

APPROVED:

Decision of Annual General Meeting of
Shareholders of "Kubanenergo", JSC
Minutes No.23 dated June 06, 2008

Chairman of the Meeting

_____ Belonogov M.I.

**REGULATIONS on
Auditing Committee of
Open Joint Stock Company of
Power Industry and Electrification of Kuban
(new revision)**

Krasnodar
2008

1. General Provisions

1.1. The present Regulations on Auditing Committee of Open Joint Stock Company of Power Industry and Electrification of Kuban (hereinafter referred to as “the Regulations”) drawn up in accordance with Federal Law “On Joint Stock Companies” and Charter of Open Joint Stock Company of Power Industry and Electrification of Kuban (hereinafter referred to as “the Company”) shall determine the objectives and procedures of Auditing Committee, regulate its interaction with the Company management and structural departments of executive body of the Company.

1.2. Auditing Committee shall be a permanent body of internal control of the Company providing on a regular basis control of financial and economic activity of the Company, its separate subdivisions, officials of the Company management and structural departments of executive body of the Company in order to observe their compliance with legislation of the Russian Federation, Charter of the Company and internal documents of the Company.

1.3. Auditing Committee shall act on behalf of the Company’s shareholders, and in its activity shall be accountable to General meeting of shareholders of the Company.

1.4. In its activity, Auditing Committee shall be independent of management body officials of the Company and heads of structural departments of executive body of the Company.

1.5. In its activity, Auditing Committee shall be guided by legislation of the Russian Federation, Charter of the Company, the present Regulations and other internal documents of the Company approved by General meeting of shareholders of the Company.

2. The Objectives of the Auditing Committee of the Company

2.1. The major objectives of Auditing Committee of the Company shall be as follows:

- a) implementing control over financial and economic activity of the Company;
- b) providing supervision over compliance of financial and economic activity carried out by the Company with legislation of the Russian Federation and Charter of the Company;
- c) carrying out of independent assessment of information on financial state of the Company.

3. Chairperson and Secretary of Auditing Committee

3.1. Chairperson of Auditing Committee shall be elected by members of Auditing Committee of the Company from among themselves by a majority vote of the total number of elected members of Auditing Committee of the Company. Members of Auditing Committee of the Company shall be entitled at any time to re-elect Chairperson of Auditing

Committee by a majority vote of the total number of elected members of Auditing Committee of the Company.

3.2. Secretary of Auditing Committee of the Company shall be elected by members of Auditing Committee of the Company from among themselves by a majority vote of the total number of elected members of Auditing Committee of the Company. Members of Auditing Committee of the Company shall be entitled at any time to re-elect Secretary of Auditing Committee by a majority vote of the total number of elected members of Auditing Committee of the Company.

3.3. Chairperson and Secretary of the newly elected Auditing Committee of the Company shall be elected within 15 (fifteen) days from the day of election of the corresponding list of members of Auditing Committee of the Company.

4. The Powers and Obligations of the Auditing Committee

4.1. While exercising its powers Auditing Committee shall be guided only by the requirements of legislation of the Russian Federation, Charter of the Company and decisions of General meeting of shareholders of the Company.

4.2. The powers of Auditing Committee of the Company shall include:

- 1) free access to all the offices of the Company;
- 2) sealing of monetary depositories, goods warehouses, archives and other offices of the Company for the period of checking the safety of all the valuables and documents stored in them;
- 3) seizure of some documents (with drawing up an act of seizure and making copies of the seized documents) in case any forgery or other abuses are discovered during a check;
- 4) receiving written explanations from officials of the Company, heads and employees of structural departments of executive body of the Company concerning any issues arising during a check;
- 5) issuing instructions to officials of the Company and heads of structural departments of executive body of the Company on their immediate taking measures in view of the revealed violations, if failure to take these measures may lead to a loss of valuables, documents or contribute to further abuses;
- 6) convening of extraordinary General meeting of shareholders of the Company or a meeting of Board of Directors according to the order determined by legislation of the Russian Federation, Charter of the Company and the present Regulations;
- 7) requesting officials of management bodies of the Company, heads of separate subdivisions of the Company and structural departments of executive body of the Company

for documents and data, necessary for carrying out a check of financial and economic activity of the Company by Auditing Committee;

