

Minutes of Board of Directors Meeting No. 196/2014
Open joint stock company of
power industry and electrification of Kuban (“Kubanenergo” JSC)

Date of meeting	September 12, 2014
Form of holding the meeting	absentee voting (questionnaire)
Place of vote counting	Office 105, building 1, 2 Stavropolskaya St., Krasnodar (postal address of “Kubanenergo”, JSC)
Date of vote counting	12.09.2014, 5 p.m.
Date of drawing up minutes	September 12, 2014

Board of Directors Members: 11

Questionnaires were submitted by: Sergeyev S.V. (chairperson of BoD), Gavrilov A.I., Varvarin A.V., Kobelyan A.M., Lavrova M.A., Mezhevich V.E., Sukhov O.A., Khokholkova K.V., Chermentieva Yu. P., Shatokhin A.G.

Questionnaires were not submitted by: Kharin A.N.

According to requirements of paragraph 7.3 of Regulation on order of conveying and holding meetings of “Kubanenergo”, JSC Board of Directors approved by decision of annual General meeting of “Kubanenergo”, JSC shareholders dated 22.06.2012, minutes No.31, quorum for holding the meeting should count at least half of elected members of Board of Directors.

Quorum is present

Agenda

1. On priority activity of the Company: on ensuring the availability of energy infrastructure and quality of technological connection to Company’s networks.
2. On priority activity of the Company: on sophisticating the system of internal control and risks management, development of functions of internal audit.
3. On approving Policy of internal audit of Kubanenergo JSC.
4. On approving restated Policy of risks management of Kubanenergo JSC.
5. On introducing changes to Regulations on placement of temporarily disposable monetary resources of the Company.
6. On electing candidates to particular positions determined by the BoD at executive body of the Company.
7. On approving Credit plan of Kubanenergo for the 4th quarter of 2014.
8. On preliminary approval of decision to make a transaction related to free of charge transfer of movable property for production purposes, transfer, distribution of electric and heat energy – backup sources of energy supply.
9. On approving agency agreement between Kubanenergo JSC and Mobile GTS JSC as interested party transaction.

Item 1

On priority activity of the Company: on ensuring the availability of energy infrastructure and quality of technological connection to Company’s networks.

The following decision is proposed:

1. To decide that availability of energy infrastructure and quality of technological connection to Company’s networks is Company’s priority activity.

2. To approve recommended practices on determining power reserve at the main substations of the Company in accordance with Appendix 1 to present decision of Company's BoD.
3. To approve "Standard form of product requirements document on development of Complex programme of 35kV and higher electric grids development on the territory of Russian Federation for five years".
4. To approve "Standard documents on technological connection" (hereafter – Standard documents) in accordance with Appendix 3-5 to present decision of Company's BoD.
5. To instruct Director General of the Company:
 - 5.1. to provide the preparation of projects of product requirements document on development of Complex programme of 35kV and higher electric grids development on the territory of Russian Federation for five years using standard documents specified in paragraph 3 of current decision of Company's BoD;
 - 5.2. to provide the preparation of projects of Agreements on coordination arrangements of parties to the moment of conclusion of Agreement on fulfillment of technological connection on individual project, projects of Agreements on fulfillment of technological connection to electric grids using standard documents approved by paragraph of current decision of Company's BoD in accordance with current legislation (when concluding Agreements and Contracts specified in current paragraph).

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR
Mezhevich V.E.	- FOR	Shatokhin A.G.	- FOR

Thus, the BoD members unanimously adopted the decision on the first item.

Item 2

On priority activity of the Company: on sophisticating the system of internal control and risks management, development of functions of internal audit.

The following decision is proposed:

1. To determine the sophistication of system of internal control and risks management, development of functions of internal audit as priority activity of the Company.
 - 2.1. To approve the redrafted policy of internal control of "Kubanenergo" JSC in accordance with Appendix 6 to present decision of Company's BoD.
 - 2.2. To instruct sole executive body of the Company:
 - to provide the fulfill of requirements of Policy of internal control of "Kubanenergo" JSC.
 - to provide the discussion of item: "On consideration of the Report on effectiveness of internal control system of the Company in 2014".
- By 31.03.2015.
- to provide the discussion of item: "On consideration of the Report on effectiveness of internal control system and risks management of the Company".
- Annually by March 31, as per report for 2015.
- 2.3. Consider as invalid paragraph 4.2 of decision of "Kubanenergo" JSC BoD dd. 02.08.2013 on item 17 (Minutes No. 168/2013 dd. 05.08.2013).

