall be included in panels of candidates for SA boards of directors:

- independent directors;

- corporate unit's personnel;

- employees of the Company's other units in order to form an SA board of directors providing a balance of professional skills.

On extraordinary occasions it is possible to include representatives of public and municipal authorities and SA management in panels of candidates for SA boards of directors, upon approval thereby.

4.6.5. Representatives in the Board shall:

-promptly obtain Voting Orders;

-participate in SA board of directors meetings, vote on the meeting agenda items according to the Voting Order;

-report failures to meet board of directors meeting procedures established by applicable laws, SA's Articles of Association and by-laws, to the authorized division;

-receive oral voting recommendations from the authorized division in case the agenda of a board of directors meeting includes unstipulated items and if a physical SA board of directors' meeting brings up other items (including points of order), for which no Voting Orders have been prepared by the Company;

-complete voting bulletins (questionnaires) in accordance with Voting Orders and duly furnish them to SA in the case of SA board of directors polling meeting;

-monitor performance of resolutions passed by SA board of directors;

-duly submit reports on his work to the authorized division;

-function as the Chairman at SA's general meeting of shareholders, pursuant to the provisions of SA's local regulatory documents, if the Chairman of SA board of directors is not available for the meeting;

-perform other functions established by SA's administrative documents.

4.6.6. The Chairman of SA board of directors shall be the Representative in the Board, who has been nominated by the Company Management Board for the position of the Chairman of SA board of directors and who has been elected Chairman thereof through a vote.

4.6.7. The Chairman of the board of directors, who is the Company Representative, shall:

-provide the Company with information (materials and documents) concerning the items on the agenda of a meeting of SA board of directors, in accordance with the Company's administrative documents;

-initiate scheduled and extraordinary meetings of SA board of directors (for improved elaboration of materials submitted for review to SA board of directors; the priority form of SA board of directors' meeting is a collective meeting) and make proposals to the agenda of an SA board of directors' meeting, in accordance with Voting Orders;

-sign and submit to the authorized division the minutes of a meeting of SA board of directors and other documents and materials of the meeting within 3 business days of their receipt;

-function as the Chairman at SA's general meeting of shareholders;

-perform other functions established by the Regulations on the calling and holding of SA board of directors' meetings and the Company's administrative documents.

4.6.8. This Procedure shall apply to companies, in which the Company has no stocks (shares) but whose management bodies include employees of RusHydro OJSC elected thereto with assistance of RusHydro OJSC.

#### **4.7. Company Representative in SA Audit Committee**

4.7.1. The Company Representative in SA Audit Committee (Representative in the Committee) shall be an individual (having or not having an employment relationship with the Company) who has been:

- nominated by the Company as a candidate for SA Audit Committee, for whom the Company has voted at SA's general meeting of shareholders and who has been elected as a member to SA Audit Committee by the shareholders' vote at SA's general meeting;

- nominated by other shareholders (but has agreed to function as the Company Representative), for whom the Company has voted at SA's general meeting of shareholders and who has been elected as a member to SA Audit Committee by the shareholders' vote at SA's general meeting;

- elected to SA Audit Committee by other shareholders, but has agreed to function as the Company Representative.

4.7.2. The term of powers of the Representative in the Committee shall depend on that of SA Audit Committee.

The powers of the Representative in the Committee shall terminate from the time the annual general meeting of shareholders elects new members to the Audit Committee. In the event of early termination of powers of the current Audit Committee by an extraordinary general meeting the powers of the Representative in the Committee shall be terminated from the time the general meeting passes a resolution of termination.

4.7.3. Candidates for Representatives in SA Audit Committees shall be nominated by the Company Management Board.

Candidates for Representatives in Committees shall be nominated for election by SA general meetings under SA's Articles of Association and applicable Russian laws.

4.7.4. Representative in the Committee shall:

- furnish the Company with information (materials and documents) concerning the items on the agenda of SA Audit Committee's meeting, according to the Company's administrative documents;

- attend SA Audit Committee's meetings and vote on agenda items;

- report failures to meet Audit Committee's meeting procedures established by applicable laws, SA's Articles of Association and by-laws, to the authorized division;

- initiate scheduled and/or extraordinary meetings of SA Audit Committee and make proposals to the agenda of SA Audit Committee's meeting on the instructions of the authorized division (if the Representative in the Committee is the Chairman of SA Audit Committee );



- initiate audits of SA's financial and economic activities upon approval of the authorized division;
- submit to the authorized division certificates of scheduled and extraordinary audits (inspections, investigations) conducted by SA Audit Committee, within 3 business days of their receipt;
- duly submit performance reports to the authorized division;
- perform other functions established by the Company's administrative documents.

## **5. Company Representatives in non-profit organizations, in which the Company is a shareholder**

5.1. The Company Representative in a non-profit organization shall be an individual elected to the management bodies thereof and contemplated in the Company's administrative documents as a person responsible for representing the Company in the non-profit organization.

Candidates for Company Representatives in the management bodies of non-profit organizations shall be nominated by the Company Management Board.

5.2. Before the Company Management Board members are elected to the management bodies of a non-profit organization the overlapping of their positions in the Company and the management bodies of the non-profit organization shall be approved by the Company Board of Directors.

5.3. Company Representatives in a non-profit organization, referred to in par.5.1 hereof, shall:

- form the Company's stand on issues considered by the management bodies of a non-profit organization, based on opinions provided by the Company's divisions, in accordance with the Company's administrative documents;
- participate in the work of the management bodies of a non-profit organization, vote or otherwise express the Company's stand on issues considered by the non-profit organization's management bodies;
- perform other functions provided by laws, Company's administrative documents and non-profit organization's by-laws.

## **6. Final provisions**

6.1. Company Representatives and Company Representatives in non-profit organizations shall bear responsibility under the Company's administrative documents for failure to perform the obligations stipulated by this Procedure and other by-laws of the Company.

6.2. This Procedure shall take effect from the date of its approval by the Company's Board of Directors.

From the above date the Company's by-laws (except for those approved by the Company's General Meeting of Shareholders) inconsistent with or contradictory to this Procedure shall become null and void and shall not be applied.

6.3. If one or more clauses (paragraphs or provisions) of this Procedure become ineffective (invalid) as a result of modified Russian laws or Company's Articles of Association,

the other clauses shall not be affected and shall remain in force insofar as they do not conflict with applicable Russian laws and the Company's Articles of Association.

This Procedure shall apply to SA and other entities, in which the Company participates and which have been set up under foreign laws, subject to legal requirements of relevant countries.