8) bringing up an issue on imposing measures of disciplinary and material liability on employees of the Company, including officials of management bodies of the Company, in case they have violated Charter of the Company and internal documents of the Company for consideration of officials of management bodies of the Company;

4.3. Chairperson of Auditing Committee shall:

- 1) convene and hold meetings of Auditing Committee;
- 2) approve agenda of a meeting of Auditing Committee, as well as decide all the issues concerning preparation and holding of meeting of Auditing Committee of the Company;
- 3) arrange current activity of Auditing Committee;
- 4) represent Auditing Committee at General meeting of shareholders of the Company and meetings of Board of Directors;
- 5) sign minutes of meetings of Auditing Committee and other documents issued by Auditing Committee of the Company;

4.4. Secretary of Auditing Committee of the Company shall:

- 1) provide record-keeping of meetings of Auditing Committee;
- 2) provide management of the Company with timely information on the results of checks, present copies of reports of Auditing Committee;
- 3) draw up and sign minutes of meetings of Auditing Committee of the Company;
- 4) arrange records management, flow of documents and the storing of documents of Auditing Committee of the Company;
- 5) notify members of Auditing Committee of the Company on holding meetings of Auditing Committee, scheduled and extraordinary checks of activity of the Company;
- 6) carry out other functions provided for by the present Regulations.

4.5. Members of Auditing Committee shall be obliged:

- 1) to participate in person in meetings of Auditing Committee, in implementation of checks of financial and economic activity of the Company;
- 2) to secure confidentiality of received data and to prevent unauthorized disclosure of the information, which they have learnt during auditing;

3) to call for an extraordinary General meeting of shareholders of the Company according to the procedure established by Charter of the Company in case of emergence of a justifiable threat to the interests of the Company;

4) to report to General meeting of shareholders of the Company on the results of scheduled and extraordinary checks of financial and economic activity of the Company, on the revealed facts of violations of legislation of the Russian Federation, Charter and the internal documents of the Company by members of Board of Directors and other officials of the Company;

5) to submit to Board of Directors a report on the results of an annual check of activity of the Company, including appraisal of annual report of the Company, no later than 45 (forty five) days prior to the date of annual General meeting of shareholders of the Company.

4.6. Members of Auditing Committee shall not be at the same time members of Board of Directors and hold any position in management bodies of the Company.

4.7. According to resolution on carrying out of a check (auditing), Auditing Committee shall be entitled to attract specialists of the corresponding areas (Law, Economics, Finance, Accounting, Management, Economic Security, etc.), including specialized companies, to carry out a check (auditing).

5. Arrangement of Activity of Auditing Committee

5.1. Holding of meetings of Auditing Committee of the Company and checks of activity of the Company shall be carried out according to the approved Activity Plan of Auditing Committee, unless otherwise stated by the present Regulations.

5.2. Activity Plan of Auditing Committee shall be approved no later than 45 (forty five) days after the date of election of a new list of members of Auditing Committee at General meeting of shareholders of the Company. Chairperson of Auditing Committee shall be a person in charge of making up a draft Activity Plan of Auditing Committee of the Company and submitting it for approval by Auditing Committee.

5.3. Activity Plan of Auditing Committee of the Company shall include:

1) objects of checks (kinds of financial and economic activity of the Company, separate areas of the Company's activity);

2) defining type of a check for each object (documentary check, check on the location of an object (field check);

3) time schedule of carrying out checks of activity of the Company, approximate dates of checks (annual, quarterly);

- 4) time schedule of holding Auditing Committee meetings on deciding the issues of preparing and carrying out checks of activity of the Company;
- 5) list of financial and (or) economic documentation necessary for carrying out a check-up of each of the check objects;
- 6) appointing members of Auditing Committee responsible for preparation of checks, collecting information and necessary documents and materials;
- 7) other issues related to arrangement of meetings and carrying out checks by Auditing Committee of the Company.

Meetings of Auditing Committee of the Company

6.1. Meetings of Auditing Committee of the Company shall be held to decide organizational issues of activity of Auditing Committee, as well as every time before launching a check and on its results.