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR

Mezhevich V.E. - FOR Shatokhin A.G. - FOR
Thus, the BoD members unanimously adopted the decision on the second item.

Item 3

On approving Policy of internal audit of “Kubanenergo” JSC

The following decision is proposed:

1. To approve the Policy of internal audit of “Kubanenergo” JSC in accordance with Appendix 7 to present decision of Company’s BoD.
2. To instruct sole executive body of the Company:
 - 2.1. to provide the fulfillment of requirements of Policy of internal audit of “Kubanenergo” JSC.
 - 2.2. to organize preparation and provide the discussion of results of performance evaluation of function of internal audit as part of consideration of Report in effectiveness of internal control system and risks management of the Company.
Annually by March 31, as per report for 2015

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR
Mezhevich V.E.	- FOR	Shatokhin A.G.	- FOR

Thus, the BoD members unanimously adopted the decision on the third item.

Item 4

On approving restated Policy of risks management of Kubanenergo JSC

The following decision is proposed:

1. To approve the redrafted Policy of risks management of “Kubanenergo” JSC in accordance with Appendix 8 to present decision of Company’s BoD.
2. To instruct sole executive body of the Company:
 - 2.1. To provide the fulfillment of requirements of Policy of risks management of “Kubanenergo” JSC.
 - 2.2. To provide the inclusion in job descriptions of Company’s employees and (or) in organizational-administrative documents of the Company, determining the authorities of deputies of Company’s Director General and heads of Company’s structural subdivision, of immediate subordination to Company’s Director General the following functions:
 - organization of effective control environment of oversee processes (Company’s activity area);
 - providing of achieving of operational goals of oversee processes (Company’s activity area);
 - providing of systematical risks condition monitoring of oversee processes (Company’s activity area);
 - providing of timely update of risks of oversee processes (Company’s activity area);
 - providing of fulfillment quarterly analysis and factors arranging, causing risks realization of oversee processes (Company’s activity area);
 - organization of development and taking measures on risks management of oversee processes (Company’s activity area).
 - 2.3. To provide the consideration by Company’s BoD the following item: “On approving Registry of key operational risks of the Company”, with appointment of risk owners (with preliminary consideration and approving of Registry at meeting of Committee on audit of Company’s BoD).
By 31.09.2014.

2.4. To provide the approving in the Company “Registry of operational risks of Company’s key business processes”, with appointment of risk owners that should occupy position not lower than deputy Director General and (or) head of structural subdivision of immediate subordination to Company’s Director General (with preliminary consideration and approving of Registry at meeting of Committee on audit of Company’s BoD).

By 31.09.2014.

2.5. To provide the approving in the Company “Registry of operational risks of Company’s other business processes”, with appointment of risk owners that should occupy position not lower than deputy Director General and (or) head of structural subdivision of immediate subordination to Company’s Director General (with preliminary consideration and approving of Registry at meeting of Committee on audit of Company’s BoD).

By 31.12.2014.

2.6. To organize the preparation and quarterly consideration by Company’s BoD the following item: “On consideration the Report of risks owners on managing operational risks of the Company”.

Deadline: Quarterly, by 30th of every month after reporting quarter.

2.7. To organize the preparation and provide consideration by the Audit Committee the item: “On taking into consideration the report of sole executive body on management of key risks pf the Company in the 1st half year”.

Term: annually by the 31th August.

2.8.To organize the preparation and provide consideration by the Audit Committee the item: “On taking into consideration the report of sole executive body on management of key risks pf the Company for reporting year”.

Term: annually by the 31th March.

2.9. To considerate as invalid paragraph 1.4 of the resolution taken by the BoD on 02.08.2013 on item 17 (minutes of meeting No.168/2013 dd 05.08.2013)

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR
Mezhevich V.E.	- FOR	Shatokhin A.G.	- FOR

Thus, the BoD members unanimously adopted the decision on the fourth item.

Item 5

On introducing changes to Regulations on placement of temporarily disposable monetary resources of the Company

The following decision is proposed:

1. To introduce changes to Regulations on placement of temporarily disposable monetary resources of “Kubanenergo” JSC, to put redrafted Annex 1 to Regulation in accordance with Appendix 9 to present decision of “Kubanenergo” JSC BoD.

2. To allow “Kubanenergo” JSC to allocate temporary free cash of “Kubanenergo” JSC (including allocating cash balance and allocation of temporary free cash on deposits) in Commercial bank “Rosenergobank” (JSC) by 31.12.2014 without increasing the volume of transactions.

