

**The Opinion of the Audit Committee of the Board of Directors of Kubanenergo PJSC  
on the efficiency and quality of the external audit process**

In accordance with paragraphs 294.2 and 294.3 of the Code of Corporate Governance, approved on 21.03.2014 by the Board of Directors of the Bank of Russia, the Audit Committee of the Board of Directors of Kubanenergo PJSC (hereinafter – the Company) has assessed the efficiency of the process of external audit of the Company’s accounting (financial) statements for 2016, prepared under RAS, and assessed the Auditor’s report, prepared by the results of the audit.

By the results of the public single step tender without prequalification of bidders for the right to conclude the agreement to render compulsory annual audit of financial statements of Rosseti’s affiliated and dependent for the period of 2015-2017, RSM RUS, LLC was recognized as the winner (Minutes of meeting of the Procurement Commission No.5/552p dated 20.04.2015).

On the basis of the decisions of the Annual General Meeting of Shareholders (Minutes of meeting No.11 dated 29.06.2015), the Company and RSM RUS LLC (hereinafter – the External Auditor) concluded Agreement No.161a070 on 20.09.2016.

Registered address of the External Auditor: 4 Pudovkina street, Moscow 119285, Russia.

RSM RUS, LLC is a member of the Self-regulating organization of auditors Non-Profit Partnership “Auditing Association “Sodruzhestvo”, included in the state register of self-regulating organizations of auditors on 25.09.2013, registry number 6938 and is located at building 21/4 Michurinsky lane, Moscow, Russia 119192 (membership certificate No.11306030308).

Independence and objectivity in accordance with the criteria established by the Federal Law No. 07-FZ dated 30.12.2008 “On Auditing Activity” was confirmed by the letter of the External Auditor No. RCM-2190 dated April 17, 2017.

In addition, it should be noted that the independence of the external auditor was confirmed by the absence with RSM RUS LLC of extended period of services for external audit of the Company. RSM RUS, LLC carried out an audit of accounting (financial) statements of the Company for 2015 and 2016. RSM RUS did not provide any other services to the Company in 2015-2016.

The External Auditor prepared and submitted the following documents:

- Management and governance letter (auditor’s report) was submitted to the management of the Company based on the results of the interim audit of accounting (financial) statements prepared in accordance with Russian Accounting Standards for the 9 months ending on 30.09.2016 (37 pages);
- Management and governance letter (auditor’s report) was submitted to the management of the Company based on the results of the audit of accounting (financial) statements prepared in accordance with Russian Accounting Standards for the year ended on 31.12.2016 (38 pages);
- the Auditor’s Report on the accounting (financial) statements of the Company for 2016 (2 pages).

The Audit Committee of the Board of Directors reviewed at its meetings the documents prepared by RSM RUS LLC, discussed with the External Auditor and the Company’s management the main problems of the accounting (financial) statements of the Company prepared in accordance with Russian Accounting Standards (hereinafter – RAS) (minutes of meeting No.47/2016 dated 23.12.2016 and No.\_\_\_\_ dated 27.04.2017)

The content of the Management and governance letter (report), prepared by RSM RUS LLC, meets the requirements of paragraph 10 of the Rules (Standards) 22 “Provision of information, obtained as a result of the audit, to the management of the audited entity and representatives of its owner”.

The procedures performed by RSM RUS LLC in the course of the external audit of accounting (financial) statements of the Company for 2016 under RAS correspond to the terms and conditions of the concluded agreement and the requirements of Federal Law No. 307-FZ “On Auditing Activities” dated 30.12.2008.

The submitted Auditor’s Report complies with the requirements of Federal Law No.307-FZ “On Auditing Activities” dated 30.12.2008, the federal rules (standards) of audit activity, approved by the RF Government Decree No.696 dated 02.09.2002.