Approved by:

decision of the General meeting of Kubanenergo JSC shareholders

minutes No. 23 dated June \_\_ 2008

Chairperson

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Rappoport A.N.

**Regulations**

**on remuneration and compensations to members of the Board of Directors of Joint stock company of power industry and electrification of Kuban**

Krasnodar

2008

1. The Regulations are elaborated in accordance with the Federal Law “On Joint Stock Companies” and establish the amount and procedure of payment of remuneration and compensation to the members of the Board of Directors of Kubanenergo JSC (hereinafter referred to as the Company).
2. Remuneration and compensation are not accrued and paid to Chairperson and those members of the Board of Directors in relation to whom restriction or interdiction for reception of profit from commercial organizations is stipulated by the federal laws.
3. Payment of remuneration and compensation is performed by the Company in the monetary form.
4. Payment of remuneration.
   1. For participation in the Board of Directors meeting held in the absentee form (by filling in a questionnaire), a member of the Board of Directors receives payment equal to 3(three) minimum monthly wage rates of the first-class worker established by the industry wage agreement in the RF power complex (hereinafter referred to as the Agreement) at the date of holding the Company Board of Directors meeting, taking into account indexations established by the Agreement, within seven calendar days after holding the Company Board of Directors meeting.

For participation in the Board of Directors meeting held in the form of joint presence (by filling in a questionnaire), a member of the Board of Directors receives payment equal to 5 (five) minimum monthly wage rates of the first-class worker established by the industry wage agreement in the RF power complex (hereinafter referred to as the Agreement) at the date of holding the Company Board of Directors meeting, taking into account indexations established by the Agreement, within seven calendar days after holding the Company Board of Directors meeting.

The amount of remuneration paid in accordance with item 4.1 of the Regulations, the Chairperson (Deputy Chairperson) increases by 50 % for every meeting, at which he/she performed functions of the Chairperson of the Board of Director (hereinafter referred to as exercise of functions of Chairperson).

* 1. Members of the Board of Directors receive additional remuneration for net profit index of the Company according to the data of the annual financial statements adopted by the general shareholders meeting of the Company.

4.2.1. The amount of remuneration paid to the member of the Board of Directors is calculated based on the following formula:

|  |  |  |
| --- | --- | --- |
| S = | NP \* n | , where |
| 100 \*x \* m |

S – the sum of additional remuneration paid to one member of the Board of Directors, based on the results of the financial year;

NP – the Company’s net profit approved by the decision of the annual General meeting of shareholders;

n – the quantity of the meetings of the Board of Directors of the Company, in which a member of the Board of Directors (regardless of their form) took part during the year in which the Company got the net profit on the results of its activity;

x – the quantity of the members of the Board of Directors according to the Statute;

m – the quantity of the meetings of the Board of Directors of the Company during the year in which the Company got the net profit on the results of its activity.

4.2.2. The amount of remuneration paid according to subparagraph 4.2.1 of the present Regulations to the Chairperson (Deputy Chairperson) for performing functions of the Chairperson of the Board of Directors of the Company is calculated based on the following formula:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| B = | SS | ++ | NP \* j\*1.5 | , where |
| 100 \*x \* m |

B – the sum of remuneration to the Chairperson (Deputy Chairperson) for performing functions of the Chairperson of the Board of Directors of the Company on the results of the financial year;

S – the sum of additional remuneration to the Chairperson (Deputy Chairperson) of the Board of Directors on the results of the financial year for participation in the meetings of the Board of Directors at which he did not function as the Chairperson of the Board of Directors;

NP – the Company’s net profit approved by the decision of the annual General meeting of shareholders;

j – the quantity of the meetings of the Board of Directors at which the Chairperson (Deputy Chairperson) functioned as the Chairperson of the Board of Directors;

x – the quantity of the members of the Board of Directors according to the Statute;

m – the quantity of the meetings of the Board of Directors of the Company during the year in which the Company got the net profit on the results of its activity.

4.2.3. If in the year, in which the Company got the net profit on the results of its activity, the Board of Directors was elected in a new composition, remuneration specified in subparagraphs 4.2.1 and 4.2.2 is also paid to the members of the Board of Directors of the previous compositions.

4.3. Additional remuneration is paid to the members of the Board of Directors in case of increasing the amount of the Company’s market capitalization during the period of work of the Board of Directors (the period from the moment of election of the members of the Board of Directors till the moment of election of a new composition of the Board of Directors of the Company).

4.3.1. The amount of additional remuneration of the member of the Board of Directors, paid in accordance with subparagraph 4.3, makes 0.0175% of the increase of the Company’s market value less the increase of the Company’s net assets, expected for the period from the moment of election of the members of the Board of Directors till the moment of election of a new composition of the Board of Directors of the Company.

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

*ΔMV = MCt – MCt-1*

*(3)*

where:

*ΔMV*  – the increase of the Company’s market value less the increase of the Company’s net assets;

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

*MCt-1* – the average chronological market capitalization of the Company for the period (t-1);

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

 *(2), where*

PiMICEX – the weighted average value of the Company’s shares on i-th trading day of the period at MICEX;

diMICEX – the weight of quotation at MICEX, calculated by division of the volume of trades of the Company’s shares at MICEX to the total volume of trades of the Company’s shares at RTS and MICEX (in items) on i-th trading day of the period at MICEX;

PiRTS – the weighted average value of the Company’s shares on i-th trading day of the period at RTS;

diRTS – the weight of quotation at RTS, calculated by division of the volume of trades of the Company’s shares at RTS to the total volume of trades of the Company’s shares at RTS and MICEX (in items) on i-th trading day of the period at RTS;

n – the amount of trading days from the beginning till the end of the period, the period for formulas (1) and (2):

* + 1. Procedure of determining periods (t) and (t-1):
* calculation of period (t)[[1]](#footnote-1) starts from the date following the date of termination of authorities of member of the BoD and ends by the 30th working day;
* the period (t-1) is a period of 30 working days, which last date is the date previous to the election of the BoD member, and the first date is the last date minus 30 working dates.