To leave unchanged the use of storage and expenditure of funds (including the placement of cash balances, as well as placement of temporarily free funds on deposits) received by the Company

from the federal budget, and the funds received as payment for additional shares of “Rosseti” JSC on financing of investment projects of the Company, detached from the other assets of the Company bank account opened solely in one of the backbone of the Russian banks listed in Annex 9 to this decision of the BoD

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR
Mezhevich V.E.	- FOR	Shatokhin A.G.	- FOR

Thus, the BoD members unanimously adopted the decision on the fifth item.

Item 6

On electing candidates to particular positions determined by the BoD at executive body of the Company

The following decision is proposed:

To appoint Ryazantsev Dmitry Yurievich, chief engineer of “Kubanenergo” JSC for the position of deputy Director General in charge of technical issues.

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR
Mezhevich V.E.	- FOR	Shatokhin A.G.	- ABSTAINED

Thus, the majority of BoD members adopted the decision on the sixth item.

Item 7

On approving Credit plan of Kubanenergo for the 4th quarter of 2014

The following decision is proposed:

1. To approve credit plan of Kubanenergo for the 4th quarter of 2014 in accordance with Appendix 10 to present decision of Company’s BoD.
2. To instruct Director General to provide the approving of credit funds attraction including selection of each particular tranche, and advanced repayment of credit funds with permanent purchasing committee on organization and selection of financial institutions for Company’s needs.

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR
Mezhevich V.E.	- FOR	Shatokhin A.G.	- FOR

Thus, the BoD members unanimously adopted the decision on the seventh item.

Item 8

On preliminary approval of decision to make a transaction related to free of charge transfer of movable property for production purposes, transfer, distribution of electric and heat energy – backup sources of energy supply

The following decision is proposed:

To approve free of charge transfer of movable property for production purposes, transfer, distribution of electric and heat energy – backup sources of energy supply at the following conditions:

- list and balance cost of alienated property are specified in Appendix 11 to present decision of Company's BoD;
- method of alienation of property – under the contract of free of charge transfer of property to Black Sea Fleet of Department of Defense of Russian Federation to ownership of Krimea Republic and Sevastopol.

Voting results

Gavrilov A.I.	- FOR	Sergeyev S.V.	- FOR
Varvarin A.V.	- ABSTAINED	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR
Lavrova M.A.	- FOR	Chermentieva Yu. P.	- FOR
Mezhevich V.E.	- FOR	Shatokhin A.G.	- FOR

Thus, the majority of BoD members adopted the decision on the eighth item.

Item 9

On approving agency agreement between Kubanenergo JSC and Mobile GTS JSC as interested party transaction

The following decision is proposed:

1. To determine that agent's fee on agency agreement concluded between "Kubanenergo" JSC and "Mobile GTS" JSC (hereafter - Contract) on the basis of documents submitted to Principal attached to Agency report amounts 5% from the amount of Agency's expenses on fulfillment of Contract and cannot exceed 2 or more percent of Principal's balance sheet assets according to its financial statements as of the last reporting date, preceding the adoption of this decision.
2. To approve the agreement as interested party transaction on the following conditions:

Parties:

Principal – "Kubanenergo" JSC

Agency – "Mobile GTS" JSC

Subject of the Contract:

Principal instructs, and the Agency undertakes to perform legal and other actions on behalf of and at the expense of the Principal, namely to conclude contracts on behalf of the Principal for the donation of the property of RISE for the ownership of users in the territory of the Republic of Crimea and Sevastopol, approved by the authorized authorities and administration of the Republic of Crimea, the city of Sevastopol and the federal Ministry of Defence and to transfer of RISE to specified users; and the Principal shall pay to the Agency the compensation for the performance of this order, and to compensate for costs incurred by the Agency when fulfilling the instructions of the Principal.

Contract price:

Remuneration of Agent determines on the basis of documents submitted to Principal attached to Agency report amounts 5% from the amount of Agency's expenses on fulfillment of Contract.

Terms of the Contract:

Contract comes into force from the date of signing. The Contract is valid till October 31, 2014. Duration of the contract may be extended by written agreement of the parties.

Voting results

Varvarin A.V.	- FOR	Sukhov O.A.	- FOR
Kobelyan A.M.	- FOR	Khokholkova K.V.	- FOR

Lavrova M.A. - FOR

Chermentieva Yu. P. - FOR

Mezhevich V.E. - FOR

Shatokhin A.G. - FOR

Thus, the majority of BoD members adopted the decision on the ninth item.

Chairperson

Sergeyev S.V.

Corporate secretary

Russu O.V.