



## Minutes of Board of Directors Meeting No. 234/2016

### Public joint stock Company of power industry and electrification of Kuban ("Kubanenergo" PJSC)

Date of meeting	31 March 2016
Form of holding the meeting	absentee voting (questionnaire)
Place of vote counting	office 105, building 1, 2A Stavropolskaya St., Krasnodar (postal address of "Kubanenergo" PJSC)
Date of vote counting	31.03.2016, 5 p.m.
Date of drawing up minutes	1 April 2016

#### **Board of Directors Members: 11**

**Questionnaires were submitted by:** Mangarov Yu.N. (chairperson), Bogach Ye.V., Varvarin A.V., Gavrilov A.I., Kataev S.M., Kislyakov A.M., Lavrova M.A., Kharin A.N., Khokholkova K.V.

**Questionnaires were not submitted by:** Niyazmetov A.K. Terebkov F.A.

According to requirements of paragraph 7.3 of Regulation on the Board of Directors of Public joint stock Company of power industry and electrification of Kuban (approved by decision of annual General meeting of "Kubanenergo", JSC shareholders dated 11.06.2015, minutes No.36), the quorum for holding the meeting should count at least half of elected members of Board of Directors.

#### **Quorum is present**

#### Agenda

1. On approval of the Consolidated on the principles of RAS and IFRS business plan of Kubanenergo Group for 2016 and estimated figures for 2017-2020.
2. On approval of the Programme of private pension coverage Kubanenergo employees in the first half of 2016.
3. On approval of the Registry of key operational risks of "Kubanenergo" PJSC in the new edition.
4. On introduction of amendments to the Company's Board of Directors decision dated 09.12.2014 (Minutes of meeting No.196/2014 dd. 12.09.2014) on the issue No.4 paragraph 2.6.
5. On approval of the corrected credit plan of "Kubanenergo" PJSC for the 1<sup>st</sup> quarter of 2016.
6. On approval of the schedule of activities of "Kubanenergo" PJSC aimed to reduce overdue receivables for the service of electric power transmission and settlement of disputes existing as of 01.01.2016.
7. On consideration of the information the General Director in terms of the reliability and quality of services provided by the Company, subject to tariff regulation on the basis of long-term regulation parameters of activity for 2015.

8. On approval of the contract for implementation of works on liquidation of consequences of accidents at energy facilities of “IDGC of the South” PJSC, caused by damage resulting from natural disasters between “Kubanenergo” PJSC and “IDGC of the South” PJSC, as an interested-party transaction.
9. On approval of the contract for delivery of anti-virus software between “Kubanenergo” PJSC and “Directorate of VOLS-VL” as an interested-party transaction.
10. On approval of the Methods of calculation and estimation of the key performance indicators fulfillment of the Company Director General.
11. On discussion of draft investment programme of the Company for 2016.
12. On approval of amended business plan of Kubanenergo PJSC including investment programme and information on key business risks for 2016 and estimates for 2017-2020.
13. On approval of internal document: Programme of enhanced performance efficiency and expense reduction in 2016-2020.

#### **Item 1**

#### **On approval of the Consolidated on the principles of RAS and IFRS business plan of Kubanenergo Group for 2016 and estimated figures for 2017-2020**

The following decision is proposed:

To approve the Consolidated on the principles of RAS and IFRS business plan of Kubanenergo Group for 2016 and estimated figures for 2017-2020, in accordance with Annex 1 to the resolution of the Company BoD.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the first item was unanimously adopted by the BoD members participating in the meeting.

#### **Item 2**

#### **On approval of the Programme of private pension coverage Kubanenergo employees in the first half of 2016**

The following decision is proposed:

To approve the Programme of private pension coverage Kubanenergo employees in the first half of 2016, in accordance with Annex 2 to the resolution of the Company BoD.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the second item was unanimously adopted by the BoD members participating in the meeting.

### **Item 3**

#### **On approval of the Registry of key operational risks of “Kubanenergo” PJSC in the new edition**

The following decision is proposed:

1. To approve the Registry of key operational risks of “Kubanenergo” PJSC in the new edition, in accordance with Annex 3 to the resolution of the Company BoD.
2. From the date of adoption of this resolution, to consider as invalid the resolution of the BoD adopted on 15.10.2014 on item 3 (minutes of meeting No.198/2014 dd 17.10.2014).