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

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

*Tmarket = \* dRTS +\* dMICEX (3)*, where:

– the average chronological index of RTS for the period t.

 – the average chronological index of RTS for the period t-1.

DRTS – the weight of quotation at RTS, calculated by division of the volume of trades of the Company’s shares at RTS to the total volume of trades of the Company’s shares at RTS and MICEX (in items) for the periods t and (t-1);

– the average chronological index of MICEX for the period t.

 – the average chronological index of MICEX for the period t-1.

DMICEX – the weight of quotation at MICEX, calculated by division of the volume of trades of the Company’s shares at MICEX to the total volume of trades of the Company’s shares at RTS and MICEX (in items)for the periods t and (t-1);

Formula for average chronological index:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *I1* | *+ I2 + I3 … +* | *In* |
| *I =* | *2* | *2* |
|  | *n - 1* |  |

(6),

where:

*I1* – the index for the 1st trading day of the particular period;

*In* – the index for the last trading day of the particular period;

*n* – amount of trading days

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

 (4), where:

dcomp. – the share of the company under evaluation in the rate of growth of the equity market, which is calculated as follows:

\* (5), where:

Qcomp. – the total volume of trades of the company under evaluation at RTS and MICEX for the periods t and t-1, robles;

QRTS-MICEX – the total volume of trades at RTS and MICEX for the periods t and t-1, rubles.

4.3.5. If except the ordinary shares the company has issued the preferred ones, then while determining the amount of remuneration in accordance with paragraph 4.3 only ordinary shares should be accounted.

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

4.4. Remuneration specified in subparagraphs 4.2 and 4.3 is paid by Company’s assignee within a month from the date of termination of Company’s activity.

4.5. Restrictions in payment of remuneration

* + 1. Remuneration specified in paragraphs 4.2 and 4.3 is not paid if a member of the Board of Directors did not participate in more than 50% of meetings.
    2. The volume of remuneration specified in paragraph 4.2 cannot exceed the wage of director general fixed in 2007 by the BoD:
* more than 4 times for a member of the Board of Directors;
* more than 5 times for a chairperson of the Board of Directors.
  + 1. Remuneration specified in paragraph 4.3 2 cannot exceed the wage of director general fixed in 2007 by the BoD more than 3 times.

Remuneration specified in subparagraph 4.3 is paid within one month after the date of the financial statements, following the date of termination of the powers of a member of the Board of Directors.

4.6. A member of the Board of Directors of the Company can refuse to get remuneration specified by the present Regulations fully or partially by sending the corresponding notification to the Director General of the Company.

In case of existing the abovementioned notification payment of remuneration of all types to the member of the Board of Directors is carried out only at the written consent of the member of the Board of Directors of the Company. In case of occurring the grounds of remuneration payment, the Company is obliged to send to the member of the Board of Directors of the Company a notification with indication of the sum of a due remuneration. Such a notification should be sent no later than the date of the remuneration payment specified by the present Regulations.

In case of existing of the written consent of the member of the Board of Directors of the Company to get remuneration, the corresponding remuneration is paid to him/her within seven calendar days after its reception.

5. Payment of compensation.

5.1. In case of the member of the Board of Directors being sent to a business trip for visiting of the Company’s objects, having meetings with the shareholders and investors, participating in the General meeting of shareholders, and also for implementing other tasks, related to the functions of a member of the Board of Directors of the Company, the following compensation is paid to the member of the Board of Directors:

- payment of daily allowances according to the procedure established for the sole executive body of the Company, or the sole executive body of the managing organization of the Company;

- reimbursement of expenses on travel to the place of a business trip and back to the place of employment or residence (including insurance payment on the obligatory personal insurance of the passengers on transport, payment for the services on processing travel documents, etc.) in the amount of actual expenses confirmed by the travel documents, but no more than the travel fare:

by a railway transport - in the carriage of the heightened comfort of business-class (SV, S);

by a marine and river transport - on the tariffs set by the transport company, but no more than the fare in a “de luxe” cabin with complex service for passengers;

by an air transport - on the tariff of business-class;

by a motor transport - in the vehicle of the common use (except for a taxi and car lease);

- reimbursement of expenses on an apartment rent (except for the case when a member of the Board of Directors gets a free apartment) in the amount of actual expenses confirmed by the corresponding documents, but no more than three minimum monthly tariff of a first-class worker, set by the branch tariff agreement in the electric power industry of the Russian Federation as at the day of compensation payment, taking into account the indexation, set by the Agreement, for each day of residence.

5.2 Payment of compensation is carried out by the Company within one calendar day after submitting the documents confirming the incurred expenses.

6.If the Company was influenced by changes, or any other circumstances, that make impossible to apply the procedure of calculation of remuneration, have occurred, the Board of Directors has to put this problem from consideration of the General meeting of shareholders.

1. [↑](#footnote-ref-1)