





# CORPORATE GOVERNANCE

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**KHAZIKOVA**

ZANDA IVANOVNA

THE DEPUTY DIRECTOR GENERAL FOR CORPORATE  
GOVERNANCE

IN THE REPORTING YEAR, THE BALANCE OF INTERESTS OF PERSONS PARTICIPATING IN THE CORPORATE GOVERNANCE OF THE COMPANY WAS RESPECTED, AS EVIDENCED BY:

- THE ABSENCE OF VIOLATIONS OF THE RIGHTS AND LEGITIMATE INTERESTS OF SHAREHOLDERS, CORPORATE CONFLICTS;
- ACTIVE PARTICIPATION OF THE GOVERNING BODIES IN THE COMPANY'S ACTIVITIES;
- THE TIMELY HOLDING OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS, BOARD MEETINGS AND THEIR DECISIONS;
- FULL AND TIMELY DISCLOSURE OF INFORMATION FOLLOWING THE LEGISLATION OF THE RUSSIAN FEDERATION AND THE COMPANY'S INFORMATION POLICY.

IN 2018, IN ORDER TO BRING INTO COMPLIANCE WITH THE LEGISLATION OF THE RUSSIAN FEDERATION AND INCREASE THE LEVEL OF CORPORATE GOVERNANCE OF THE COMPANY, THE COMPANY'S CHARTER, AS WELL AS THE FOLLOWING PROVISIONS, WERE APPROVED IN A NEW EDITION:

- BOARD OF DIRECTORS;
- MANAGEMENT BOARD;
- ON PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE AUDITING COMMISSION;
- CONCERNING THE DIVIDEND POLICY;
- INFORMATION POLICY;
- ABOUT THE INSIDER INFORMATION.

# PRINCIPLES AND PRACTICES OF CORPORATE GOVERNANCE

By corporate governance, the Company understands a set of processes ensuring the management and control of the Company's activities, including relations between shareholders, the Board of Directors and executive bodies, in the interests of all participants in corporate affairs, including shareholders and management bodies, as well as potential investors, consumers of services, Company employees, contractors, creditors, partners, the state and local communities. Kubanenergo PJSC considers corporate governance as a means of increasing the efficiency of its activities, strengthening its reputation and reducing the costs of raising capital by the Company.

**The Company consistently adheres to the following principles of corporate governance:**

1. **Justice.** The Company undertakes to protect the legal rights of shareholders, to ensure equal treatment of all shareholders, to provide all shareholders with the possibility of adequate protection in case of violation of their rights.
2. **Accountability.** The Board of Directors of the Company is accountable to all shareholders in compliance with the current legislation of the Russian Federation.
3. **Transparency.** The Company ensures timely disclosure of reliable information about all material facts relating to its activities, including its financial position, results of operations, ownership structure, and management of the Company, as well as free access to such information for all interested parties.
4. **Responsibility.** The Company recognizes its responsibility to the shareholders of the Company and provides a reliable way to record the rights to the shares owned by them.



## CORPORATE GOVERNANCE AND CONTROL SCHEME

## GENERAL MEETING OF SHAREHOLDERS (THE HIGHEST GOVERNING BODY OF THE COMPANY)

Decides on the most critical issues of the Company's

### Election of members of the Auditing Commission and early termination of their powers

Reports on the audit of financial and economic activities

## Election of members of the Board of Directors and early termination of their powers

Reports on the development of the Company in priority areas of activity, recommendations on the reorganization of the Company, increasing the share capital, transfer of powers of the sole executive body of the managing organization, approval of annual reports, approval of significant and interested party transactions, participation in associations of commercial organizations, payment of remunerations to members of the Board of Directors and the Auditing Commission, and dividend payments.

**AUDITING COMMISSION**  
(CONTROL OVER THE FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY)

- Confirms the accuracy of the Annual Report and Reporting;
- analyzes the financial condition of the Company, audits the financial and economic activities of the Company;
- develops recommendations for the Company's management bodies.

## BOARD OF DIRECTORS

(OVERALL LEADERSHIP OF THE COMPANY'S ACTIVITIES)

- Determines the priority activities and development strategy of the Company;
- convenes General Meetings of Shareholders of the Company;
- determines the price of the Company's property, the cost of placement and repurchase of securities;
- elects the executive bodies of the Company and controls their activities;
- approves internal documents, a business plan, including an investment program;
- decides on the participation of the Company in other organizations, the establishment, and liquidation of branches and representative offices of the Company;
- determines effective internal control mechanisms;
- determines the position of the Company in the management bodies of subsidiaries and affiliates;
- gives consents to transactions:
  - / major;
  - / which are of interest in making them;
  - / the subject of which are non-current assets of over 10% of the book value of these assets,
  - / connected with gratuitous transfer of the Company's property or property rights (claims),
  - / related to the acquisition (alienation) of non-current assets used in the process of transmission and distribution of electricity, and to the other types of property,
  - / on the transfer (reception) of temporary possession of the real estate and power grid facilities for more than five years,
  - / – entailing the emergence of obligations expressed in foreign currency
- approves the collective agreement, agreements concluded by the Company in the framework of social and labor relations;
- determines the policy of the Company in terms of improving the reliability of the distribution complex of electric networks, credit policy;
- creates committees of the Board of Directors of the Company.

The requirement to conduct an audit of the Company's financial and economic activities

### The requirement to convene an extraordinary General Meeting of Shareholders

Creation of committees, the election of members and chairpersons of committees and early termination of their powers

Recommendations  
(conclusions) for  
decision-making by  
the Board of Directors

**BOARD COMMITTEES:**

- for audit;
  - for Human Resources and remuneration;
  - for reliability;
  - for strategy, development, investment and reform;
  - for technological connection.
- [consultative and advisory bodies involved in the in-depth study of issues related to the competence of the Board of Directors to ensure its effective work]

Plans for implementation of the main activities of the Company, reports on the financial and economic activities of 100% subsidiaries and affiliates

Determination of the number of members,  
the election of members of the Board,  
early termination of their powers,  
the establishment of their remuneration  
and compensation

Election of the general director, early termination of his powers, determination of the terms of the employment contract with the general director, control over the implementation of decisions of the Board of Directors

Reports on the results of the current activities of the Company and on the implementation of decisions of the Board of Directors, proposals on the organization of activities

**GENERAL DIRECTOR**  
(SOLE EXECUTIVE BODY, MANAGES THE CURRENT  
ACTIVITIES OF THE COMPANY)

- Ensures the implementation of the plans of the Company;
- organizes accounting and reporting in the Company;
- manages property, makes transactions on behalf of the Company;
- issues power of attorney;
- opens bank accounts;
- issues orders;
- exercises the rights and obligations of the employer in relation to the Company's employees.

Plans for the implementation of the main activities of the Company, proposals on the organization of activities, decisions on the most important issues of economic activity on and concluding transactions worth 1–25% of the Company's assets

Acting as Chairman of the Board

**MANAGEMENT BOARD**  
(THE COLLEGIAL EXECUTIVE BODY OF THE COMPANY)

- Responsible for the practical implementation of the objectives, strategy and development of the Company and manages its current activities (within its competence);
- ensures the observance of the rights and legitimate interests of shareholders;
- works out the development strategy proposals;
- implements the financial and business policy, developing solutions on the most important issues of current business activities and coordinating the work of the Company's subdivisions;
- provides a high level of return on assets;
- performs the functions of the General Meetings of Shareholders 100% of shares owned by the Company;
- decides on the conclusion of transactions, the subject of which is property, work, and services at a price of from 1 to 25% of the book value of the Company's assets.

In order to improve and systematize the corporate governance of the Company, ensuring greater transparency in the management of Kubanenergo PJSC and confirming the continued readiness to follow the standards of good corporate governance since 2006, the Company has a Corporate Governance Code of the Company,<sup>1</sup> based on the legislation of the Russian Federation, in force at the time of its approval, the Code of Corporate Conduct recommended for use by the FCSM of Russia by Order No. 421/p of April 4, 2002, recognized in international practice as the OECD Principles of Corporate Governance. The Company fully complies with the principles of its Corporate Governance Code.

The Company also adheres to the principles and recommendations of the Corporate Governance Code recommended by the Bank of Russia letter of 10.04.2014 No. 06-52 / 2463 for use by joint-stock companies whose securities are admitted to on-exchange trading (hereinafter referred to as the Corporate Governance Code). Report on the observance of the Corporate Governance Code by Kubanenergo PJSC in 2018 is included in Appendix 3. The Company's Board of Directors confirms that the information contained in this report includes complete and reliable information on the Company's compliance

with the principles and recommendations of the Corporate Governance Code for 2018.

To ensure proper corporate governance and its enhancement the Company also has the following provisions, concerning the<sup>2</sup>:

- General Shareholders Meeting,
- Board of Directors,
- Management Board,
- Auditing Commission,
- Board of Directors committees,
- Insider Information
- Information Policy,
- Corporate Secretary of the Company,
- Dividend Policy, etc.

In the reporting year, the internal audit department assessed the Company's corporate governance system for 2017, according to the results of which the Company's corporate management was recognized as valid with remarks (received 400 points out of 509 possible).

#### The results of the evaluation of the corporate governance of the Company for 2017 by the criteria

COMPONENTS	NUMBER OF QUESTIONS	MAXIMUM RATING		EVALUATION OF KUBANENERGO PJSC		
		NUMBER OF POINTS	WEIGHT IN THE EVALUATION	NUMBER OF POINTS	WEIGHT IN THE EVALUATION	LEVEL OF COMPLIANCE OF THE CORPORATE GOVERNANCE SYSTEM WITH THE ESTABLISHED CRITERIA
Shareholder rights	22	79	16%	66	13%	84%
Board of Directors	49	166	33%	109	21%	66%
Executive management	5	40	8%	32	6%	80%
Transparency and disclosure of information	15	130	26%	110	22%	85%
Risk management, internal control and internal audit	16	63	12%	60	12%	95%
Corporate social responsibility, business ethics	6	31	6%	23	5%	74%
<b>Overall rating</b>	<b>113</b>	<b>509</b>	<b>100%</b>	<b>400</b>	<b>79%</b>	<b>79%</b>

1. The current edition was approved by the Board of Directors of OJSC Kubanenergo on March 6, 2013, Minutes under No. 154/2013.

2. The other internal documents of Kubanenergo PJSC on corporate governance are listed on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) - section 'About Us/ Constituent and internal documents.'

August 22, 2018 the Board of Directors of the Company approved an internal audit report for the evaluation of the effectiveness of the corporate governance system for 2017.

**The following measures were taken in the reporting year, to raise the level of corporate governance of Kubanenergo PJSC:**

<p>The Company's Charter was approved in a new edition.</p>	<p>The purpose of approval of a new Charter edition is to bring it in compliance with the legislation of the Russian Federation and the Corporate Governance Code:</p> <ul style="list-style-type: none"> <li>• shareholders have an additional opportunity to send bulletins by e-mail, the same as to post them on the Company's website in the Internet;</li> <li>• competence of the Board of Directors:             <ul style="list-style-type: none"> <li>/ supplemented by making decisions on the acceptance of offers to acquire additional shares of the Company,</li> <li>/ changed to determine the position on the approval of the business plan of specialized subsidiaries and affiliates,</li> <li>/ specified in terms of control and organization of the internal audit subdivision;</li> </ul> </li> <li>• the procedure for determining the quorum for holding a meeting of the Board of Directors has been clarified for making decisions on whether to consent to or for subsequent approval of transactions;</li> <li>• the frequency of issues for the consideration of documents of subsidiaries and affiliates has been synchronized;</li> <li>• the list and procedure are clarified for the provision and access of shareholders to information, kept by the Company;</li> <li>• the possibility of sending notifications to the Company about the indication of possible interest in making the Company's transactions through the information and telecommunication Internet network and e-mail</li> </ul>
<p>Regulation for the Board of Directors were approved in a new edition</p>	<p>The new wording of the Regulation:</p> <ul style="list-style-type: none"> <li>• the requirements of the Federal Law No. 208-ФЗ dated December 26, 1995 "On Joint-Stock Companies" of the Corporate Governance Code were taken into account;</li> <li>• the role of the Board of Directors has been clarified in control over the activities of the Company's executive bodies and the legitimate interests of the Company's shareholders;</li> <li>• for organizing and conducting meetings of the Board of Directors, there was provided a modern software</li> </ul>
<p>Management Board Regulation approved in a new edition</p>	<p>The new wording of the Regulation:</p> <ul style="list-style-type: none"> <li>• there were considered the following requirements of Federal Law No. 208-ФЗ dated December 26, 1995 "On Joint-Stock Companies";</li> <li>• the possibility of using modern software is provided for organizing and conducting meetings of the Management Board</li> </ul>
<p>Regulation for the payment of remuneration and compensation to the members of the Auditing Commission has been approved in a new edition</p>	<p>The purpose of adopting a new version of Regulation is to improve corporate governance practices; this document specifies the deadlines for the payment of remuneration to the Auditing Commission members and clarifies the list of Provision non-applicants</p>
<p>The information policy Regulation was approved in a new edition</p>	<p>The new wording of the Regulation provides for the mandatory annual review of the Company's compliance with its information policy</p>
<p>Regulation on the Dividend Policy was approved in a new edition</p>	<p>The new version of the Regulation clarifies the following provisions:</p> <ul style="list-style-type: none"> <li>• aspects of Dividend Policy;</li> <li>• determining the dividends rate (accounting for consolidated financial statements in determining the amount of dividends);</li> <li>• dividend calculation procedure;</li> <li>• conditions and grounds for interim dividend payments</li> </ul>
<p>The Regulation about the insider information were approved in a new edition</p>	<p>The list of insiders of the second class includes employees, responsible for the following functions in the Company:</p> <ul style="list-style-type: none"> <li>• ensuring the implementation of investment programs, the development of sources of financing investment programs, capital construction and repair activities;</li> <li>• tariff making, interaction with regulatory bodies, electricity market participants, customers, ensuring the transportation of electricity and power supply, technological connection, technology evolution, and innovations;</li> <li>• automated control systems, software administration, IT security;</li> <li>• operational and technical management, emergency prevention;</li> <li>• paperwork management, case management, and protocol support</li> </ul>
<p>The participation of its members in the work of the Board of Directors has made up 98.3%</p>	<p>The activity of members of the Board of Directors in the work of this governing body increased in the reporting year by 3.3% compared with the previous year</p>

The Company plans to maintain the achieved level of corporate governance practice and is committed to improving it in the future.