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the third item was unanimously adopted by the BoD members participating in the meeting.

### **Item 4**

#### **On introduction of amendments to the Company's Board of Directors decision dated 09.12.2014 (Minutes of meeting No.196/2014 dd. 12.09.2014) on the issue No.4 paragraph 2.6**

The following decision is proposed:

Put the resolution on item 4 paragraph 2.6 adopted by the BoD on 12.09.2014 (minutes of meeting No.196/2014 dd. 12.09.2014) in the following wording:

“To arrange preparation and discussion at a quarterly basis at the Management Board the item: “On discussion of report of risks owners on risks management process in the Company.”

Deadline: quarterly within 45 calendar days from the end-date of a reporting quarter..

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the fourth item was unanimously adopted by the BoD members participating in the meeting.

### **Item 5**

#### **On approval of the corrected credit plan of “Kubanenergo” PJSC for the 1<sup>st</sup> quarter of 2016**

The following decision is proposed:

To approve the corrected credit plan of “Kubanenergo” PJSC for the 1<sup>st</sup> quarter of 2016, in accordance with Annex 4 to the resolution of the Company BoD.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the fifth item was unanimously adopted by the BoD members participating in the meeting.

#### **Item 6**

**On approval of the schedule of activities of “Kubanenergo” PJSC aimed to reduce overdue receivables for the service of electric power transmission and settlement of disputes existing as of 01.01.2016**

The following decision is proposed:

To defer the discussion to a later date.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the sixth item was unanimously adopted by the BoD members participating in the meeting.

#### **Item 7**

**On consideration of the information the General Director in terms of the reliability and quality of services provided by the Company, subject to tariff regulation on the basis of long-term regulation parameters of activity for 2015**

The following decision is proposed:

1. To take into consideration the information the General Director in terms of the reliability and quality of services provided by the Company, subject to tariff regulation on the basis of long-term regulation parameters of activity for 2015, in accordance with Annexes 5-9 to the resolution of the Company BoD.

2. To instruct director general to ensure that the executive bodies of territorial subjects of the RF in the sphere of tariff regulation receive information specified in paragraph 1 of the resolution of the BoD.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>

Kataev S.M. - **FOR**

Lavrova M.A. - **FOR**

Kislyakov A.M. - **FOR**

Thus, the decision on the seventh item was unanimously adopted by the BoD members participating in the meeting.

### **Item 8**

#### **On approval of the agreement for implementation of design and survey works between PJSC “Kubanenergo” PJSC and “Energoservis Kuban” as a transaction of interest**

In accordance with paragraph 3 of article 83 of the Federal Law No.208-FZ dated 26.12.1995 “On Joint Stock Companies” resolution on this item should be taken by majority of votes of independent directors uninterested in the transaction.

Except Gavrilov A.I. and Kharin A.N., other members of the BoD vote on this item and are recognized as independent directors uninterested in the transaction in accordance with paragraph 3 of article 83 of the Federal Law “On Joint Stock Companies”.

The following decision is proposed:

1.1. To set the preliminary price of the contract for implementation of works on liquidation of consequences of accidents at energy facilities of “IDGC of the South” PJSC, caused by damage resulting from natural disasters between “Kubanenergo” PJSC and “IDGC of the South” PJSC, as an interested-party transaction: 1274 227,28 (one million two hundred seventy four thousand two hundred twenty seven) rubles 28 kopecks, including 18% VAT – 194 373,65 (one hundred ninety four thousand three hundred seventy three) rubles 65 kopecks.

To specify that the cost of work under the Contract cannot equal 2 or more % from balance sheet cost of assets owned by Kubanenergo PJSC in accordance with the accounts as of the last reporting date.

1.2. To approve the contract for implementation of works on liquidation of consequences of accidents at energy facilities of “IDGC of the South” PJSC, caused by damage resulting from natural disasters between “Kubanenergo” PJSC and “IDGC of the South” PJSC, as an interested-party transaction on the following conditions:

#### **Contract parties:**

Customer – Kubanenergo PJSC

Contractor – IDGC of the South PJSC

**Subject of the contract:** The Contractor undertakes to perform work to eliminate the consequences of accidents at facilities of Kubanenergo branches caused by damaged equipment in result of natural disaster and to deliver the results of work to the Customer. Types of work, the volume and description are discussed by the Parties in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract).