6.2. At a meeting of Auditing Committee of the Company, held before launching each check, the following issues of preparing and holding the forthcoming check shall be considered:

- 1) defining a check object (bookkeeping or statistical data, etc.);
- 2) procedure, dates and scope of a check;
- 3) defining a list of information and data necessary for carrying out a check, methods and sources of their obtaining;
- 4) defining a list of officials to be attracted to carry out a check (to provide explanations or clarifications of certain issues);
- 5) setting a date of holding a meeting of Auditing Committee on summing up the results of a check;
- 6) appointing members of Auditing Committee responsible for preparation of a draft report of Auditing Committee for a meeting of Auditing Committee on summing up the results of a check;
- 7) deciding other issues.

A meeting of Auditing Committee on issues of preparing and carrying out a check may be held otherwise than in the form of joint presence of members of Auditing Committee by means of absentee voting (through questionnaires).

6.3. At a meeting of Auditing Committee held after each check, the following items shall be considered:

- 1) discussing of information obtained during a check and sources it has been obtained from;
- 2) summing up the results of a check;
- 3) summing up the results and developing proposals on the basis of check results;
- 4) approving and signing of a report of Auditing Committee on the results of a check;
- 5) defining and analyzing the reasons of violations of legislation of the Russian Federation and Charter of the Company, and discussing possible ways of their liquidation and preventing them in future;
- 6) taking decision on appealing to the Company management, its officials and heads of structural departments of executive body for liquidation of violations revealed during a check; for imposing liability measures on employees who have committed violations;
- 7) other issues related to summing up of results of a check.

6.4. Regular meetings of Auditing Committee of the Company shall be held within the time limits established by Activity Plan of Auditing Committee.

6.5. Extraordinary meetings of Auditing Committee of the Company shall be convened by Chairman of Auditing Committee on his/her personal initiative or on the initiative of a member of Auditing Committee, as well as on the basis of decision of General meeting of shareholders of the Company, Board of Directors or a demand of the Company's shareholders (holding no less than 10 % of voting shares of the Company) on carrying out a check of financial and economic activity of the Company.

6.6. Preparing for a meeting of Auditing Committee Chairman of Auditing Committee shall:

- 1) set the date, time and place of a meeting (summing up of results of an absentee voting);
- 2) define a form of a meeting (joint presence, absentee voting);
- 3) approve agenda of a meeting;
- 4) define a list of materials and documents (information) necessary for considering agenda items of a meeting of Auditing Committee;
- 5) define a list of persons to be invited to take part in a meeting of Auditing Committee (in case of joint presence);
- 6) decide other issues related to preparation for a meeting of Auditing Committee of the Company.

6.7. A notice on holding of a meeting of Auditing Committee of the Company shall be submitted to members of Auditing Committee by registered letter no later than 10 (ten) days prior to the date of a meeting; and in case of holding of a meeting on the results of a check, a notice shall be submitted no later than 2 (two) days prior to the date of a meeting.

When carrying out an absentee voting, in cases stipulated by the present Regulations, a notice on carrying out of an absentee voting along with materials on agenda and questionnaire shall be submitted by registered letter no later than 15 (fifteen) days prior to the date of summing up the results of an absentee voting.

6.8. Shall any violations of legislation of the Russian Federation, Charter of the Company or other internal documents of the Company be revealed in course of the Company's activity, Chairman of Auditing Committee shall convene an extraordinary meeting of Auditing Committee for deciding an issue on carrying out of an extraordinary check.

6.9. A member of Auditing Committee, in case of revealing of any violations specified in item 6.8. the Regulations, shall submit to Chairman of Auditing Committee a written claim with a description of violations and persons who have committed them, within 3 (three) days after their revealing.

6.10. In the cases stipulated by items 6.8. and 6.9. the Regulations, Chairperson of Auditing Committee shall convene an extraordinary meeting of Auditing Committee in the form of joint presence within 10 (ten) days after the receipt of information on the violations.