# GENERAL MEETING OF SHAREHOLDERS

The General Meeting of shareholders is the highest governing body of the Company. In its activities, the General Meeting of Shareholders is guided by the laws of the Russian Federation, the Charter of the Company and the Regulation of the General Meeting of Shareholders. The Charter of the Company determines the competence of the General Meeting of Shareholders.

The decisions of the General Meeting of Shareholders of Kubanenergo PJSC are published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section "About Us/ Management bodies/ General Meeting of Shareholders."

In 2018, there was held the one Annual General Meeting of Shareholders of the Company:

DATE OF THE GENERAL SHAREHOLDERS MEETING	DATE AND NUMBER OF MINUTES OF THE GENERAL MEETING OF SHAREHOLDERS	THE QUORUM OF THE GENERAL MEETING OF SHAREHOLDERS	MAJOR DECISIONS, TAKEN BY THE GENERAL MEETING OF SHAREHOLDERS
25.05.2018	From 28.05.2018, No.40	99.64% of the total number of outstanding voting shares	<p>To approve the Company's Annual Report for 2017.</p> <p>To approve the Annual Financial Statements of the Company for 2017.</p> <p>To approve the following distribution of profits (losses) of the Company for the 2017 reporting year:</p> <ul style="list-style-type: none"> <li>• 26,264 thousand rubles – to increase the emergency reserve fund,</li> <li>• 177,442 thousand rubles – for the development of the Company,</li> <li>• 321,570 thousand rubles – for the payment of the dividends.</li> </ul> <p>To pay dividends on ordinary shares of the Company following the results of 2017 in the amount of 1.0585165 rubles per share in cash.</p> <p>Elect members of the Board of Directors and the Auditing Commission of the Company.</p> <p>Approve Ernst &amp; Young LLC as the Company's Auditor.</p> <p>Approve the Company's Charter in a new edition.</p> <p>Approve in a new edition the following Regulations of the Company, concerning the:</p> <ul style="list-style-type: none"> <li>• Board of Directors,</li> <li>• Management Board,</li> <li>• payment of remuneration and compensation to members of the Company's Auditing Commission.</li> </ul> <p>Approve the participation of Kubanenergo PJSC in the Association "Nonprofit Enterprise Market Council"</p>



# BOARD OF DIRECTORS

The Board of Directors is a collegial management body that exercises general management of the Company's activities, defines its strategy, controls the actions of the Company's executive bodies, as well as implements decisions of the General Meeting of Shareholders and ensures the legitimate interests of shareholders of Kubanenergo PJSC.

## The main goals and objectives of the Board of Directors:

- determination of the Company's development strategy pointed at increasing its market capitalization and investment prospects, achieving maximum profit and expanding the Company's assets;
- assuring the implementation and protection of the rights and legitimate interests of shareholders, as well as facilitating the resolution of corporate conflicts;
- ensuring the completeness, reliability, and objectivity of disclosure of information about the Company;
- creating effective internal control mechanisms;
- regular assessment of the executive bodies and work of the Company's management.

## For the realization of these goals and objectives of the Board of Directors is guided by the following principles:

- decisions making is based on reliable information about the Company's activities;
- exclusion of restrictions for participation of shareholders in the management of the Company, receiving dividends and information about the Company;
- balancing the interests of various groups of shareholders and adopting the most sensible decisions by the Board of Directors in the interests of all shareholders of the Company.

In the course of business activity, the Board of Directors is guided by the Federal Law dated December 26, 1995, No. 208-ФЗ "Concerning the Joint-Stock Companies," other regulatory legal acts of the Russian Federation, Charter of the Company, Regulation of the Board of Directors<sup>1</sup>.

## The competence of the Board of Directors of the Company, in addition to the mandatory provisions of the Federal Law No. 208-ФЗ, dated 26.12.1995, "Concerning the Joint-Stock Companies," also includes:

- determination of the Company's development strategy;
- approval of a business plan and review of quarterly reports on business plan execution;
- approval of the investment program and quarterly reports on the results of its execution;
- approval of the target values of key performance indicators and performance reports;
- making decisions on the acceptance of offers to acquire additional shares of the Company placed through an open subscription;
- definition of the Company's policy:

- in terms of improving the reliability of the electric networks distribution complex of and other facilities of the power supply network,
- in the insurance,
- credit,
- purchasing,
- housing areas of activity;
- organization of management and control of organizations, which are in the scope of the Company activities:
  - / approval of the procedure for the Company's interaction with organizations of direct participation;
  - / determining the position of the Company on the central issues on the agendas of General Meetings of shareholders (participants) and meetings of Boards of Directors of subsidiaries and associates of the Company;
  - / appointment of Company representatives for participation in the highest management bodies of organizations of its direct activities;
  - / deciding on the nomination of candidates by the Company for election to the management and control bodies of organizations of its direct participation, as well as the nomination of auditor;
- preliminary approval of decisions for the conclusion of individual transactions by the Company:
  - / in the non-current assets of the Company in the amount of more than 10% of their book value;
  - / related to the acquisition, alienation or the possibility of separation of the property constituting fixed assets, intangible assets, construction in progress, generally used for production, transmission, dispatching, distribution of electrical and thermal energy, as well as of other types of property determined by individual decisions of the Board of Directors;
  - / for transfer (reception) to the temporary possession (use) of real estate and power supply network for more than five years;
  - / related to the gratuitous transfer of the Company's property or property rights (claims) back to the Company or a third party; transactions related to exemption from property obligations to the Company or a third party; transactions related to the granting of services by the Company to third parties;
  - / which may entail the emergence of liabilities denominated in foreign currency, transactions with derivative financial instruments;

1. The Regulation on the Board of Directors of Kubanenergo PJSC was published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'About Us/ Constituent and internal documents.'

- organization and control of the Company's executive bodies:
  - / making decisions on the appointment of the Acting General Director of the Company,
  - / disciplinary action against bodies of the Company and their promotion,
  - / consideration of the Company activities General Director reports,
  - / control over the activities of executive bodies in terms of the implementation of the strategy approved by the Company,
  - / recommendations to the executive bodies of the Company on any issues of the Company's activities,
  - / approval of Regulations of material incentives for the General Director and top managers of the Company,
  - / approval of candidates for specific positions in the executive office of the Company;
- preliminary approval of the collective agreement, agreements concluded by the Company in the framework of social and labor regulation, approval of documents for non-state pension coverage for the Company's employees;
- approval of appraisers, financial consultants;
- making decisions on the Company's accession to industry and inter-sectoral standards, Operating Procedures and other documents in the electricity sector in various areas of the Company's activities, including technical control;
- the establishment of committees of the Board of Directors and the election of their members;
- determination of principles and approaches to the organization of internal audit, risk management, and internal control systems in the Company;
- assessment of critical operational risks, as well as the detection of an acceptable amount of risks for the Company;
- organizing an annual analysis and evaluation of the functioning of risk management and internal control systems;
- annual consideration of the organization, functioning, and effectiveness of risk management and internal control systems in the Company;
- control and organization of the internal audit subdivision, reviewing the results of the quality assessment of the internal audit function.

## BOARD OF DIRECTORS<sup>1</sup>

The Board of Directors is elected by the General Meeting of Shareholders of the Company in the amount of 11 persons for the period until the next Annual General Meeting of Shareholders. In case of the election of the Board of Directors at an extraordinary General Meeting of Shareholders, members of the Board of Directors shall be deemed elected for the period until the date of the next Annual General Meeting of Shareholders.

In the reporting year, there were two personal members of the Board of Directors of the Company.

### The current composition of the Board of Directors elected at the Annual General Meeting of Shareholders of the Company on May 25, 2018<sup>2</sup>

#### 1. Sergeeva Olga Andreevna, Chairman of the Board of Directors, the Non-Executive Director<sup>3</sup>:

<b>Year of birth</b>	1984
<b>High</b>	Education. She graduated from the Russian Academy of Economics, named after G.V. Plekhanov, majoring in "Economics and Management at an Enterprise. Construction"
<b>Has experience over the past five years:</b>	
2010–2017	Deputy Head of the Department of Fuel and Energy Economy of Moscow
2017–2017	Deputy Head of the Department for Housing and Communal Services of Moscow
2018 – present time	Member of the Management Board, Deputy General Director – Chief of Staff of PJSC Rosseti – the main place of work
2018 – present time	Member of the Boards of Directors of PJSC "IDGC of the South," PJSC "Moscow United Electric Grid Company," PJSC "IDGC of the North-West," PJSC Lenenergo, PJSC "IDGC of Northern Caucasus,"
2018 – present time	Chairman of the Committee for Human Resources and Remuneration of the Board of Directors of Kubanenergo PJSC
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 25.05.2018 to the present time

1. Consent to the disclosure of personal information specified in the 'Corporate Governance' section was obtained from all persons who currently are or were members of the management and control bodies of Kubanenergo PJSC.

2. Information about the work experience of the members of the Board of Directors represents only the last positions they hold for each place of work. All positions held by members of the Board of Directors are listed in the Issuer's quarterly reports published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'Shareholders and Investors/ Disclosure of Information/ Issuer's quarterly reports. Information about the places of work of the members of the Board of Directors and the positions held by them are indicated according to the data provided by them to the Company at the end of the reporting year. By the term "present time" in this case the Company is referring to December 31, 2018.

3. The status of members of the Board of Directors (executive, non-executive, independent) is determined by the criteria of the Corporate Governance Code.

## 2. Varvarin Alexander Viktorovich, the Non-Executive Director:

<b>Year of birth</b>	1975
<b>High</b>	Education. He graduated from the Institute of International Law and Economics, after A.S. Griboyedov, with major in "Jurisprudence"
<b>Has experience over the past five years:</b>	
2005 – present time	Vice-President – Managing Director of the Corporate Relations and Legal Support Department of All-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs" (ARAE RUIE) – the main place of work
2006 – present time	General Director, Member of the Board, Non-profit partnership "Center for the Development of Corporate Relations and Resolution of Economic Disputes"
2006–2014	Deputy Chairman of the Board of the Russian Union of Self-Regulated Organizations of Arbitration Managers (RUSROAM)
2008 – present time	Chairman of the Board of the Non-profit Partnership "Interregional self-regulatory organization of professional arbitration managers."
2009–2016	Member of the Board of Directors of OJSC "The All-Russian Public Opinion Research Center". Chairman of the Board of Directors of OJSC All-Russia Institute for Oil and Gas Research
2011–2016	Chairman of the Board of Directors of OJSC Innovation Research and Production Center of Textile and Light Industry
2011–2017	Member of the Board of Directors of PJSC "IDGC of Volga"
2012 – present time	Member of the Auditing Commission of Russian Railways
2013–2015	Chairman of the Boards of Directors of OJSC Production and Science Center, OJSC "Central Research Institute of Technological Equipment for Textile Equipment", OJSC "Central Research Institute of Leather and Footwear industry", OJSC "Central Research Institute for the Integrated Automation of Light Industry", OJSC "Central Research Institute of Film Materials and Artificial Leather." Member of the Boards of Directors of OJSC "State Transport Leasing Company", OJSC IDGC of the North Caucasus
2014 – 2018	Chairman of the Committee for Technological Connection of the Board of Directors of Kubanenergo PJSC
2014–2017	Member of the Committee for Human Resources and Remuneration of the Board of Directors of Kubanenergo PJSC
2016–2016	Member of the Board of Directors of JSC "VNII NP"
2017–2018	Member of the Boards of Directors of OJSC Construction and Industrial Company "Mosenergostroy," Joint-stock Company "Scientific and technological Company Russian interdisciplinary scientific and technical complex "Nefteotdacha"
2017 – present time	Member of the Board of NP "Institute of Internal Auditors"
2018 – present time	Member of the Board of Directors of PJSC "IDGC of the Center." Member of the Board of Directors of PJSC "IDGC of Center."
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 17.06.2013 to the present time

### 3. Gavrilov Alexander Ilyich, the Executive Director:

<b>Year of birth</b>	1973
<b>Higher</b>	<p>Education. He graduated from the Kuban State University with a degree in accounting and audit, the Kuban State Technological University with a degree in development and operation of oil and gas fields.</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> <li>– in Ernst &amp; Young LLC on the subject of risk management;</li> <li>– in Federal State Autonomous Educational Institution of Higher Education (FSAEI HE) Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex" under the program "Organization of mobilization work in organizations of the fuel and energy complex having mobilization tasks";</li> <li>– in Federal State-Funded Institution "Education and Training Centre" of Rostechnadzor on the topic "Training and testing knowledge of the labor protection requirements of managers and specialists";</li> <li>– in the LLC "International Educational Academy" on the topic "First Aid for victims in Production."</li> </ul> <p>He has a doctorate in economics.</p>
<b>Has experience over the past five years:</b>	
2013 – present time	General Director, Chairman of the Board of Kubanenergo PJSC – the main place of work
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 23.06.2014 to the present time

### 4. Gritsenko Vladimir Fedorovich, Independent Director:

<b>Year of birth</b>	1965
<b>High</b>	Education. He graduated from the Russian State University for the Humanities with a degree in jurisprudence.
<b>Has experience over the past five years:</b>	
2012 – present time	Director for Business Development of LLC Unitel Engineering – the main place of work
2016 – present time	<p>Member of the Presidium of the NP "OPORA ROSSII."</p> <p>Member of the Committee for Strategy, Development, Investments, and Reform of the Board of Directors of Kubanenergo PJSC.</p> <p>Member of the Investment Committee of the Board of Directors of PJSC FGC UES</p>
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 24.06.2016 to the present time

### 5. Medvedev Mikhail Vladimirovich, Independent Director:

<b>Year of birth</b>	1969
<b>High</b>	Education. He graduated from St. Petersburg State University of Economics and Finance with a degree in finance and credit.
<b>Has experience over the past five years:</b>	
2011–2015	General Director of LLC "VTM-Engineering"
2011 – present time	Deputy General Director of LLC Intra Tul Holding Company – the main place of work
2015 – present time	Deputy General Director for Economics and Finance, Chairman of the Board of Directors of LLC "Industrial Park Safonovo"
2017 – present time	Member of the Board of Directors of JSC "Avangard." Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC. Member of the Committee for Strategy and Development of the Board of Directors of JSC "Tyumenenergo"
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 16.06.2017 to the present time