**Contract price:** The preliminary price of the work performed by the Contractor amounts to 1274 227,28 (one million two hundred seventy four thousand two hundred twenty seven) rubles 28 kopecks, including 18% VAT – 194 373,65 (one hundred ninety four thousand three hundred seventy three) rubles 65 kopecks, in accordance with planned volume of work specified in the activity dependent cost estimate (Annexes 1, 1.1-1.5 to the Contract).

**Term of the Contract:** The Contract comes into force upon the signature and covers legal relationship between the parties that occurred from 29 September 2014 and is valid until complete fulfillment of all contractual obligations by the Parties.

**Term of fulfilling the work:** 29 September 2014 to 3 October 2014.

**Settlement of Disputes:** Disputes and disagreements that may arise when performing the contract will be solved via negotiation possible.

If it is impossible to resolve the dispute by negotiation before going to court, it shall be settled through the use of alternative dispute resolution procedures on the terms and in the manner prescribed by law and the Rules of consideration and settlement of disputes and conflicts of interest within the Group “Rossetti” PJSC (approved by the Board of Directors of “Kubanenergo” PJSC on 23.12.2015 (minutes of meeting No.227/2015 dd. 25.12.2015).

If the parties fail to reach an agreement on the settlement of the dispute through mediation, it shall be settled by the Commercial Court of the Russian Union of Industrialists and Entrepreneurs (Commercial Court) (location - Moscow) in accordance with its rules in effect as of the date of filing a claim.

Decisions of the Commercial Court at the RSPF are binding, final and are not subject to appeal.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kislyakov A.M.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>

Thus, the decision on the eighth item was adopted by majority of the independent directors uninterested in conclusion of the transaction.

#### **Item 9**

##### **On approval of the contract for delivery of anti-virus software between “Kubanenergo” PJSC and “Directorate of VOLS-VL” as an interested-party transaction**

In accordance with paragraph 3 of article 83 of the Federal Law No.208-FZ dated 26.12.1995 “On Joint Stock Companies” resolution on this item should be taken by majority of votes of independent directors uninterested in the transaction.

Except Gavrilov A.I. other members of the BoD vote on this item and are recognized as independent directors uninterested in the transaction in accordance with paragraph 3 of article 83 of the Federal Law “On Joint Stock Companies”.

The following decision is proposed:

1. To determine that the price of the contract for delivery of anti-virus software between “Kubanenergo” PJSC and “Directorate of VOLS-VL”, as an interested-party transaction, shall amount 2 889 250.00 (two million eight hundred and eighty nine thousand two hundred fifty) rubles 00 kopecks. The remuneration is not subject to VAT in accordance with the paragraph 2 of Article 149 of the RF Tax Code.

2. To approve the contract for delivery of anti-virus software between “Kubanenergo” PJSC and “Directorate of VOLS-VL” (hereinafter - the Contract), as an interested-party transaction, on the following terms:

##### **Parties to the Contract:**

Licensee: - Kubanenergo PJSC

Licensor: - “Directorate of VOLS-VL” JSC

##### **Subject of the Contract**

The licensor, with the appropriate authority, shall transfer to the Licensee the following non-exclusive rights to the use of software/databases:

- the right to use the software programme, limited by the right to install, copy and run the programme on computer in accordance with the documentation accompanying the transfer of rights to use and establishing the rules for the use of computer programs in the Russian Federation.

#### **Price of the Contract:**

The amount of remuneration for the right to use the software, transmitted under the Contract is stated in the Specification (Appendix 1 to the Contract) and amounts 2 889 250.00 (two million eight hundred and eighty nine thousand two hundred fifty) rubles 00 kopecks. The remuneration is not subject to VAT in accordance with the paragraph 2 of Article 149 of the RF Tax Code.

Duration of the Contract: The Contract comes into force upon the signature and is valid until the Parties have fulfilled all their obligations.

The term of the contract rights: Rights of use granted to Licensee hereunder, are provided for the period from 07.14.2016 to 13.07.2017.

**Dispute resolution:** All disputes, disagreements and claims arising from the contract or in connection with it, including those related to its conclusion, change, implementation, infringement, cancellation, termination and validity are to be settled through negotiations.