6.11. A meeting of Auditing Committee in the form of joint presence shall include the following stages:

- 1) opening of a meeting by Chairman of Auditing Committee;
- 2) defining quorum of a meeting;
- 3) announcing agenda;
- 4) delivering speeches, reports and accounts on agenda issues, their consideration;
- 5) formulating by Chairman of Auditing Committee of the Company of a draft decision on agenda items;
- 6) voting on agenda items;
- 7) summing up the results of voting;
- 8) announcing decisions of Auditing Committee on agenda items.

6.12. A meeting of Auditing Committee carried out through questionnaires shall include the following stages:

- 1) receiving and counting of questionnaires from members of Auditing Committee by the date specified in a questionnaire for absentee voting;
- 2) defining quorum of a meeting of Auditing Committee;
- 3) counting votes presented by questionnaires and summing up the results of voting;
- 4) drawing up minutes of a meeting of Auditing Committee.

6.13. A meeting of Auditing Committee shall be legal (has the quorum) if more than half of all the members of Auditing Committee of the Company take part in it. In case there is no quorum, a meeting of Auditing Committee shall be postponed, but not more than for 10 (ten) days.

6.14. Decision on agenda issues of a meeting of Auditing Committee shall be adopted by a majority of members of Auditing Committee of the Company.

When deciding the issues at a meeting of Auditing Committee, each member of Auditing Committee shall have one vote.

In case of equality of votes, the vote of Chairman of Auditing Committee shall be the casting one.

6.15. At a meeting of Auditing Committee, Secretary of Auditing Committee shall keep minutes.

6.16. Minutes of a meeting of Auditing Committee shall include:

- 1) date, time and place of a meeting (summing up the results of voting);
- 2) a list of members of Auditing Committee and persons present at a meeting (participating in an absentee voting);
- 3) information on quorum of a meeting;
- 4) agenda items of a meeting;
- 5) general points of speeches and reports on agenda items (only for meetings in the form of joint presence);
- 6) summing up the results of voting;
- 7) decisions taken by Auditing Committee.

6.17. Minutes of a meeting of Auditing Committee shall be drawn up in two copies within 5 days after a meeting (summing up the results of an absentee voting) and signed by Chairman and Secretary of Auditing Committee.

6.18. The Company shall keep minutes of meetings of Auditing Committee and provide them on request of the Company's shareholders.

7. Procedure for Carrying out of Auditing

7.1. A scheduled check of financial and economic activity of the Company shall be carried out according to the approved Activity Plan of Auditing Committee.

7.2. An extraordinary check of financial and economic activity of the Company shall be carried out:

- 1) on the basis of a decision of Auditing Committee;
- 2) on the basis of a decision of General meeting of shareholders of the Company, Board of Directors;
- 3) on demand of the Company's shareholders (shareholder) holding in total no less than 10 (ten) percent of the Company's voting shares.

7.3. Unless otherwise stated by a decision of Auditing Committee, General meeting of shareholders of the Company, Board of Directors on carrying out of an extraordinary check, a meeting of Auditing Committee shall be held according to item 6.2. the Regulations within 15 (fifteen) working days from the moment of:

- 1) adopting by Auditing Committee of a decision on carrying out of an extraordinary check;
- 2) receiving by Chairman of Auditing Committee of a decision of General meeting of shareholders of the Company and Board of Directors on carrying out of an extraordinary check.

A meeting of Auditing Committee of the Company subject to be held according to items 6.1. and 6.2. the Regulations on demand of the Company's shareholders (shareholder) holding in total not less than 10 (ten) percent of the Company's voting shares, shall be held no later than within 20 (twenty) working days from the moment of receiving of the above-mentioned demand of the Company's shareholders (shareholder).

7.4. A check of financial and economic activity of the Company shall include:

- 1) defining of normative legal base regulating the area of the Company's activity under check;
- 2) collecting and analyzing financial and economic documents of the Company, indices of bookkeeping and statistical accounts and other documents of the Company; receiving verbal or written explanations related to an object under check;
- 3) inspection of warehouses, archives and other offices of the Company;

4) revealing any signs of non-compliance of financial and economic activity of the Company with the current legislation of the Russian Federation, of misrepresentation and unreliability in recording of activity of the Company in bookkeeping, statistical or other accounts and documentation of the Company;

5) carrying out of other actions providing for a comprehensive and objective check-up of financial and economic activity of the Company within the limits of powers of Auditing Committee, secured by the present Regulations.