## 6. Osipova Elena Nikolaevna, the Non-Executive Director:

<b>Year of birth</b>	1984
<b>High</b>	Education. She graduated from the Financial University under the Government of the Russian Federation, Moscow, Institute of Accounting and Audit, majoring in Accounting, Analysis, and Audit
<b>Has experience over the past five years:</b>	
2013–2014	Chief specialist of the small business department of OJSC Bank of Moscow
2014 – present time	Head of Financial Analysis and Liquidity Management of the Treasury Department of PJSC Rosseti – the main place of work
2017–2018	Member of the Audit Committee of the Board of Directors of Kubanenergo PJSC
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 16.06.2017 to the present time

## 7. Selivanova Lyudmila Vasilievna, the Non-Executive Director:

<b>Year of birth</b>	1958
<b>High</b>	Education. She graduated from Moscow State University, named after M.V. Lomonosov with a degree in "Journalism." She has a Ph.D. degree in economics.
<b>Has experience over the past five years:</b>	
2012–2014	Head of the Department of Economic Policy, Taxes and Taxation of the European Institute JUSTO
2017 – present time	Deputy General Director for Government Relations of PJSC Rosseti – the main place of work
2018 – present time	Member of the Boards of Directors of PJSC IDGC of Volga, PJSC IDGC of the South
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 25.05.2018 to the present time

## 8. Tyukanko Alexey Sergeevich, the Non-Executive Director:

<b>Year of birth</b>	1983
<b>High</b>	Education. He graduated from the Kursk State Technical University in the field of "Examination and Management of Real Estate" and "Jurisprudence"
<b>Has experience over the past five years:</b>	
2013 – present time	Head of Documentation Support and Control of the Execution of Instructions of the Department for Organizational Support of PJSC Rosseti – the main place of work
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 25.05.2018 to the present time

## 9. Tyurkin Konstantin Vladimirovich, the Non-Executive Director:

<b>Year of birth</b>	1982
<b>High</b>	Education. He graduated from Moscow State University, named after M.V. Lomonosov, Regional Economist
<b>Has experience over the past five years:</b>	
2013 – present time	Head of Communications and External Relations of the Information Policy and Public Relations Department of PJSC Rosseti – the main place of work
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 16.06.2017 to the present time

#### 10. Khokholkova Ksenia Valerievna, the Non-Executive Director:

<b>Year of birth</b>	1970
<b>High</b>	Education. He graduated from the State Academy of Management after Sergo Ordzhonikidze with a degree in "Organization of management in Fuel and Energy Complex"
<b>Has experience over the past five years:</b>	
2008 – present time	Chief Expert of the Securities Department and Information Disclosure of the Corporate Governance Department of PJSC Rosseti – the main place of work
2009–2014	Member of the Board of Directors of OJSC Ingushenergo
2010–2014	Member of the Board of Directors of OJSC Volga Region Energy Engineering Center
2013–2014	Member of the Auditing Commission of OJSC "IDGC of Volga." Member of the Committee for Strategy, Development, Investments, and Reform of the Board of Directors, OJSC "IDGC of Siberia"
2014–2015	Member of the Boards of Directors of OJSC "SIC of Volga Region," JSC "Energoservice"
2014–2016	Member of the Board of Directors of JSC Lenenergospetsremont. Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of Kubanenergo PJSC
2014–2017	Member of the Board of Directors of OJSC Health Resort "Energetik"
2014 – present time	Member, Chairman of the Audit Committee of the Board of Directors of Kubanenergo PJSC
2015 – present time	Member of the Board of Directors of JSC "ENIN"
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 23.06.2014 to the present time

#### 11. Shagina Irina Aleksandrovna, the Non-Executive Director:

<b>Year of birth</b>	1979
<b>High</b>	Education. She graduated from the All-Russian Correspondence Financial and Economic Institute with a degree in accounting and auditing, the Vladimirovskiy Law Institute of the Federal Penitentiary Service of Russia with a degree in jurisprudence.
<b>Has experience over the past five years:</b>	
2011–2015	Deputy Head of the Department for Regulation of the Electric Power Industry of the Federal Tariff Service of Russia
2015 – present time	Director of the Tariff Policy Department of PJSC Rosseti – the main place of work
2016–2018	Member of the Board of Directors of PJSC "IDGC of Volga"
2017–2018	Member of the Strategy and Development Committees of the Board of Directors of PJSC "IDGC of Center", PJSC "IDGC of Center and Volga Region", PJSC "IDGC of Northern Caucasus",
2017 – present time	Member of the Audit Committee of the Board of Directors of Kubanenergo PJSC.
2018 – present time	Member of the Boards of Directors of PJSC "Tomsk Distribution Company," PJSC "IDGC of the North-West." Member of the Committees for Strategy and Development of the Boards of Directors of PJSC "MOESK," JSC "IDGC of Urals"
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 16.06.2017 to the present time

THE SHARE OF INDEPENDENT DIRECTORS IN THIS COMPOSITION OF THE BOARD OF DIRECTORS IS – 2/11.

**Board of Directors elected at the Annual General Meeting of Shareholders on June 16, 2017 and acting until the new members of the Board of Directors were elected on May 25, 2018<sup>1</sup>**

1. Information about the work experience of the members of the Board of Directors represents only the last positions they hold for each place of work. All positions held by the members of the Board of Directors (in chronological order) are listed in the Company's quarterly reports published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru), in the section "To Shareholders and Investors/ Disclosure of Information/ Issuer's Quarterly Reports." Information about the places of work of members of the Board of Directors and the positions they hold are in accordance with the data provided by them to the Company as of March 31, 2018.



## 1. Alexander Nikolaevich Fadeev, Chairman of the Board of Directors, the Non-Executive Director<sup>1</sup>:



<b>Year of birth</b>	1949
<b>High</b>	Education. He graduated from the Moscow Institute of Geodesy, Aerial Photography and Cartography in the specialty "Optoelectronic Devices"
<b>Has experience over the past five years:</b>	
2011–2014	Deputy Chairman of the Security Board of OJSC FGC UES
2013–2016	Chairman, Member of the Board of Directors of OJSC "IDGC of Urals"
2014 – present time	Chief Advisor of PJSC Rosseti – the main place of work
2015–2017	Chairman of the Board of Directors of PJSC "IDGC of the Center and Volga Region"
2015–2018	Chairman of the Board of Directors of PJSC "IDGC of Siberia". Member of the Board of Directors of PJSC "IDGC of the South"
2017–2018	Chairman of the Boards of Directors of PJSC "IDGC of the North Caucasus," OJSC "IDGC of the Urals." Member of the Board of Directors of PJSC "IDGC of Volga"
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 16.06.2017 to 25.05.2018

1. The status of members of the Board of Directors (executive, non-executive, independent) is defined by the criteria of the Corporate Governance Code.

## 2. Svetlana Alexandrovna Balaeva, the Non-Executive Director:

<b>Year of birth</b>	1973
<b>High</b>	Education. She graduated from the State University of Management, Economist-Manager
<b>Has experience over the past five years:</b>	
2008–2018	Chief Advisor of PJSC Rosseti – the main place of work
2013–2014	Member of the Board of Directors of JSC "IDGC of the North-West"
2014–2017	Member of the Board of Directors of JSC "Tyumenenergo"
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 16.06.2017 to 25.05.2018

## 3. Alexander Leonidovich Efimov, the Non-Executive Director:

<b>Year of birth</b>	1982
<b>High</b>	Education. He graduated from Moscow University of the Ministry of Internal Affairs of Russia with a degree in Jurisprudence.
<b>Has experience over the past five years:</b>	
2009–2013	Protocol Director – Head of Protocol Department of OJSC FGC UES
2013 – present time	Director of the Department for Organizational Support of PJSC Rosseti – the main place of work
<b>Period of work in the Board of Directors of Kubanenergo PJSC</b>	From 24.06.2016 to 25.05.2018

The following members of the Board of Directors of this composition were elected again to the Board of Directors of the Company by the decision of the Annual General Meeting of Shareholders of Kubanenergo PJSC on May 25, 2018, see their details in the current composition of the Board of Directors:

4. Varvarin Alexander Viktorovich, the Independent Director in the present composition.
5. Gavrilov Alexander Ilyich, the Executive Director.
6. Gritsenko Vladimir Fedorovich, the Independent Director.
7. Medvedev Mikhail Vladimirovich, the Independent Director.
8. Osipova Elena Nikolaevna, the Non-Executive Director.
9. Tyurkin Konstantin Vladimirovich, the Non-Executive Director.
10. Khokholkova Ksenia Valerievna, the Non-Executive Director.
11. Shagina Irina Aleksandrovna, the Non-Executive Director.

THE SHARE OF INDEPENDENT DIRECTORS IN THIS COMPOSITION OF THE BOARD OF DIRECTORS IS 3/11.

All persons who were members of the Company's Board of Directors in 2018 are citizens of the Russian Federation.

### None of the members of the Board of Directors of the Company:

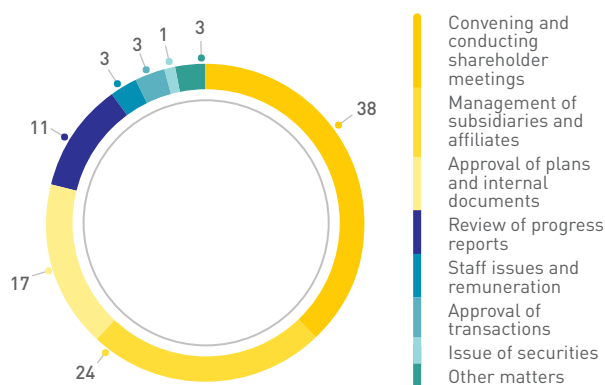
- owned shares of the Company in the reporting year and made any transactions with them<sup>1</sup>;
- had any training course in the reporting year at the expense of the Company;
- had family ties with persons who are members of the governing bodies and/or control over the financial and economic activities of Kubanenergo PJSC;
- have brought to administrative responsibility for offenses in the area of finance, taxes, and duties, securities market or criminal liability for economic crimes or crimes against state power;
- hold positions in the governing bodies of commercial organizations during the period, when a bankruptcy case was initiated against these organizations and/or was introduced any of the bankruptcy procedures on insolvency provided for by the legislation of the Russian Federation;
- have any conflict of interest with the Company in the reporting year.

1. According to data provided by members of the Board of Directors to the Company,

## ACTIVITIES OF THE BOARD OF DIRECTORS

In 2018, there were 34 meetings of the Board of Directors, of which two were held in-person and in absentia (including via video-conferencing), the rest – in the absentee form (by questionnaire).

Structure of issues considered by the Board of Directors of the Company in 2018, %



**At in-person-absentee meetings (including via video-conferencing) in the reporting year, the Board of Directors has considered the following reports:**

- on the execution of the Company's business plan for 2017, as well as for the nine months of 2018;
- on the results of the implementation of the investment program for the fourth quarter and 12 months of 2017, for the third quarter and nine months of 2018

### Major decisions taken by the Board of Directors of Kubanenergo PJSC in the reporting year

#### THERE WERE APPROVED THE LONG-TERM PLANS AND PROGRAMS OF THE COMPANY

- energy loss enhancement program;
- scenario conditions for the formation of the investment program;
- program of modernization (renovation) of power grid facilities;
- plan for decommissioning equipment containing polychlorinated biphenyls;
- the non-core asset transfer program.

#### THERE WERE APPROVED THE FOLLOWING COMPANY PLANS AND PROGRAMS FOR 2018

- business plan;
- the timed action plan to reduce overdue receivables for electricity;
- transmission services;
- procurement plan;
- the program of non-state pension provision for the Company's employees;
- plan for the development of a production asset management system;
- operating plan of the internal audit department;
- target values of key performance indicators of the Company's General Director.

#### THERE WERE APPROVED THE FOLLOWING INTERNAL DOCUMENTS OF KUBANENERGO PJSC

- in quality of the Company's internal documents:
  - The policy of PJSC "Rosseti" in the area of information technology, automation and telecommunications;
  - The Unified Procurement Standard of PJSC Rosseti (Procurement Policy).
- new editions:
  - Dividend Policy;
  - Regulation on Information Policy;
  - Insider Information Regulation;
  - The procedure for organizing the sale of non-core assets;
  - Guidelines for determining the power reserves at the power centers of Kubanenergo PJSC.

- **DRAFT ARTICLES OF ASSOCIATION AND INTERNAL REGULATIONS WERE REVIEWED AND PROPOSED FOR APPROVAL BY THE NEW GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY IN A NEW EDITION.**
- **REPORTS OF THE GENERAL DIRECTOR WERE REVIEWED ON VARIOUS ASPECTS OF THE COMPANY'S FINANCIAL AND BUSINESS ACTIVITIES, AS WELL AS ON EXECUTION OF DECISIONS OF THE BOARD OF DIRECTORS (USUALLY QUARTERLY)**
- **A NOTIFICATION ON THE RESULTS OF AN ADDITIONAL ISSUE OF THE COMPANY'S SECURITIES HAS BEEN APPROVED.**
- **THERE WERE FORMED THE PERSONAL COMPOSITION OF COMMITTEES OF THE BOARD OF DIRECTORS**

### The activity of the Board of Directors in 2016–2018

	2016	2017	2018
Number of meetings held by the Board of Directors	32	35	34
<b>of them arranged in full-time form</b>	2	3	2
Number of issues addressed	234	169	147
<b>including decisions made</b>	234	169	147
The participation of the Board members in the work of this body on average	84.6%	95.0%	98.3%

## Participation of members of the Board of Directors of Kubanenergo PJSC in the meetings of the Board of Directors in 2018