If it is impossible to resolve the dispute by negotiation before going to court, it shall be settled through the use of alternative dispute resolution procedures on the terms and in the manner prescribed by law and the Rules of consideration and settlement of disputes and conflicts of interest within the Group "Rosseti" PJSC, approved by the BoD of "Directorate of VOLS-VL" JSC on 29.12.2015 and resolution of Kubanenergo BoD dated 23.12.2015 (minutes of meeting No. 227/2015 dated 25.12.2015).

If the parties fail to reach an agreement on the settlement of the dispute through mediation, it shall be settled by the Commercial Court of the Russian Union of Industrialists and Entrepreneurs (Commercial Court) (location - Moscow) in accordance with its rules in effect as of the date of filing a claim. Decisions of the Commercial Court at the RSPD are binding, final and are not subject to appeal.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>

Thus, the decision on the ninth item was adopted by majority of the independent directors uninterested in conclusion of the transaction.

#### **Item 10**

##### **On approval of the Methods of calculation and estimation of the key performance indicators fulfillment of the Company Director General**

The following decision is proposed:

1. To approve and put into force from January 1, 2016 the Methods of calculation and estimation of the key performance indicators fulfillment of the Company Director General, in accordance with Annex 10 to the resolution of the Company BoD.

To consider as invalid Methods of calculation and estimation of the key performance indicators fulfillment of the Company Director General that was approved by the BoD on 06.03.2015

(minutes of meeting No.204/2015 dd.06.03.2015) with regard of amendments introduced by the BoD on 07.08.2015 (minutes of meeting No.2018/2015 dd. 10.08.2015).

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>AGAINST</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the tenth item was adopted by majority of the BoD members participating in the meeting.

#### **Item 11**

##### **On discussion of draft investment programme of the Company for 2016**

The following decision is proposed:

1. To approve the draft investment programme of the Company for 2016, in accordance with Annex 11 to the resolution of the Company BoD.

2. To instruct the sole executive body to:

2.1. To ensure approval of the draft adjusted investment programme for the period from 2016, in accordance with the requirements of the RF Government resolution No.977 dated 01.12.2009.

2.2. To submit a report on the implementation of paragraph 2.1 of the decision to the Board of Directors of the Company within 30 calendar days after the approval of the adjusted investment programme for the period from 2016, in accordance with the requirements of the RF Government resolution No.977 dated 01.12.2009.

2.3. To ensure performance of the Board of Directors order to to ensure non-exceedance in 2016 of the level of accounts payable and the amount of the debt portfolio, as well as the target Debt/EBITDA ratio at the end of 2016 set by the business plan of the Company (Minutes of meeting No.227/2015 dated 12.25.2015).

2.4. To approve report on the technological and price audit of investment projects "Kubanenergo" PJSC for 2015, in accordance with Annex 12 to the resolution of the Company BoD.

#### **Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the eleventh item was unanimously adopted by the BoD members participating in the meeting.

#### **Item 12 On approval of amended business plan of Kubanenergo PJSC including investment programme and information on key business risks for 2016 and estimates for 2017-2020**



The following decision is proposed:

To defer the discussion to a later date.

**Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the twelfth item was unanimously adopted by the BoD members participating in the meeting.

**Item 13 On approval of internal document: Programme of enhanced performance efficiency and expense reduction in 2016-2020**

The following decision is proposed:

1. To defer the discussion to a later date.
2. To instruct the sole executive body of “Kubanenergo” PJSC to ensure approval of the Programme of enhanced performance efficiency and expense reduction in 2016-2020 by the BoD, included in information prepared for agenda item on approval of amended business plan of “Kubanenergo” PJSC for 2016-2020.

**Voting results**

Bogach Ye.V.	-	<b>FOR</b>	Mangarov Yu.N.	-	<b>FOR</b>
Varvarin A.V.	-	<b>FOR</b>	Kharin A.N.	-	<b>FOR</b>
Gavrilov A.I.	-	<b>FOR</b>	Khokholkova K.V.	-	<b>FOR</b>
Kataev S.M.	-	<b>FOR</b>	Lavrova M.A.	-	<b>FOR</b>
Kislyakov A.M.	-	<b>FOR</b>			

Thus, the decision on the thirteenth item was unanimously adopted by the BoD members participating in the meeting.

Chairperson

Mangarov Yu.N..

Corporate secretary

Russu O.V.