

Approved by:
decision of the General meeting of Kubanenergo PJSC shareholders
on _____ June 2015

**Regulations
on remuneration and compensations paid to members of the Board of
Directors of Kubanenergo PJSC**

Krasnodar
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Regulations on remuneration and compensations paid to members of the Board of Directors of Kubanenergo PJSC (hereinafter – the Regulations) are prepared in accordance with the Federal Law “On Joint Stock Companies” and establish the amount and procedure of payment of remuneration and compensation to the members of the Board of Directors of Kubanenergo PJSC (hereinafter –the Company).

1. Remuneration is paid in monetary assets.
2. The Regulations does not apply to members of the Board of Directors, that are also members of the collegial executive body of the Company or the sole executive body (General Director) of the Company.
3. Remuneration and compensation are not accrued and paid to Chairperson and those members of the Board of Directors in relation to whom restriction or interdiction for reception of profit from commercial organizations is stipulated by the federal laws.

4. Payment of remuneration.

4.1. Remuneration shall be paid to members of the Company’s BoD for their activity during the period from their election to the Board of Directors until the election of new members of the Board of Directors of the Company.

Remuneration shall be paid to members of the Board of Directors of the Company as a lump sum in Russian rubles.

4.2. Amount of remuneration paid to each member of the Board of Directors of the Company is calculated with regard of the total number of meetings of the Board of Directors in the previous corporate year and the number of meetings in which such member of the Board of Directors takes part, using the following formula:

$$S(1) = R_{base} \times 100/130 \left(\frac{n}{m} \right), \text{ where}$$

S (1) is the amount of remuneration paid for participation in the Board of Directors of the Company;

Rbase is the remuneration base amount determined in accordance with the procedure set forth in paragraph 4.3 of the Regulations;

n is the number of meetings of the Board of Directors (irrespective of the form of such meetings) in which the member of the Board of Directors takes part within the period between the Annual General Meetings of Shareholders;

m is the total number of meetings of the Board of Directors (irrespective of the form of the meetings) within the period between the Annual General Meetings of Shareholders.

4.3. The amount of remuneration base (Rbase) shall be based on the revenues calculated in accordance with Russian Accounting Standards and received by the Company in the financial year and is as follows:

Revenues	Rbase
over 200 billion rubles	1,000,000 rubles
over 30 billion rubles	900,000 rubles
over 10 billion rubles	800,000 rubles
over 1 billion rubles	700,000 rubles
over 600 million rubles	600,000 rubles
less 600 million rubles	500, 000 rubles

4.4. The remuneration specified in paragraph 4.2 of the Regulations shall be paid within 60 days after the Annual General Meeting of Shareholders of the Company.

4.5. Additionally to the remuneration specified in paragraph 4.2 of the Regulations, the following premiums shall apply:

4.5.1 - 30% of S (1) payable to the Chairman of the Board of Directors of the Company;

4.5.2 - 20% of S (1) payable to the chairman of a specialized committee of the Board of Directors of the Company;

4.5.3 - 10% of S (1) payable to a member of a specialized committee of the Board of Directors of the Company.

No premium for holding office as chairman or and/or a member of a specialized committee shall be paid if such committee of the Board of Directors holds less than three meetings in the corporate year.

For the purposes of the Regulations in order to determine the amount of remuneration and compensation paid to members of the Board of Directors, the corporate year means the period from the moment of election of the members of the Board of Directors at the Annual General Meeting of Shareholders and until the date of the next annual general meeting of shareholders.

For the purposes of calculating remuneration and compensation paid to members of the Board of Directors whose powers were early terminated by the decision of the Extraordinary General Meeting of Shareholders and who are elected at the Extraordinary General Meeting of Shareholders, corporate year is recognized equal to 365 calendar days.

4.6. The total amount of the remuneration specified in paragraph 4.2 of these Regulations, including the premiums specified in paragraph 4.5 of these Regulations, cannot exceed the Rbase.

4.7. No remuneration shall be paid to any member of the Board of Directors of the Company if such member fails to participate in more than 50% of the meetings held (from the election of such member until the termination of such member's powers).

4.8. Additional remuneration is paid to the members of the Board of Directors in case of increasing the amount of the Company's market capitalization during the period of work of the Board of Directors, within the period specified in paragraph 4.4 of the Regulations.

The amount of additional remuneration of the member of the Board of Directors, paid in accordance with subparagraph 4.8, makes 0.0175% of the increase of the Company's market value less the increase of the Company's net assets, expected for the period from the moment of election of the members of the Board of Directors till the moment of election of a new composition of the Board of Directors of the Company.