DATE OF MEETING OF THE BOARD OF DIRECTORS/ BOARD MEMBERS	NUMBER OF ITEMS ON THE AGENDA	FADEEV A.N. (THE CHAIRMAN)	BALAEVA S.A.	EFIMOV A.L.	VARVARIN A.V.	GAVRILOV A.I.	GRITSSENKO V.F.	MEDVEDEV M.V.	OSIPOVA E.N.	TYURKIN K.V.	KHOKHOLKOVA K.V.	SHAGINA I.A.	SERGEeva O.A. (THE CHAIRMAN)	SELIVANOVA L.V.	TYUKANKO A.S.	THE NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS WHO TOOK PART IN THE MEETING
23.01.2018	1	+	+	+	+	+	+	+	+	+	+	+	The persons, first elected at the Annual General Meeting of Shareholders of the Company on 25.05.2018 to the Board of Directors			11
31.01.2018	1	+	+	+	+	+	+	+	+	+	+	+				11
07.02.2018	6	+	+	+	+	+	+	+	+	+	+	+				11
09.02.2018	1	+	+	+	+	+	+	+	+	+	+	+				11
22.02.2018	4	+	+	+	+	+	+	+	+	+	+	+				11
22.02.2018	1	+	+	+	+	+	+	+	+	+	+	+				11
22.02.2018	1	+	+	+	+	+	+	+	+	+	+	+				11
26.02.2018	4	+	+	+	+	+	+	+	+	+	+	+				11
06.03.2018	2	+	+	+	+	+	+	+	+	+	+	+				11
30.03.2018	4	+	+	+	+	+	+	+	+	+	+	+				11
19.04.2018	23	+		+	+	+	+	+	+	+	+	+				10
20.04.2018	1	+	+	+	+	+	+	+	+	+	+	+				11
11.05.2018	2	+	+	+	+	+	+	+	+	+	+	+				11
14.05.2018	2	+	+	+	+	+	+	+	+	+	+	+				11
18.05.2018	11	+	+	+	+	+	+	+	+	+	+	+				11
21.05.2018	3	+	+	+	+	+	+	+	+	+	+	+				11
24.05.2018	6	+	+	+	+	+	+	+	+	+	+	+				11
15.06.2018	2	The persons, which did not become members of the Board of Directors at the Annual General Meeting of Shareholders of the Company on 25.05.2018				+	+	+	+	+	+	+	+	+	+	11
28.06.2018	5					+	+	+	+	+	+	+	+	+	+	10
30.07.2018	5					+	+	+	+	+	+	+	+	+	+	11
30.07.2018	3					+	+	+	+	+	+	+	+	+	+	11
15.08.2018	2					+	+	+	+	+	+	+	+	+	+	11
21.08.2018	10					+	+	+	+	+	+	+	+	+	+	11
21.09.2018	7					+	+	+	+	+	+	+	+	+	+	11
25.10.2018	5					+	+	+	+	+	+	+	+	+	+	11
02.11.2018	3					+	+	+	+	+	+	+	+	+	+	11
07.12.2018	2					+	+	+	+	+	+	+	+	+	+	11
18.12.2018	11					+	+	+	+	+	+	+	+	+	+	11
20.12.2018	2					+	+	+	+	+	+	+	+	+	+	11
25.12.2018	4					+	+	+	+	+	+	+	+	+	+	11
26.12.2018	3					+	+	+	+	+	+	+	+	+	+	11
27.12.2018	3					+	+	+	+	+	+	+	+	+	+	11
28.12.2018	6					+	+	+	+	+	+	+	+	+	+	11
29.12.2018	1					+	+	+	+	+	+	+	+	+	+	11
Number of meetings attended by a member of the Board of Directors		17 of 17	16 of 17	17 of 17	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	17 of 17	16 of 17	17 of 17	

☑/☐ participation/ non-participation of a member of the Board of Directors in a meeting

☐/☐ in-person-absentee<sup>1</sup>/ in absentia form of the meeting of the Board of Directors

1. Including through video conferencing.

All members of the Board of Directors of the Company, who were simultaneously members of committees of the Board of Directors in 2018, took part in all meetings of committees, with the exception of I.A. Shagina, who did not participate in the meetings of the Audit Committee of the Board of Directors on May 21, 2018, September 26, 2018 and December 19, 2018

As a rule, the Chairman of the Board of Directors is elected at the first meeting of the Board of Directors in a new composition.

At one of the first meetings, the Board of Directors approves the action plan for the corporate year, which is formed on proposals from the Chairman and members of the Board of Directors, the Auditing Commission, General Director, members of the Management Board, and auditor in the following aspects:

- strategic development of the Company,
- medium-term and current planning of the Company's activities,
- administration of the Board of Directors,
- control over the implementation of decisions of the Board of Directors and the General Meeting of Shareholders.

**The action plan of the Board of Directors includes:**

- issues to be considered at meetings of the Board of Directors (quarterly),
- schedule of meetings,
- the list of persons (management bodies of the Company) responsible for the preparation of issues for meetings of the Board of Directors.

**Minutes of meetings of the Kubanenergo PJSC Board of Directors are published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section " About Us/Management bodies/ Board of Directors."**



# COMMITTEES OF THE BOARD OF DIRECTORS

The committees of the Board of Directors have been established to ensure the effective performance of its functions related to the general management of the Company's operations:

- Reliability Committee
- Audit Committee
- Committee for Strategy, Development, Investment and Restructuring,
- Human Resources and Remuneration Committee
- Committee for technological connection.

The committees have the status of advisory bodies, which are engaged in the in-depth study of the most critical issues related to the competence of the Board of Directors, and preparation of recommendations (opinions) to the Board of Directors, and also consider other matters on behalf of the Board of Directors.

The activity of each committee is governed by a regulation that establishes the goals, objectives, competence of the committee, the procedure for its formation and organization of work<sup>1</sup>.

The personal composition of the committees and their chairmen are elected by the Board of Directors of the Company from among candidates nominated by members of the Board of Directors at a new meeting of the Board of Directors in a new composition.

The members of the Audit Committee are elected until the election of the next composition of this committee. Members of the remaining committees are elected for a period until the first meeting of the Board of Directors, selected as a new composition.

Generally, the action plans for the current corporate year, compiled on the basis of the work schedule of the Board of Directors, decisions of the Board of Directors and committees, proposals from committee members, General Directors, are approved at one of the first meetings of each new committee.

May 24, 2018 the Board of Directors of Kubanenergo PJSC reviewed the reports of committees on the work done for the 2017/2018 corporate year.

In the reporting year, all issues subject to preliminary consideration by the committees of the Board of Directors were reviewed by the committees in a timely manner.

The minutes of meetings of the Kubanenergo PJSC Board of Directors committees were published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section "About Us/ Management bodies/ Committees of the Board of Directors."

Payment of remuneration to members of these committees is provided for participation in meetings of committees of the Board of Directors. The total amount of remuneration paid to members of committees of the Board of Directors in 2018 was 2,084 thousand rubles. The Company has no debts for remuneration to the members of committees.

1. Regulations for the committees of the Board of Directors of the Company are published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section "About Us/ Constituent and internal documents."



## RELIABILITY COMMITTEE

<b>Committee Creation Date</b>	<b>15.09.2006</b>
<b>Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)</b>	<b>From 21.07.2017, No. 281/2017</b>
<b>The main tasks of the committee</b>	<p>Development and submission of recommendations (opinions) to the Board of Directors of the Company in the following activities of the Board of Directors:</p> <ul style="list-style-type: none"> <li>• examination of production programs, plans for technical re-equipment, reconstruction, new construction and repair of power facilities, analysis of their development and execution in terms of meeting the requirements for reliable operation and the technical condition of electrical networks;</li> <li>• assessment of the completeness and adequacy of measures taken as a result of the investigation of accidents, as well as control over the implementation</li> <li>• examination of the investigation quality of the causes of technological violations (accidents);</li> <li>• examination of the Company's activities in the field of emergency response work (preparedness, organization, and conduct of emergency and restoration work at power grid facilities);</li> <li>• examination and monitoring of the accomplishment of prevention and risk reduction programs for the Company's personnel and third parties at the Company's electrical installations;</li> <li>• monitoring and evaluation of the Company's technical services in terms of ensuring the reliability of electrical networks and industrial safety;</li> <li>• examination of the internal control system in the Company;</li> <li>• examination of the labor protection management system;</li> <li>• examination of the environmental policy implementation program;</li> <li>• examination of fire and industrial safety systems</li> </ul>
<b>Personal composition of the committee, acting in the reporting year <sup>1</sup></b>	<p><b>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</b></p> <ol style="list-style-type: none"> <li>1. <b>Ukolov Vladimir Anatolyevich (Chairman of the Committee)</b>, Deputy Director of the Situation-Analytics Center of PJSC Rosseti.</li> <li>2. <b>Bogomolov Eduard Valerievich</b>, First Deputy Director of the Branch of PJSC Rosseti – the Center for Technical Supervision.</li> <li>3. <b>Medvedev Mikhail Vladimirovich</b>, Deputy General Director of LLC Holding Company "Intra Tool," member of the Board of Directors of Kubanenergo PJSC.</li> <li>4. <b>Ocheredko Olga Vyacheslavovna</b>, Deputy General Director for Economics and Finance of PJSCKubanenergo, member of the Management Board of Kubanenergo PJSC.</li> <li>5. <b>Shishigin Igor Nikolaevich</b>, Deputy General Director for Technical Issues – Chief Engineer of Kubanenergo PJSC, member of the Management Board of Kubanenergo PJSC.</li> </ol> <p><b>The current composition of the committee (elected 30.07.2018):</b></p> <ol style="list-style-type: none"> <li>1. <b>Ukolov Vladimir Anatolyevich (Chairman of the Committee)</b>, Deputy Director of the Situation-Analytics Center of PJSC Rosseti.</li> <li>2. <b>Bogomolov Eduard Valerievich</b>, First Deputy Director of the Branch of PJSC Rosseti – the Center for Technical Supervision.</li> <li>3. <b>Medvedev Mikhail Vladimirovich</b>, Deputy General Director of LLC Intra Tul Holding Company, member of the Board of Directors of Kubanenergo PJSC.</li> <li>4. <b>Ocheredko Olga Vyacheslavovna</b>, Deputy General Director for Economics and Finance, member of the Management Board of Kubanenergo PJSC.</li> <li>5. <b>Shishigin Igor Nikolaevich</b>, Deputy General Director for Technical Issues – Chief Engineer, Member of the Management Board of Kubanenergo PJSC</li> </ol>

**The results of the work of the committee in the reporting year**
**There were 11 meetings held in 2018, (two – in person, the rest – by absentee voting) with consideration of 37 issues.**

In the reporting year, the committee provided the Board of Directors with conclusions (recommendations) on the following most important issues:

- about approval:
  - / Company's reliability improvement programs,
  - / the revised plan for development of the asset management system for 2016–2019,
  - / the updated program for modernization (renovation) of the Company's electric grid facilities for 2018–2026,
  - / basic target model of operational and technological management;
- concerning reviewing the following reports:
  - / on the implementation of the investment program in terms of ensuring comprehensive reliability,
  - / on the results of the Company's readiness to work, as well as to the organization and conduct of emergency recovery work in the autumn-winter period of 2018–2019,
  - / on the implementation of the Company's innovative development program,
  - / on the implementation of the development plan of the assets management system of Kubanenergo PJSC.

In the reporting year, the Reliability Committee of the Board of Directors also considered:

- a program of measures aimed at addressing the "narrow" places, affecting the reliable power supply of the Company's consumers, and reports on the progress of its implementation and update;
- Company's management reports:
- concerning the events during the autumn-winter period in the Company,
- concerning readiness for the organization and performance of works in the autumn-winter and flood periods,
- concerning the execution of the program for maintenance and repair of the Company's facilities,
- concerning the comprehensive programs to reduce the risk of injury to the Company's staff and third parties;
- analysis of the quality of investigations into the causes of accidents and assessment of the completeness and sufficiency of measures taken to eliminate them;
- information on indicators of the level of reliability of services, subject to tariff regulation.

**The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 27.3% – in 2017, 35.1% – in 2018.**

**On average, the participation of committee members in the work of this body was: 92.4% – in 2017, 96.8% – in 2018.**

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1. Hereinafter, the positions of members of the Board of Directors committees are indicated at the time of their election to the committees.

## AUDIT COMMITTEE

<b>Committee Creation Date</b>	<b>16.10.2009</b>
<b>Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)</b>	<b>From 18.03.2016, No. 233/2016, as amended on 28.10.2016, No. 253/2016</b>
<b>The main tasks of the committee</b>	<ul style="list-style-type: none"> <li>• Consideration of the accounting (financial) statements of the Company and control over the process of statements preparation;</li> <li>• control over the reliability and efficiency of the internal control system, risk management system, corporate management practices;</li> <li>• control over the conduct of an external audit and choice of an auditor;</li> <li>• ensuring the independence and objectivity of the internal audit function;</li> <li>• performance monitoring of the system for counteracting unfair actions of the Company employees and third parties</li> </ul>
<b>Personal composition of the committee, acting in the reporting year</b>	<p><b>The composition of the Committee, operating in the period from 19.07.2017 to 30.07.2018:</b></p> <ol style="list-style-type: none"> <li>1. <b>Khokholkova Ksenia Valeryevna (Committee Chairman)</b> , Deputy Head of Securities Department and Information Disclosure of the Department of Corporate Governance and Interaction with Shareholders and Investors of PJSC Rosseti, Member of the Board of Directors of Kubanenergo PJSC.</li> <li>2. <b>Osipova Elena Nikolaevna</b> , Head of the Financial Analysis and Liquidity Management Department of the Treasury Department of PJSC Rosseti, Member of the Board of Directors of Kubanenergo PJSC.</li> <li>3. <b>Shagina Irina Alexandrovna</b> , Head of the Tariff Formation Department of the PJSC Tariff Policy Department of Rosseti, Member of the Board of Directors of Kubanenergo PJSC</li> </ol> <p><b>The current composition of the committee (elected 30.07.2018):</b></p> <ol style="list-style-type: none"> <li>1. <b>Khokholkova Ksenia Valeryevna (Chairman of the Committee)</b> , Chief Expert of the Securities and Information Disclosure Department of the Corporate Governance Department of PJSC Rosseti, member of the Board of Directors of Kubanenergo PJSC.</li> <li>2. <b>Varvarin Alexander Viktorovich</b> , Vice President – Managing Director of Corporate Relations and Legal Support of All-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs" (ARAE RUIE), Member of the Board of Directors of Kubanenergo PJSC.</li> <li>3. <b>Shagina Irina Aleksandrovna</b> , Director of the Tariff Policy Department of PJSC Rosseti, Member of the Board of Directors of Kubanenergo PJSC</li> </ol>

### The results of the work of the committee in the reporting year

**In 2018, there were conducted 14 meetings of the Audit Committee (six – in person, the rest – by absentee voting), 42 issues were considered, including:**