7.5. Carrying out a check, members of Auditing Committee shall request the necessary documents and data from the Company management, heads of the separate subdivisions, structural departments of executive body of the Company and other persons having necessary documents and materials at their disposal.

Requested documents and materials shall be submitted to members of Auditing Committee of the Company within 2 (two) working days from the date of receiving a request.

7.6. A member of Auditing Committee of the Company shall have access to books, records, business correspondence and other information related to the corresponding check object.

7.7. Carrying out checks, members of Auditing Committee shall study properly all the received documents and materials related to a check object.

7.8. The Company management officials, heads of separate subdivisions and structural departments of executive body of the Company shall:

1) provide auditors with conditions securing effective carrying out of a check; present to members of Auditing Committee all the necessary information and documentation, as well as provide them on their demand (verbal or written) with explanation and clarification in verbal or written form;

2) efficiently liquidate all the violations revealed by Auditing Committee, including the ones in book-keeping and drawing up of accounts of other financial statements;

3) avoid during a check any actions aimed at limiting a frame of issues to be cleared during a check.

8. Report (Statement) of Auditing Committee of the Company

8.1. On the results of check of financial and economic activity of the Company, Auditing Committee shall draw up a report (statement), which is a document of internal control of the Company.

8.2. A report (statement) of Auditing Committee shall consist of three parts: introductory, analytical and final.

8.3. Introductory part of report (statement) of Auditing Committee shall include:

- 1) full title of a document – “Report (statement) of Auditing Committee of Open Joint Stock Company of Power Industry and Electrification of Kuban”.
- 2) date and place of drawing up of a report (statement);
- 3) date (period) and place of carrying out of a check;
- 4) reasons for a check (decision of Auditing Committee, General meeting of shareholders of the Company, Board of Directors, Company’s shareholders (shareholder));
- 5) purpose of a check-up (to determine legality of the Company’s activity, to determine authenticity of book-keeping and other documentation, its compliance with legislation of the Russian Federation etc.);
- 6) object under check (particular activity of the Company, financial and economic documentation, including book-keeping and statistical statements and others);
- 7) list of legal and other documents regulating the Company’s activity used during a check;

8.4. Analytical part shall contain an objective appraisal of condition of an object under check and thus shall include:

- 1) general results of check of book-keeping accounts and other records on financial and economic activity of the Company;
- 2) general results of check the compliance with the requirements of legislation of the Russian Federation while performing financial and economic transactions;

8.5. Final part of a report (statement) of Auditing Committee of the Company shall be a reasoned summary of Auditing Committee and thus it shall contain:

- 1) proof of authenticity of data in reports and other financial documents of the Company;
- 2) information on violations of the procedure ensured by legislation of the Russian Federation on book-keeping and rendering of financial statements, as well as legal acts of the Russian Federation when performing financial and economic activity;
- 3) recommendations and proposals on liquidation of causes and consequences of violations of legislation of the Russian Federation, Charter and internal documents of the Company.

8.6. The report (statement) of Auditing Committee of the Company shall be drawn up in 3 (three) copies within 2 (two) days from the moment a check has been finished and shall be signed at a meeting of Auditing Committee on the results of a check-up by all members of Auditing Committee and specialist-experts invited to carry out a check. A report (statement)

shall contain a note that General Director and Chief Accountant of the Company are informed on it.

In case of disagreement between members of Auditing Committee on any issue, a report (statement) of Auditing Committee shall be signed along with disagreements (comments), which may be stated in a dissenting opinion of a member of Auditing Committee. A dissenting opinion signed by a member of Auditing Committee or a specialist-expert shall be attached to a report (statement) of Auditing Committee.

One copy of a report (statement) shall be by Secretary of Auditing Committee, the second copy shall be submitted to Chairperson of Board of Directors, the third copy shall be submitted to General Director of the Company.

8.7. The Company shall keep reports (statements) of Auditing Committee and provide access to them on demand of the Company's shareholders.