To determine the amount of remuneration the calculation of the increase of the Company's market value less the increase of the Company's net assets is made as follows:

$$\Delta(PK) = \overline{PK_t} - \overline{PK_{t-1}},$$

where:

$\Delta(PK)$ – the increase of the Company's market value less the increase of the Company's net assets;

PK_t – the average chronological market capitalization of the Company for the period (t);

PK_{t-1} – the average chronological market capitalization of the Company for the period (t-1);

The average chronological market capitalization of the Company is calculated based on the following formula:

$$\overline{PK} = \frac{\sum P_{iMMMB}}{n} \times Q$$

P_{iMMMB} – the average value of the Company's shares on i-th trading day of the period at MICEX;

n – the amount of trading days from the beginning till the end of the period, the period for formulas (t) and (t-1):

Q – single for \overline{PK}_t and \overline{PK}_{t-1} amount r=equaling the number of issued ordinary shares of the Company as of the first date of the period (t-1).

Procedure of determining periods (t) and (t-1):

- calculation of period (t) is the period consisting of 30 business days, the first day of which is date following the date of termination of authorities of member of the BoD;
- the period (t-1) is a period of 30 working days, which last date is the date previous to the election of the BoD member, and the first date is the last date minus 30 working dates.

If 6 months from the moment of admission of shares to trades at RTS and/or MICEX haven't passed by the first date of the period (t-1), then the period is taken as 30 working days, with the first date starting with the end of the 6-months period.

The calculated amount of the increase of the Company's market value less the increase of the Company's net assets (3) should be corrected on the growth of the equity market, characterized by the indexes of the MICEX stocks:

$$T_{\text{рынка}} = \left(\frac{\overline{I_{MMBB}_t}}{\overline{I_{MMBB}_{t-1}}} \right)$$

where

I_{MICEX}_t – the average chronological index of MICEX for the period t.

I_{MICEX}_{t-1} – the average chronological index of MICEX for the period t-1.

Formula for average chronological index:

$$I = \frac{\frac{I_1}{2} + I_2 + I_3 \dots + \frac{I_n}{2}}{n - 1} \quad \text{where:}$$

I_1 – the index for the 1st trading day of the particular period;

I_n – the index for the last trading day of the particular period;
 n – amount of trading days

The final formula for calculating the base for determination of remuneration of a member of the Board of Directors is as follows:

$$\Delta(DPC) = \frac{\Delta(PK) \times \left(\frac{PK_t}{PK_{t-1}} - (T_{рынка} - d_{комп.}) \right)}{\left(\frac{PK_t}{PK_{t-1}} - 1 \right)}$$

where

$d_{комп.}$ – the share of the company under evaluation in the rate of growth of the equity market, which is calculated as follows:

$$d_{комп.} = \left(\frac{Q_{комп.}}{Q_{ММББ}} \right) \times \left(\frac{PK_t}{PK_{t-1}} - T_{рынка} \right)$$

where

$Q_{комп.}$ – the total volume of trades of the company under evaluation at RTS and MICEX for the periods t and $t-1$, rubles;

$Q_{ММББ}$ – the total volume of trades at the MICEX for the periods t and $t-1$, rubles.

If except the ordinary shares the company has issued the preferred ones, then while determining the amount of remuneration in accordance with paragraph 4.8 only ordinary shares should be accounted.

Remuneration for increase of enterprise value is paid only in case if the average monthly volume of transactions on ordinary shares, concluded during the term of authorities of the BoD, is at least 1.5 million rubles;

4.9 The total remuneration of the BoD members shall be paid in accordance with paragraph 4.8 and cannot exceed 5% of net profit under RAS received for the fiscal year.

If the total remuneration exceeds 5% of net profit under RAS, a member of the remuneration of the Board of Directors for the increase in the market value of the Company is calculated as follows:

$$: S'(1)_i = 0,05 * ЧП * \frac{S(1)_i}{B}, \text{ where}$$

| $S'(1)i$ – is the amended amount of remuneration of i-the member of the BoD for the amount of the Company's market capitalization;

ЧП – net profit of the Company according to RAS by the results of the financial year;

B - the total remuneration of the members of the Board of Directors for their participation in the BoD for the past corporate year, calculated in accordance with paragraph 4.8 of the Regulations.

| $S(1)i$ – remuneration of the i-th member of the Board of Directors for the increase in the market value of the Company calculated in accordance with paragraphs 4.8 of the Regulations.

4.10 Any member of the Board of Directors of the Company may decline to receive the remuneration provided for in these Regulations, in full or in part, by notice thereof to the sole executive body (Director General) of the Company.

5. Payment of compensation.

5.1. Any member of the Board of Directors shall be compensated for expenses in connection with participation in a meeting of the Board of Directors in accordance with the rates applied by the Company to reimbursement for travel expenses at the time of such meeting.

5.2. Compensation shall be paid by the Company within three business days after the submission of documents supporting expenses incurred.