- the candidacy of the external auditor of the Company was preliminarily approved to audit the Company's accounting (financial) statements for 2018, prepared in accordance with RAS, and to audit the consolidated financial statements for 2018, prepared in accordance with IFRS (minutes No. 69/2018, dated 19.04.2018);
- there was assessed the effectiveness of the external audit of the Company's accounting (financial) statements for 2017 (minutes No. 68/2018 dated 10.04.2018);
- information on key activities aimed at eliminating violations/deficiencies, as well as implementing recommendations, issued by the Company's Auditing Commission, was considered on the results of the audit of the Company's financial and economic activities for 2017 (minutes No. 66/2018, dated 02.03.2018);
- written information provided by the external auditor on the main problems of the Company's accounting (financial) statements were reviewed periodically (minutes dated 10.04.2018, No. 68/2018, dated 20.12.2018, No. 77/2018);
- there was discussed information, concerning the non-standard operations and events of the Company, as well as on the formation of a reserve of doubtful debts and estimated liabilities (minutes No. 68/2018, dated 10.04.2018);
- was analyzed the material aspects of the accounting policy and changes to that (minutes, dated 20.12.2018, No. 77/2018);
- were periodically reviewed accounting (financial) statements of the Company prepared by RAS, and consolidated financial statements made in accordance with IFRS (minutes dated 10.04.2018, No. 68/2018, minutes dated 24.05.2018, No. 70/2018, minutes dated 17.09.2018, No. 72/2018, minutes dated 07.12.2018, No. 76/2018);
- were approved the candidate for the position of head of the internal audit department, and the terms of remuneration (minutes No. 67/2018, dated 26.03.2018);
- The report of the Audit Committee on the work done in the 2017–2018 corporate years was prepared for submission to the Board of Directors of the Company (minutes No. 69/2018 dated 19.04.2018);
- the internal audit plan and budget were agreed upon; the KPIs of the head and other leading managers of the internal audit subdivision were defined for 2019 (minutes No. 75/2018, dated 16.11.2018);
- reports for the implementation of the job schedule and the results of the internal audit activities were periodically reviewed (minutes dated 15.02.2018, No. 65/2018, minutes dated 24.05.2018, No. 70/2018, minutes dated 02.10.2018, No. 73/2018, minutes dated 07.12.2018, No. 76/2018);
- management information on the performance of the Company's Internal Control Policy was reviewed, including a report on the action plan for development and improvement of the Internal Control Systems and risk management systems (minutes No. 72/2018, dated 17.09.2018);
- Company's management information were routinely observed, concerning the implementation of corrective measures to eliminate the deficiencies, identified by the Company's Internal Auditing Commission, Company's internal auditor, the external control (supervision) bodies, towards the measures taken on cases of informing about potential unfair actions of employees, as well as the results of conducted investigations (minutes dated 15.02.2018, No. 65/2018, minutes dated 02.10.2018, No. 73/2018);
- there was reviewed the internal audit report on the assessment of the effectiveness of the compliance control, risk management and corporate governance systems for 2017 (minutes No. 67/2018, dated 26.03.2018);
- the report of the General Director on the organization and functioning of the Company's internal control system was preliminarily reviewed for 2017 (minutes No. 68/2018, dated 10.04.2018);
- a report on the implementation of an action plan for the development and improvement of internal control and risk management systems in the period 2016–2018 was reviewed for 2017 (minutes No. 68/2018, dated 10.04.2018);
- information from management on the implementation of anti-corruption policies was considered, including the results of anti-corruption monitoring (minutes dated 15.02.2018, No. 65/2018; dated 02.10.2018, No. 73/2018).

**The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 39.1% – in 2017, 40.5% – in 2018.**

**On average, the participation of committee members in the work of this body was: 100% – in 2017, 94.4% – in 2018.**

On 21.08.2018 the Board of Directors has considered and adopted the report of the General Director on the organization and functioning of the internal control system, as well as the report of the General Director and the Management Board about organization, operation and effectiveness of the Company's risk management system for 2017 (minutes, dated 22.08.2018, No. 318/2018). Information on the assessment of the effectiveness of the Company's internal control system in the reporting year is presented in the "Internal Control System" section.

## STRATEGY, DEVELOPMENT, INVESTMENT, AND REFORM COMMITTEE

<b>Committee Creation Date</b>	<b>05.02.2010</b>
<b>Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)</b>	<b>From 05.02.2010, No. 84/2010 (as amended on 18.03.2016, No. 233/2016)</b>
<b>The main tasks of the committee</b>	<p>Development and submission of recommendations (opinions) to the Board of Directors on issues related to:</p> <ul style="list-style-type: none"> <li>• definition of priorities, strategic goals and basic principles of the Company's strategic development, adjustment of the Company's development strategy;</li> <li>• assessment of the Company's performance;</li> <li>• increasing the investment attractiveness, and improving investment activities;</li> <li>• control over the implementation of adopted programs, projects and the process of reforming the Company;</li> <li>• Dividend Policy;</li> <li>• control over the organization and operation of the risk management system</li> </ul>
<b>Personal composition of the committee, acting in the reporting year</b>	<p><b>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</b></p> <ol style="list-style-type: none"> <li>1. <b>Pavlov Alexey Igorevich (Chairman of the Committee)</b> , Director of the Treasury Department of PJSC Rosseti.</li> <li>2. <b>Balaban Fedor Nikolaevich</b> , Deputy Head of the Strategic Projects Department of the Strategic Development Department of PJSC Rosseti.</li> <li>3. <b>Gritsenko Vladimir Fedorovich</b> , Director of Business Development of LLC Unitel Engineering, member of the Board of Directors of Kubanenergo PJSC.</li> <li>4. <b>Guselnikov Konstantin Sergeevich</b> , General Director of LLC Fininvestkonsalting.</li> <li>5. <b>Ivanova Olga Sergeevna</b> , Assistant Deputy General Director for Strategic Development of PJSC Rosseti.</li> <li>6. <b>Mikryukov Dmitry Vasilyevich</b> , Chief Expert of the Consolidated Planning And Reporting Department of the Investment Activity Department of PJSC Rosseti.</li> <li>7. <b>Lavrova Marina Aleksandrovna</b> , Head of the Economics Department of the subsidiaries and affiliates of the Economic Planning and Budgeting Department of PJSC Rosseti.</li> <li>8. <b>Ocheredko Olga Vyacheslavovna</b> , Deputy General Director for Economics and Finance, member of the Management Board of Kubanenergo PJSC.</li> <li>9. <b>Rafalskaya Inna Sergeevna</b> , Deputy Head of the Department for Dispute Resolution in the rate-setting of the Tariff Policy Department of PJSC Rosseti.</li> <li>10. <b>Seleznev Viktor Yuryevich</b> , Head of the Department of Scientific and Technological Development for the Organization and Control over the Implementation of R &amp; D of the Technological Development of Innovations Department of PJSC Rosseti</li> </ol> <p><b>The current composition of the committee (elected 30.07.2018):</b></p> <ol style="list-style-type: none"> <li>1. <b>Pavlov Alexey Igorevich (Chairman of the Committee)</b> , Director of the Treasury Department of PJSC Rosseti.</li> <li>2. <b>Gritsenko Vladimir Fedorovich</b> , Director for Business Development of LLC Unitel Engineering, member of the Board of Directors of Kubanenergo PJSC.</li> <li>3. <b>Guselnikov Konstantin Sergeevich</b> , Director General of LLC Fininvestconsulting.</li> <li>4. <b>Balaban Fedor Nikolaevich</b> , Deputy Head of the Strategic Projects Department of the Strategic Development Department of PJSC Rosseti.</li> <li>5. <b>Mikryukov Dmitry Vasilyevich</b> , Chief Expert of the Consolidated Planning and Reporting Department of the Investment Activities Department of PJSC Rosseti.</li> <li>6. <b>Ocheredko Olga Vyacheslavovna</b> , Deputy General Director for Economics and Finance of Kubanenergo PJSC, member of the Board of Kubanenergo PJSC.</li> <li>7. <b>Rafalskaya Inna Sergeyevna</b> , Deputy Head of the Department for Dispute Resolution in the field of tariff setting of the Tariff Policy Department of PJSC Rosseti.</li> <li>8. <b>Seleznev Victor Yurievich</b> , Head of the Department of Scientific and Technical Development of the Organization and Control over the Implementation of R&amp;D of the Department of Technological Development and Innovations of PJSC Rosseti</li> </ol>

**The results of the work of the committee in the reporting year**

**In 2018, there were 12 meetings (three – in person-absentee form, the rest – by absentee voting), 40 issues were considered with recommendations made to the Board of Directors on the following most pressing aspects:**

- concerning the approval of the draft amendments to the long-term investment program of Kubanenergo PJSC;
- on approval of reports:
  - / concerning the introduction of the General Director for KPI,
  - / concerning the introduction of an action plan for the development and improvement of internal control and risk management systems,
  - / concerning carrying out technological and price audit of investment projects;
  - / concerning approval of the new version of the Dividend Policy Regulation, scenario conditions for the formation of the investment program;
  - / on updating the register of non-core assets of the Company;
- concerning reviewing the following reports:
  - / concerning the implementation of the Company's business plan and investment program,
  - / concerning the management of critical operational risks,
  - / concerning the organization, functioning, and effectiveness of the risk management system, etc.

**The share of issues previously considered by the Committee with the following recommendations to the Board of Directors in the total number of matters considered by the Committee: 86.5% – in 2017, 87.5% – in 2018.**

**On average, the participation of committee members in the work of this body was: 88.4% – in 2017, 93.9% – in 2018**



## HUMAN RESOURCES AND REMUNERATION COMMITTEE

<b>Committee Creation Date</b>	<b>06.08.2010</b>
<b>Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)</b>	<b>From 01.08.2014, No. 194/2014</b>
<b>The main tasks of the committee</b>	<p>Development and submission of recommendations (opinions) to the Board of Directors on issues related to:</p> <ul style="list-style-type: none"> <li>• setting the criteria for the selection and evaluation of candidates to the Board of Directors and executive bodies of the Company;</li> <li>• setting of principles and criteria for determining the amount of remuneration for the members of the Company's management bodies;</li> <li>• determination of the material terms of contracts with members of the Board of Directors and executive bodies;</li> <li>• regular evaluation of the work of the General Director and members of the Board;</li> <li>• determining the remuneration of members of the Board of Directors</li> </ul>
<b>Personal composition of the committee, acting in the reporting year</b>	<p><b>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</b></p> <p><b>1. Varlamov Nikolay Nikolayevich (Chairman of the Committee)</b> , Deputy General Director – Chief of Staff of PJSC Rosseti.</p> <p><b>2. Chevkin Dmitry Alexandrovich</b> , Director of the Department for Personnel Policy and Organization Development of PJSC Rosseti.</p> <p><b>3. Erpsher Natalia Ilinichna</b> , Head of the Organization Development Department of the Personnel Policy and Organization Development Department of PJSC Rosseti</p> <p><b>The current composition of the committee (elected 30.07.2018):</b></p> <p><b>1. Sergeeva Olga Andreevna (Chairman of the Committee)</b> , Deputy General Director – Chief of Staff of PJSC Rosseti, Chairman of the Board of Directors of Kubanenergo PJSC.</p> <p><b>2. Chevkin Dmitry Alexandrovich</b> , Director of the Personnel Policy and Organization Development Department of PJSC Rosseti.</p> <p><b>3. Erpsher Natalia Ilinichna</b> , Head of the Organization Development Department of the Personnel Policy and Organization Development Department of PJSC Rosseti</p>
<b>The results of the work of the committee in the reporting year</b>	<p><b>In 2018, nine meetings were held in the form of absentee voting, 21 issues were considered.</b></p> <p>Recommendations to the Board of Directors were developed on the following main issues:</p> <ul style="list-style-type: none"> <li>• concerning the amendments to the composition of the Management Board of the Company;</li> <li>• concerning the approval of reports for the implementation of the General Director KPI;</li> <li>• concerning the preliminary approval of candidates for certain management positions of the Company;</li> <li>• concerning the consideration of the report for the activity of Corporate Secretary of Kubanenergo PJSC.</li> </ul> <p>In addition, the committee:</p> <ul style="list-style-type: none"> <li>• reviewed the results of the activities of the Deputy General Directors of the Company and recommended the General Director to conclude labor contracts with them for a new term,</li> <li>• approved the list of members of the managerial personnel reserve and the composition of the youth personnel reserve of the Company.</li> </ul> <p><b>The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 63.2% – in 2017, 61.9% – in 2018.</b></p> <p><b>The participation of committee members in the work of this body was as follows: 97.3% on an average in 2017, 100% – in 2018.</b></p>

## TECHNOLOGICAL CONNECTION COMMITTEE

<b>Committee Creation Date</b>	<b>11.10.2011</b>
<b>Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)</b>	<b>From 19.07.2017, No. 281/2017</b>
<b>The main tasks of the committee</b>	<p>Development of recommendations (opinions) to the Board of Directors on issues related to:</p> <ul style="list-style-type: none"> <li>improving the legislative base of antimonopoly regulation and ensuring non-discriminatory access to services for technological connection of consumers to electric networks;</li> <li>improvement of the Company's internal standards for ensuring non-discriminatory access to services for technological connection of consumers to electric networks;</li> <li>development of principles and criteria for evaluating the effectiveness of the Company's activities in the technological connection of consumers to electric networks;</li> <li>assessment of the effectiveness of the Company's technological connection of consumers to power grids;</li> <li>assessment of the effectiveness of the Company's activities to improve the quality of planning the development of the electrical network in the regions where the Company operates;</li> <li>analysis of the current situation in the Company and preparation of proposals to the Board of Directors in the field of technological connection of consumers to power grids and future development of the network in general</li> </ul>
<b>Personal composition of the committee, acting in the reporting year</b>	<p><b>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</b></p> <ol style="list-style-type: none"> <li><b>Varvarin Alexander Viktorovich (Chairman of the Committee)</b> , Vice-President for Corporate Relations and Legal Support of ARAE RUIE, member of the Board of Directors of Kubanenergo PJSC.</li> <li><b>Korneev Alexander Yurevich</b> , Director of the Department for Perspective Development of the Network and Technological Connection of PJSC Rosseti.</li> <li><b>Denezhnaya Natalya Vladimirovna</b> , the Chief Expert of the Technological Connection Regulation Department of the Network Development and Technological Connection Department of PJSC Rosseti</li> </ol> <p><b>The current composition of the committee (elected 21.09.2018):</b></p> <ol style="list-style-type: none"> <li><b>Pyatigor Alexander Mikhailovich (Chairman of the Committee)</b> , Acting Deputy General Director for Development and Sales of Services of PJSC Rosseti.</li> <li><b>Varvarin Alexander Viktorovich</b> , Vice President – Managing Director of Corporate Relations and Legal Support of ARAE RUIE, Member of the Board of Directors of Kubanenergo PJSC.</li> <li><b>Korneev Alexander Yurevich</b> , Director of the Network Development and Technological Connection Department, PJSC Rosseti.</li> <li><b>Kostetsky Vyacheslav Yurevich</b> , Deputy General Director for Development and Technological Connection, member of the Management Board of Kubanenergo PJSC</li> </ol>
<b>The results of the work of the committee in the reporting year</b>	<p><b>Nine meetings were held in 2018, (one – in person-absentee form, the rest – by absentee voting) with consideration of 25 questions, including:</b></p> <ul style="list-style-type: none"> <li>was elected the deputy Chairman and secretary of the Committee;</li> <li>was approved the work plan of committee;</li> <li>there was performed monitoring of the Company's activities for technological connection of consumers and Generation Facilities to the Company's power grids;</li> <li>analysis of the small and medium-sized businesses entities connection and the implementation of measures to increase the availability of technological connection were carried out regularly;</li> <li>reports have been reviewed: <ul style="list-style-type: none"> <li>on the participation of Company in the development of the Diagram and Program for development of the electric power industry of the Russian Federation constituent entities in 2018,</li> <li>on the development of integrated programs for development of electrical networks with a voltage of 35 kV and above in the territory of Krasnodar Territory and the Republic of Adygea in 2018 for 5 years,</li> <li>concerning the execution of technological connection agreements, for which the applicants have violated the terms of performance of obligations;</li> </ul> </li> <li>there were regularly reviewed the following reports: <ul style="list-style-type: none"> <li>on the execution of the schedule for the implementation of overdue contracts for technological connection,</li> <li>on the implementation of KPI in terms of meeting the deadlines for technological connection and increasing the capacity load of power grid equipment;</li> <li>the report on the work, performed by the committee in the 2017–2018 corporate year, was pre-approved.</li> </ul> </li> </ul> <p><b>The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 8% – in 2017, 12% – in 2018.</b></p> <p><b>The participation of committee members in the work of this body was as follows: 100% – in 2017, 100% – in 2018</b></p>

# EXECUTIVE BODIES

The management of the current activities of Kubanenergo PJSC is carried out by the sole executive body – the General Director and the collegial administrative body – the Management Board. The General Director and the Management Board are accountable to the General Meeting of Shareholders and the Board of Directors of the Company. By the Articles of Association of the Company, the General Director is elected by the Board of Directors, and he/she appears to be the Chairman of the Management Board. The Board of Directors also elects the members of the Management Board by the proposal of the General Director of the Company in a number, determined by the decision of the Board of Directors. Each member of the Board, including the Chairman of the Board, has the experience, knowledge, and qualifications necessary for the proper performance of the assigned duties. The General Director and members of the Board act in good faith in the interests of the Company and all of the Company shareholders. The Board members disclose to the Company all the information about their commercial activities unrelated to the interests of the Company, to prevent conflicts of interest and related possible negative consequences for the Company.

## GENERAL DIRECTOR

Following the Charter of Kubanenergo PJSC, the competence of the General Director of the Company includes all issues related to the management of the Company's current activities, except on matters falling within the jurisdiction of the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company.

**The General Director of the Company without a power of attorney acts on behalf of the Company, including:**

- ensures the fulfillment of the Company's action plans necessary to solve its tasks
- organizes accounting and reporting in the Company;
- manages the property of the Company, makes transactions on behalf of the Company, issues powers of attorney;
- issues local regulatory acts and other internal documents of the Company on the issues of its competence, gives instructions obligatory for all employees of the Company;

- approves the Regulations for branches and representative offices of the Company;
- under the organizational structure of the executive office of the Company, approves the staffing chart and official salaries of the Company employees;
- exercises the rights and obligations of the employer concerning the Company's employees, as provided for by the labor legislation of the Russian Federation;
- performs the functions of the Chairman of the Company's Management Board;
- distributes duties between Deputy General Directors.

Since March 19, 2013, the functions of the Company's sole executive body have been performed by Alexander Ilyich Gavrillov<sup>1</sup>.

1. See the detailed information about A.I. Gavrillov in the current composition of the Board of Directors and the Management Board of the Company.

## MANAGEMENT BOARD

The Management Board is responsible for the practical implementation of the objectives, strategy, and policy of the Company and manages its current activities within its competence.

### The main tasks of the Board:

- observance of the rights and legitimate interests of the Company's shareholders;
- development of proposals for the Company's growth policy;
- implementation of the financial and business policy of the Company, making decisions on the most critical issues of its current business activities and coordination of the work of its subdivisions;
- improving the efficiency of compliance control and risk monitoring systems;
- providing a high level of profitability of the Company's assets and maximum profit from its activities.

The Management Board of the Company acts based on the Charter and the Regulation for the Management Board<sup>1</sup>, approved by the decision of the General Meeting of Shareholders of the Company.

### The competence of this executive body comprises, in particular, the following issues:

- making decisions on issues falling within the competence of the supreme management bodies of business entities, 100% of the authorized capital or all voting shares of which belong to the Company;

- development and submission long-term plans for the implementation of the main activities of the Company to the Board of Directors;
- preparation of a business plan and a report on the results of its implementation, as well as approval and adjustment of cash flow;
- preparation of the Company's annual report, report compliance with decisions of the General Meeting of Shareholders and the Board of Directors of the Company's Management Board;
- establishing social benefits and guarantees for the Company's employees;
- making decisions on transactions, involving property, work and services with a value from 1 to 25% of the book value of the Company's assets;
- consideration of reports of Deputy General Directors, heads of structural subdivisions of the Company on the results of the implementation of approved plans, programs, instructions, consideration of reports, documents, other information about the activities of the Company and its subsidiaries and affiliates;
- effective risk management in the framework of the current activities of the Company; approval of the budget for risk management measures to the extent agreed by the decision of the Company's Board of Directors; resolution of risk management tasks performed by several structural subdivisions.


## BOARD MEMBERS

### During the reporting year, the following changes occurred in the staff of the Board:

- the powers of the members of the Management Board of the Company, Ivanova Irina Viktorovna and Mikhailov Vladimir Alexandrovich, were terminated;
- Nishchuk Oleg Fedorovich, Deputy General Director for Sales of Services of Kubanenergo PJSC, and Khazikova Zanda Ivanovna, Deputy General Director for Corporate Management of the Company, were elected members of the Company's Management Board:

### The composition of the Management Board of the Company, as of the end of the reporting year <sup>2</sup>:

#### 1. Gavrilov Alexander Ilyich, Chairman of the Board:

	
<b>Year of birth</b>	1973
<b>High</b>	<p>Education. He graduated from the Kuban State University with a degree in accounting and audit, the Kuban State Technological University with a degree in development and operation of oil and gas fields.</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> <li>• in Ernst &amp; Young LLC on the subject of risk management;</li> <li>• in Federal State Autonomous Educational Institution of Higher Education (FSAEI HE) Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex" under the program "Organization of mobilization work in organizations of the fuel and energy complex having mobilization tasks";</li> <li>• in FBI "Education and Training Centre" of Rostekhnadzor on the topic "Training and testing knowledge of occupational safety requirements for managers and specialists";</li> <li>• in the LLC "International Educational Academy" on the topic "First Aid for victims in Production."</li> </ul> <p>He has a doctorate in economics.</p>
<b>Has experience over the past five years:</b>	
2013 – present time	General Director of Kubanenergo PJSC
2014 – present time	Member of the Board of Directors of Kubanenergo PJSC
<b>Date of entry into service of Chairman of the Board of Kubanenergo PJSC</b>	04.06.2013

1. Management Board Regulation of Kubanenergo PJSC is published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'About Us/ Constituent and internal documents.

2. In the information on the Management Board members work experience, there were indicated only the last positions held by them for each place of work.

## 2. Armaganian Edgar Garrievich:

<b>Year of birth</b>	1984
<b>High</b>	<p>Education. He graduated from the Kuban State Agrarian University with a degree in electrification and automation, the Non-State Educational Institution of Higher Professional Education "Moscow Institute of Entrepreneurship and Law" with a degree in organization management.</p> <p>He passed professional retraining courses according to the following programs:</p> <ul style="list-style-type: none"> <li>• "Organization Management" at Moscow State Technical University after N.E. Bauman based on the non-commercial educational institution "Kubanenergo Training Center";</li> <li>• "Jurisprudence: civil law relations in the Federal State Budgetary Educational Institution of Higher Professional Education (FSBEI HPE) "Kuban State University."</li> </ul> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> <li>• in Ernst &amp; Young LLC on the subject of risk management;</li> <li>• on the basis of the Moscow School of Management SKOLKOVO on the topic "Development of leaders in the electric grid complex";</li> <li>• in FBI "Education and Training Centre" of Rostech nadzor on "Training and knowledge testing of occupational safety requirements for managers and specialists", in the LLC International Educational Academy on "First aid to victims in the workplace", in the FSAEI of FVE "Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex", "Protection of state secrets, classified document management and the main issues of information security in companies", Training Module 08.01.01 "Organization of State Secret Protection (to the score of the state certification of a manager)"</li> </ul>
<b>Has experience over the past five years:</b>	
2009 – present time	First Deputy General Director – Director of the branch of Sochinskiye electric networks of Kubanenergo PJSC
2015–2017	Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC
2016 – present time	Chairman of the Board of Directors of JSC "Energy Service of Kuban"
<b>Date of election to the Board</b>	28.08.2014

## 3. Golov Andrey Valerievich:

<b>Year of birth</b>	1980
<b>High</b>	<p>Education. He graduated from Orenburg State University with a degree in Banking and Finance." He holds a Ph.D. in Economics.</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> <li>• in LLC Ernst &amp; Young in the risk management;</li> <li>• in the Autonomous non-profit organization Educational and Consulting Center "Energopersonal" on the topic of "Internal control: theory and practice basics";</li> <li>• in FBI "Education and Training Centre" of Rostech nadzor on the topic "Training and testing knowledge of the labor protection requirements for managers and specialists";</li> <li>• in the LLC "International Educational Academy" on the topic "First Aid for victims in Production."</li> </ul> <p>In 2018, he participated in a seminar held by the FBI "Engineering and Technical Center of Federal Antimonopoly Service of the Russian Federation" (FBI ETC FAS of Russia) on the topic "Tariff regulation in 2018 and the tasks of state regulatory bodies for 2019."</p>
<b>Has experience over the past five years:</b>	
2012 – present time	Deputy General Director for Investment Activities of Kubanenergo PJSC
<b>Date of election to the Board</b>	09.04.2013

#### 4. Golovakha Dmitry Nikolaevich:

<b>Year of birth</b>	1977
<b>High</b>	<p>Education. He graduated from the Krasnodar Technical College, specializing in the installation and operation of electrical equipment of agricultural enterprises, Kuban State Agrarian University, majoring in electrification and agriculture automation.</p> <p>He passed professional retraining at Moscow State Technical University, named after N.E. Bauman in the direction of "Business Management."</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> <li>• at the Kuban State Technological University on the topic "Protection of state secrets in public agency and municipal governments of the Krasnodar Territory";</li> <li>• FSAEI FVE "Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex" (IASSES FEC) on the topic "Mobilization of the Economy and Preparation of Organizations for Mobilization";</li> <li>• In the state educational institution of the Krasnodar Territory "Educational and Methodological Center for Civil Defense and Emergencies" on the topic "Training of officials and specialists of civil defense and emergencies";</li> <li>• in FSAEI FVE IASSES FEC on the topic "Organization of mobilization work in organizations of the fuel and energy complex with mobilization tasks."</li> </ul>
<b>Has experience over the past five years:</b>	
2013 – present time	Director of the South-Western Electric Networks Branch of Kubanenergo PJSC
<b>Date of election to the Board</b>	14.06.2013

#### 5. Golovakha Lyudmila Alekseevna:

<b>Year of birth</b>	1955
<b>Education</b>	<p>She graduated from the Kuban State University with a degree in jurisprudence and state and municipal management, and the Krasnodar Vocational School of the sugar industry with a degree in electrical equipment of industrial enterprises and installations.</p> <p>She passed professional retraining at the Southern Institute of Management, under the program "Personnel Management of Organization."</p> <p>She graduated from advanced training courses:</p> <ul style="list-style-type: none"> <li>• – in Ernst &amp; Young LLC on the subject of risk management;</li> <li>• – in Vocational Education Institution (VEI) "Energy Institute for Advanced Studies of Kubanenergo" by the subjects "Person in charge of the road safety," "Traffic safety on the road and urban electric transport";</li> <li>• – in the LLC "International Educational Academy" on the topic "First Aid for victims in Production."</li> </ul>
<b>Has experience over the past five years:</b>	
2013 – present time	Deputy General Director – Chief of Staff of Kubanenergo PJSC
2017 – present time	Member of the Board of Directors of JSC Recreation House "Energetik"
<b>Date of election to the Board</b>	14.06.2013



## 6. Kostetsky Vyacheslav Yuryevich:



<b>Year of birth</b>	1974
<b>High</b>	<p>Education. He graduated from the Institute of Economics, Law and Natural Specialties with a degree in law, the Kuban State Technological University with a degree in Electric Power Supply. He passed the course of professional retraining "Management of the organization" in MSTU, named after N.E. Bauman on the basis of the non-commercial educational institution, Training Center "Kubanenergo".</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> <li>• in Ernst &amp; Young LLC on the subject of risk management;</li> <li>• in the Autonomous non-profit organization Educational and Consulting Center "Energopersonal" on the topic of "Internal control: theory and practice basics";</li> <li>• seminar in the FBI ETC FAS of Russia on the topic "Tariff regulation in 2016 and the objectives of the regulatory authorities in 2017";</li> <li>• in the LLC "Bureau of Intellectual Support for Reforms in the Energy Sector", on the subject of "FAS of Russia: adopted and planned changes in the regulation of retail electricity markets";</li> <li>• in the LLC "International Educational Academy" on the topic "First Aid Survivors in Production"</li> </ul>
<b>Has experience over the past five years:</b>	
2013 – present time	Deputy General Director for Development and Technological Connection of Kubanenergo PJSC
2013–2015	Chairman of the Board of Directors of OJSC "Energy Service of Kuban." Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of OJSC Kubanenergo
2013–2017	Member of the Committee for Technological Connection of the Board of Directors of Kubanenergo PJSC
2018 – present time	Member of the Committee for Technological Connection of the Board of Directors of Kubanenergo PJSC
<b>Date of election to the Board</b>	14.06.2013

## 7. Nishchuk Oleg Fedorovich:



<b>Year of birth</b>	1978
<b>High</b>	<p>Education. He graduated from Kuban State University with a degree in global economics. And passed professional retraining at Moscow State Technical University. N.E. Bauman based on the basis of the non-commercial educational institution "Kubanenergo Training Center" in the specialty "management"</p>
<b>Has experience over the past five years:</b>	
2013–2013	Deputy Director of the Department of Municipal Economy and the Fuel and Energy Complex of the Krasnodar Administration
2015–2018	Deputy Head of the Department for the Implementation of Services and Accounting for Electric Power of Kubanenergo PJSC
2018 – present time	Deputy General Director for the sale of services of Kubanenergo PJSC
2016 – present time	Member of the Board of Directors of JSC "Energy Service of Kuban"
<b>Date of election to the Board</b>	18.12.2018

## 8. Ocheredko Olga Vyacheslavovna:

<b>Year of birth</b>	1972
<b>High</b>	<p>Education. She graduated from the Kuban State University with a degree in economic and social planning, the Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of Russia, and the MBA "Management and Regulation of Economic Activities in the International Electric Power Industry."</p> <p>She passed the course of professional retraining "Management of the organization" in MSTU, named after N.E. Bauman based on the non-commercial educational institution Training Center "Kubanenergo."</p> <p>She graduated from advanced training courses:</p> <ul style="list-style-type: none"> <li>• in Ernst &amp; Young LLC on the subject of risk management;</li> <li>• in the Educational and Informational Center "EnergoReshenie" on the topic "The development of the Russian electro-thermal power engineering";</li> <li>• seminar in the FBI ETC FAS of Russia on the topics "Tariff regulation in 2016 and the objectives of the regulatory authorities for 2017", "Tariff regulation in 2017 and the objectives of the regulatory authorities for 2018–2025";</li> <li>• in the LLC "Bureau of Intellectual Support for Reforms in the Energy Sector," on the topics "FAS of Russia. New in rate-making and drafting balances in heat and electric power industry", "FAS Russia. New in drafting balances in and rate-making in the power industry. Theory and practice of antimonopoly regulation in the electric power industry", "FAS Russia: adopted and planned changes in the regulation of retail electricity markets";</li> <li>• in LLC "EnergoEvolutsiya" on the topic "The operation of power grid and energy retail companies in 2018 Formation of tariffs for 2018–2019 in the context of regulatory legal acts. Actual and problematic issues of interaction, the settlement of differences";</li> <li>• in the International Educational Academy LLC on the topic "First-Aid Dressing in Production";</li> <li>• seminar in the FBI ETC FAS of Russia on the topic "Tariff regulation in 2018 and the tasks for regulatory agencies for 2019."</li> </ul>
<b>Has experience over the past five years:</b>	
2008 – present time	Deputy General Director for Economics and Finance of Kubanenergo PJSC
2014–2015	Chairman of the Board of Directors of JSC OC "Flame"
2014 – present time	Chairman of the Board of Directors of JSC Recreation House "Energetik"
2015 – present time	Member of the Committee for Strategy, Development, Investments and Reform and the Reliability Committee of the Board of Directors of Kubanenergo PJSC
2017 – present time	Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC
<b>Date of election to the Board</b>	28.08.2014

## 9. Statuev Vladislav Andreevich:

<b>Year of birth</b>	1956
<b>High</b>	<p>Education. He graduated from the Naval Engineering School of the Order of Lenin, named after F.E. Dzerzhinsky (St. Petersburg) with a major in "physics-power installations," FSBEI HPE "Financial University under the Government of the Russian Federation" (Moscow) with a degree in "Business management."</p> <p>He completed a refresher course in LLC Ernst&amp;Young by the Risk Management</p>
<b>Has experience over the past five years:</b>	
2009–2013	Director of the Krasnodar branch of the Federal State Unitary Enterprise Federal Computer Center for Stock and Commodity Information Technologies (SC-CENTER)
2013 – present time	Deputy General Director for Security of Kubanenergo PJSC
<b>Date of election to the Board</b>	04.12.2013

## 10. Khazikova Zanda Ivanovna:

<b>Year of birth</b>	1980
<b>High</b>	<p>Education. She graduated from Kalmyk State University with a degree in history and the State Educational Institution of Higher Vocational Education "Saratov State Academy of Law" with a degree in jurisprudence.</p> <p>He holds a Ph.D. degree in law.</p> <p>In 2018, at the Moscow State Technical University named after N.E. Bauman, she successfully underwent professional retraining under the program "Management. Controlling in a business environment"</p>
<b>Has experience over the past five years:</b>	
2012–2014	Leading specialist of the underwriting group of the credit department of the branch of the (OJSC) GPB Bank in Krasnodar
2014–2018	Deputy Head of Legal Support Department of Kubanenergo PJSC
2018 – present time	Deputy General Director for Corporate Governance of Kubanenergo PJSC
<b>Date of election to the Board</b>	18.12.2018

## 11. Shishigin Igor Nikolaevich, Deputy Chairman of the Management Board:

<b>Year of birth</b>	1979
<b>High</b>	<p>Education. He graduated from the Kuban State Agrarian University with a major in Electrification and Automation, the New Moscow Law Institute with a degree in jurisprudence.</p> <p>He passed professional retraining at Moscow State Technical University. N.E. Bauman based on the non-commercial educational institution "Kubanenergo Training Center" with a degree in "Organization Management."</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> <li>• in CJSC SGS Vostok Limited on the topic "Internal Auditor OHSAS 18001:2007 "Management System for Occupational Safety and Health";</li> <li>• at the State Academy of Advanced Training and Retraining of Personnel for the Construction and Housing-and-Municipal Complex of Russia by the subject "Power supply – changes in the legal environment, modern technologies, materials and equipment, installation aspects";</li> <li>• at the Non-State Educational Institution "Kubanenergo Training Center" on the subject of "Environmental safety at electric grid facilities";</li> <li>• in VEI "Energy Institute of Advanced Training" of Kubanenergo PJSC on the topics "Advanced Training in Occupational Safety", "Training in general issues of industrial safety", "Pre-certification training of managers and specialists of organizations operating electrical networks", "Pre-certification training of managers and specialists responsible for the operation of hazardous production facilities, based on lifting equipment for lifting and moving cargo", "Pre-certification training of managers and specialists responsible for the operation of hazardous production facilities, based on lifting equipment designed for lifting and transporting people";</li> <li>• in the LLC "International Educational Academy" on the topic "First Aid Survivors in Production"</li> </ul>
<b>Has experience over the past five years:</b>	
2013 – present time	Deputy General Director for Technical Issues – Chief Engineer of Kubanenergo PJSC
2017 – present time	Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC
<b>Date of election to the Board</b>	23.05.2017

All members of the Company's Management Board are citizens of the Russian Federation.

All members of the Company's Management Board, which were members of committees of the Board of Directors in 2018 at the same time, took part in all meetings of committees, except for O.V. Ocheredko that did not participate in the meetings:

- Reliability Committee – May 24, 2018 and August 23, 2018;
- Committee for Strategy, Development, Investment and Reform – April 5, 2018

None of the members of the Management Board of the Company, except for O.V. Ocheredko, did occupy positions in the management bodies of commercial organizations during the period when a bankruptcy case was initiated against these organizations and/or one of the bankruptcy procedures on insolvency (bankruptcy) was instituted, stipulated by the legislation of the Russian Federation. O.V. Ocheredko was the Chairman of the Board of Directors of JSC OC "Plamya" during the periods of initiation of bankruptcy proceedings against this Company in accordance with the definition of the Arbitration Court of the Krasnodar Territory dated 03.03.2015 and recognition of JSC OC "Plamya" insolvent, and opening of the bankruptcy proceedings in accordance with the decision of the Arbitration Court of the Krasnodar Territory dated 02.09.2015.

None of the members of the Company's Management Board:

- owned shares of the Company in the reporting year and made any transactions with them<sup>1</sup>;
- carried out transactions with the Company in the reporting year;
- had family ties with persons who are members of the governing bodies and/or control over the financial and economic activities of Kubanenergo PJSC, except for L.A. Golovakha and D.N. Golovakha (mother and son);
- have brought to administrative responsibility for offenses in the area of finance, taxes, and duties, securities market or criminal liability for economic crimes or crimes against state power;
- had any conflict of interest with the Company.

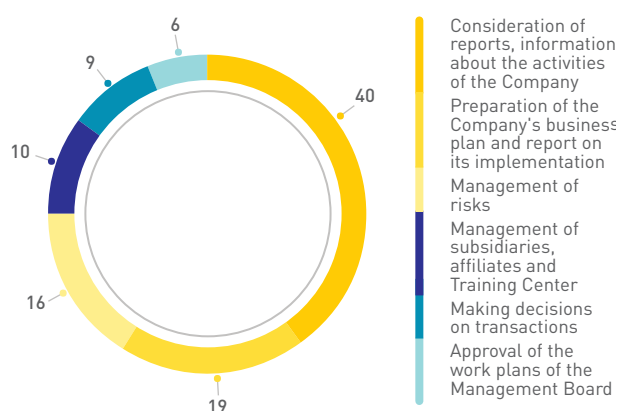
## Management Board Activities

### The activity of the Management Board in 2016-2018

	2016	2017	2018
Number of meetings held by the Board	25	27	17
<b>including through the joint presence</b>	3	7	1
Number of issues addressed	74	102	69

Meetings of the Board in the reporting year were conducted in accordance with the plans of its work, as well as at the initiative of the Chairman of the Board. All members of the Board took an active part in the Board meetings.

### Structure of issues considered by the Company's Management Board in 2018, %



1. According to data from the members of the Management Board, provided to the Company.

# CORPORATE SECRETARY

To properly observe the procedure for preparing and holding the General Meeting of Shareholders and organizing the activities of the Board of Directors at Kubanenergo PJSC, the Company's Board of Directors elects the Corporate Secretary<sup>1</sup>.

The Corporate Secretary is an official of Kubanenergo PJSC, ensuring that the Company complies with the laws of the Russian Federation, the Charter and internal documents guaranteeing the exercise of the rights and legitimate interests of the Company's shareholders. Functionally, the Corporate Secretary is subordinate to the Board of Directors of the Company, which determines the terms of the contract with the Corporate Secretary, the amount and procedure for payment of remuneration, as well as the aspects of bonuses.

The corporate secretary submits an annual report to the HR and Remuneration Committee and the Board of Directors on its work, approved by the Board of Directors.

Since July 20, 2011, Olga Vladimirovna Russu, has been continuously serving as the Corporate Secretary of Kubanenergo PJSC.

O.V. Russu, Corporate Secretary of Kubanenergo PJSC:

- did not own shares of the Company and did not make transactions with them in the reporting year;
- has no family ties with persons who are members of the governing bodies and/or control over the financial and economic activities of Kubanenergo PJSC;
- has not been brought to administrative responsibility for offenses in the area of finance, taxes and duties, securities market or criminal responsibility for economic crimes or crimes against state power;
- did not occupy any positions in the management bodies of commercial organizations during the period when a bankruptcy case was initiated against these organizations and/or one of the bankruptcy procedures provided for by the legislation of the Russian Federation regarding insolvency was introduced.

## Russu Olga Vladimirovna:

<b>Year of birth</b>	1967
<b>High</b>	<p>Education. She graduated from the Krasnodar Polytechnic Institute with a degree in economics and organization of the food industry, and the Urals Academy of Public Service with a degree in jurisprudence.</p> <p>She passed professional retraining under the program "Management of the Organization" in the Moscow State Technical University, named after N.E. Bauman as a part of the non-commercial educational institution of the "Kubanenergo" Training Center.</p> <p>She graduated from a refresher course in the Non-Profit Partnership Promoting Further Vocational Education, the Center for Advanced Studies "Russian School of Management" on the "Corporate Secretary" topic.</p>
<b>Has experience over the past five years:</b>	
2011 – present time	Chief Specialist, then Deputy Head of Corporate Governance and Shareholder Relations of Kubanenergo PJSC

1. The Regulation for the Corporate Secretary determines the functions, procedure for appointment and termination of powers, rights, and obligations of the Corporate Secretary approved by the Board of Directors (published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'About Us/Constituent and internal documents').

# AUDITING COMMISSION

The Auditing Commission is a permanently elected body for internal control of Kubanenergo PJSC, which exercises periodic monitoring over the financial and economic activities of the Company, its separate subdivisions, officials of the management bodies and structural branches of the Company executive office through the following documentary and actual inspections: legality, economic feasibility and efficiency (expediency) of business and financial operations performed by the Company in the audited period; completeness and correctness of reflection of the business and financial transactions in the Company's documents.

The tasks of the Company's Auditing Commission are to exercise:

- control over the financial and economic activities of the Company;
- independent assessment of the reliability of data contained in the Company's annual report, annual financial statements.

The Auditing Commission be governed by the laws of the Russian Federation, the Charter of Kubanenergo PJSC and the Regulation for the Auditing Commission<sup>1</sup>.

The Auditing Commission acts in the interests of the Company's shareholders, and its activities are accountable to the General Meeting of Shareholders. In the course of general performance, the Commission is independent of the officials, management bodies and heads of structural divisions of the executive office of the Company.

## COMPOSITION OF THE AUDITING COMMISSION

In the reporting year, there were two personal members of the Company's Auditing Commission.

**The current membership of the Auditing Commission, elected at the Annual General Meeting of Shareholders of Kubanenergo PJSC on May 25, 2018<sup>2</sup>**

SEQ NO.	FULL NAME	PLACE OF WORK AND POSITION
1	Kim Svetlana Anatolyevna, Chairman of the Auditing Commission	Head of the Audit Operations Department of the Control and Audit Activities Department of PJSC Rosseti
2	Yerandina Elena Stanislavovna	Chief expert of the control and expert department of the department of control and audit activities of PJSC Rosseti
3	Kabizskina Elena Aleksandrovna	Deputy Head of the Internal Audit management of the Department for Control and Audit Activities of PJSC Rosseti
4	Malyshev Sergey Vladimirovich	Leading Expert of the Audit Activity Management Department of the Control and Audit Activity Department of PJSC Rosseti
5	Slesareva Elena Yuryevna	Chief Expert of the Internal Audit Directorate of PJSC Rosseti

1. The Regulation for the Auditing Commission of Kubanenergo PJSC is published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'About Us/Constituent and internal documents'.

2. Information about the places of work of the members of the Auditing Commission and the positions held by them are indicated in accordance with the data provided by them to the Company at the end of the reporting year. By the term 'present time' in this case the Company is referring to December 31, 2018

**The composition of the Auditing Commission, elected at the Annual General Meeting of Shareholders of the Company on June 16, 2017, and valid until May 25, 2018<sup>1</sup>**



SEQ NO.	FULL NAME	PLACE OF WORK AND POSITION
1	Zadorozhnaya Anzhelika Alexandrovna, Chairman of the Auditing Commission	Head of the Internal Audit Directorate of PJSC Rosseti
2	Kabizskina Elena Aleksandrovna	Deputy Head of the Internal Audit management of the Department for Control and Audit Activities of PJSC Rosseti
3	Kirillov Artem Nikolaevich	Deputy Head of the Internal Audit management of the Department for Control and Audit Activities of PJSC Rosseti
4	Malyshev Sergey Vladimirovich	Leading Expert of the Audit Activity Management Department of the Control and Audit Activity Department of PJSC Rosseti
5	Slesareva Elena Yuryevna	Chief Expert of the Internal Audit Directorate of PJSC Rosseti

In the reporting year, there were no transactions between the Company and persons who performed the duties of members of the Auditing Commission of Kubanenergo PJSC in 2018.

None of the persons, who were members of the Auditing Commission in 2018 owned the Company's shares in the reporting year<sup>2</sup>.

The results of the Auditing Commission

In 2018 The Company's Auditing Commission exercised control through audits of financial and economic activities. Six meetings of the Auditing Commission were held with discussions of the following key issues<sup>3</sup>:

- concerning the approval of the audit program of the Company's financial and economic activities for 2017, including support of the facilities, procedures, timing, and scope of the audit;
- concerning the consideration and approval of the conclusion of the Auditing Commission on the assessment of the reliability of the data contained in the annual report of Kubanenergo PJSC and the accounting (financial) statements for 2017;
- concerning the consideration and approval of the Act of the Auditing Commission on the results of the audit of the financial and economic activities of Kubanenergo PJSC for 2017;
- on the election of the Chairman and Secretary of the Company's Auditing Commission (for 2018–2019);
- on approval of the work plan of the Company's Auditing Commission (for 2018–2019);

- approval of the program of the first stage of the audit of the Company's financial and economic activities for 2018 (adoption of facilities, order, terms, and scope of the audit);
- concerning the consideration and approval of the act of the Auditing Commission on the results of the first stage of the audit of the financial and economic activities of Kubanenergo PJSC for 2018

By the results of the audit of financial and economic activities for 2017, an act was drawn up with recommendations for improving the control environment and eliminating violations, and further, it was sent to the Company to eliminate violations and implement recommendations.

In accordance with the work schedule of the Auditing Commission in July–October 2018, there was conducted the first stage of the audit of the Company's financial and economic activities for 2018.

The Company has developed, approved, and executed a plan of corrective measures to eliminate violations/ deficiencies identified by the Auditing Commission during the audits.

In accordance with the work schedule of the Auditing Commission, the second phase of the audit of the Company's financial and business activities are planned for March–May 2019.

1. Information about the places of work of the members of the Auditing Commission of this composition and the positions they occupy are indicated by the data provided by them to the Company as of March 31, 2018.

2. According to data provided to the Society by members of the Auditing Commission.

3. The minutes of meetings of the Auditing Commission of Kubanenergo PJSC are posted on the website [www.kubanenergo.ru](http://www.kubanenergo.ru)—section 'About Us/Activity Control System/ Auditing Commission.



# REMUNERATION AND COMPENSATION OF THE COMPANY'S MANAGEMENT AND CONTROL BODIES

## REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND PAYMENT OF COMPENSATION TO THEM

In accordance with the current Regulation on the payment of remuneration and compensation to the members of the Board of Directors of Kubanenergo PJSC<sup>1</sup>, approved by the Annual General Meeting of Shareholders (minutes No. 36 of 11.06.2015), payment of remuneration to members of the Board of Directors is made as a lump sum according to the results of work for the period from the moment of election of a candidate to the Board of Directors until the election of a new Board of Directors (for the corporate year).

Payment is made at a time within 60 days after the annual General Meeting of Shareholders of the Company.

The amount of remuneration for participation in the work of the Company's Board of Directors of each member of the Board of Directors is calculated with account for:

- the basic part of remuneration, which is set on the basis of the Company's revenue, calculated according to RAS for the financial year;
- the total number of meetings of the Board of Directors for the past corporate year and the number of meetings in which a member of the Board of Directors participated.

The following allowances are set in addition to the remuneration described above:

- 30% – to the Chairman of the Board of Directors of the Company;
- 20% – to the Chairman of the Committee of the Board of Directors;
- 10% – for membership in the Committee of the Board of Directors.

The premiums for the Chairman ship and/or membership in the committee of the Board of Directors are paid if at least three meetings of the committee of the Board of Directors were held during the corporate year.

The remuneration is not paid if a member of the Board of Directors did not attend more than 50% of the meetings of the Board of Directors that took place from the moment of his election until the termination of his powers.

Members of the Board of Directors also receive additional remuneration from the net profit in the event of an increase in the size of the Company's market capitalization throughout the Members work in the Board of Directors.

Remunerations to the Chairman and members of the Board of Directors of the Company who are persons, in which respect federal law provides for a restriction or prohibition on receiving any payments from commercial organizations, are not accrued or paid.

Kubanenergo PJSC also reimburses the members of the Board of Directors for expenses related to participation in a meeting of the Board of Directors, following the standards for travel expenses, which are in effect at the time of the meeting, organized in the Company.

The total amount of remuneration paid to members of the Board of Directors in 2018, amounted to 7,605 thousand rubles. The Company did not pay other remuneration to the members of the Board of Directors.

The expenses of members of the Board of Directors in the reporting year were not reimbursed by the Company.

The Company has no debts for remuneration and compensation to members of the Board of Directors.

1. Regulation on the payment of remuneration and compensation to the members of the Board of Directors of Kubanenergo PJSC is published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'About Us/ Constituent and internal documents'.

## REMUNERATION OF MEMBERS OF EXECUTIVE BODIES AND COMPENSATION PAYMENT

### Remuneration of members of the Board and compensation payment

By the decision of the Board of Directors of the Company (minutes No. 203/2015 dated February 25, 2015), members of the Management Board were assigned to the top managers of the first division. In accordance with the Regulation on Material Incentives and Social Package of Top Managers of OJSC Kubanenergo, approved by the Board of Directors of the Company (minutes No. 207/2015, dated 17.04.2015), remuneration of members of the Management Board is carried out in accordance with the labor contracts concluded with them allowances for the fulfillment of the powers of a member in the collegial executive body – the Company's Management Board.

The remuneration of members of the Company's Management Board depends on the results of the KPIs implementation approved by the Company's General Director for the reporting periods – quarter and year. If the General Director of the Company determined the conditions (strategic priorities) identified by the results of the year, additional premiums might be paid to members of the Management Board by the decision of the General Director. For the achievement of a high KPI value determined by the General Director of the Company as a priority, members of the Management Board may be paid a special award by the decision of the General Director of the Company in the reporting year.

Members of the Management Board, by the Regulation of the procedure for the provision of compensation for the costs of renting (sub-leasing) residential premises, approved by Order of the Company dated 25.09.2017, No. 1051, the prices for renting residential premises are compensated.

### Remuneration of General Director

Issues related to the payment of remuneration to the General Director are regulated by the Regulation on Material Incentives for the General Director of Kubanenergo PJSC, approved by the decision of the Board of Directors of the Company (minutes No. 114/2011 dated 22.07.2011), taking into account changes in accordance with decisions of the Company's Board of Directors (minutes dated 29.12.2012, No. 150/2012, 06.03.2015, No. 204/2015 and dated 21.07.2017, No. 281/2017). The Regulation is an integral part of the employment contract with the General Director and establishes the procedure for determining, approving and changing the salary, types of bonuses for the General Director, as well as the method for paying the official payroll and bonuses.

Bonuses for the Company's General Director depend on the results of the implementation of KPI, approved by the Board of Directors, for the reporting periods – quarter and year. If the Company's Board of Directors determines the conditions (strategic priorities) identified by the results of the year, additional prizes may be paid to the General Director upon the decision of the Company's Board of Directors. For the achievement of a high KPI value, defined by the Board of Directors of the Company as a priority, the General Director may be paid an individual premium according to the Company's performance by the Board of Directors for the estimated year.

The Board of Directors of the Company has the right to award the General Director for performing particularly critical tasks (works), for which special requirements are set in terms of quality and time, responsibility and importance for the industry and the state.

**The total amount of remuneration paid to members of the executive bodies of the Company for 2018 amounted to 67,063 thousand rubles, including:**



NAME OF AN INDICATOR	2018
Remuneration for participation in the work of the governing body	1,401
Wages	31,404
Cash bonuses	32,281
Commission	0
Benefits	0
Other types of rewards	1,977
IN TOTAL	67,063

The total amount of compensation paid to members of the executive bodies of the Company for 2018 amounted to 684 thousand rubles.

The Company has no arrears in the payment of remuneration and reimbursement to members of the executive bodies.

## REMUNERATION AND PAYMENT OF COMPENSATION TO THE MEMBERS OF THE AUDITING COMMISSION

In accordance with the current Regulation for the payment of remuneration and compensation<sup>1</sup> to the members of the Auditing Commission of Kubanenergo PJSC, approved by the Annual General Meeting of Shareholders (minutes No. 40, 28.05.2018, the remuneration to a member of the Audit Commission is paid based on the results of the corporate year and depends on its participation in the work of the Company's regulatory authority.

The remuneration of members of the Auditing Commission is calculated with the account for:

- the size of the basic amount of remuneration, which is set on the basis of the Company's revenue, calculated under RAS for the financial year;
- the personal commitment rate of a member of the Auditing Commission, which reflects member participation in meetings and verification activities of the Auditing Commission, as well as member additional duties as Chairman or secretary of the Auditing Commission.

Remuneration is not paid to a member of the Auditing Commission who participated in less than half of the meetings held during membership in the Auditing Commission.

Reimbursement of expenses to members of the Auditing Commission related to their participation in the events of the Auditing Commission is determined in the sum of actual costs based on the standards established by this Regulation.

The total amount of remuneration paid to the members of the Auditing Commission for participation in its work in 2018 amounted to 797 thousand rubles.

The expenses of the members of the Auditing Commission in the reporting year were not reimbursed by the Company.

The Company has no debts to pay remuneration and compensation to members of the Auditing Commission.

## INFORMATION ON TRANSACTIONS COMPLETED BY KUBANENERGO PJSC IN 2018

**Major transactions** (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of the property by the Company directly or indirectly, which value is 25% or more than the book value of the Company's assets, determined according to its financial statements, were not performed by Kubanenergo PJSC in 2018.

**In the reporting year, the Company entered into four transactions, which presents an interest** (Chapter XI of the Federal Law dated December 26, 1995, No. 208-ФЗ "On Joint-Stock Companies"). For a report on interested-party transactions entered into by Kubanenergo PJSC in 2018, see Appendix No. 2.

1. Regulation for payment of remuneration and compensation to members of the Auditing Commission of Kubanenergo PJSC is published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'About Us/ Constituent and internal documents'.

# INFORMATION POLICY

Information policy of the Company is aimed at satisfaction of the needs of shareholders, representatives of the investment community, customers, contractors, organizations – regulators of relevant markets, state authorities, employees and other parties, interested in full, consistent and reliable information about the Company and its activities, as well as to ensure the possibility of free and easy access to this information.

## Concepts of transparency (disclosure) of the Company information

CONCEPTS	IMPLEMENTATION OF THE CONCEPTS
<b>Regularity, consistency, efficiency</b>	<ul style="list-style-type: none"> <li>• Compliance with the requirements of the legislation of the Russian Federation, the needs of the regulators of the relevant markets, internal documents of the Company in terms of information disclosure;</li> <li>• continuity of the process of disclosure;</li> <li>• the minimum period of information disclosure;</li> <li>• prompt provision of information on the Company's position regarding rumors or inaccurate data, forming a distorted view of the Company's evaluation and the value of its securities</li> </ul>
<b>Availability</b>	The Company employs channels and ways of disseminating information about its activities available to the majority of stakeholders, providing free, easy and indiscriminate access to the information disclosed.
<b>Completeness, accuracy and comparability</b>	<p>The Company strives to:</p> <ul style="list-style-type: none"> <li>• provide stakeholders with complete, objective, false information, without avoiding the disclosure of negative information about the Company itself;</li> <li>• disclose understandable and consistent information with comparable data;</li> <li>• ensure the neutrality of the information disclosed (independence of the presentation of data from the interests of any persons or their groups)</li> </ul>

In providing information, the Company strives to obtain a reasonable balance between the interests of shareholders and the interests of the Company, concerned in maintaining the confidentiality important business information, which could have a material impact on the Company competitiveness.

The Company maintains high standards of corporate social responsibility and maintains a continuous dialogue with target audiences to strengthen corporate reputation and increase the fair value of the business.

The Regulation on the Information Policy has been in effect in the Company since 2006.<sup>1</sup> The Regulation set forth the goals, objectives, principles, means, methods, procedures, and deadlines for disclosing information, and its catalog.

In addition to the information subject to mandatory disclosure, the Company discloses detailed information about its activities, securities, and shareholders, management and control bodies, material transactions, its subsidiaries and affiliates.

Kubanenergo PJSC discloses information in Russian and English in all cases when it is permitted by the applicable legislation of Russian Federation and does not contradict the essence of information disclosure in the particular case (interviews, public statements under conditions not allowing simultaneous translation, etc.). The Company tends to synchronize information disclosure in the Russian and English languages.

Information about the Company is disclosed generally by placing it on the corporate website, in the news feed of the authorized information agency "Interfax," publications in print and electronic media, through meetings, interviews, briefings with shareholders and other interested parties, etc.

The General Director of the Company provides the implementation of the information policy.

Monitoring over the implementation of the Information Policy Regulation is exercised by the Board of Directors, by the annual reviewing the report of the General Director of the Company on compliance with the information policy.

Annual reports of the Company for 2015 and 2016 were included in the short-lists of the XIX and XX annual competitions of annual reports organized by Moscow Exchange PJSC and the RZB media group in the nomination "**Best Annual Report of a Company with a Capitalization of up to 40 Billion rubles**."

The completeness of the information disclosed by the Company, according to research conducted by the Russian Regional Network, on integrated reporting corresponds to the third level of transparency – "**Disclosure of information over the Russian legal requirements**."

The position of Kubanenergo PJSC in the corporate transparency rating of the largest Russian companies:



YEAR OF RESEARCH	THE NUMBER OF POINTS ASSIGNED TO THE REPORTING OF KUBANENERGO PJSC	COMPANY'S POSITION IN THE CORPORATE TRANSPARENCY RATING
2016	15.25 out of 100	69
2017	17 out of 100	55
2018	19.4 out of 100	57

1. Regulation on the Information Policy of the Company is published on the website [www.kubanenergo.ru](http://www.kubanenergo.ru) – section 'About Us /Constituent and internal documents.'