

Approved by  
decision of IDGC of the South JSC Board of Directors of  
on 31 July 2014 Minutes of meeting No. 140/2014 dd 04.08.2014

**Regulations**  
**on Personnel and Remuneration Committee of Board of Directors of Open**  
**Joint Stock Company Interregional Distribution Grid Company of the South**  
(restated)

Rostov-on-Don  
2014

## **1. GENERAL PROVISIONS**

1.1. The Regulations “On Personnel and Remuneration Committee of Board of Directors of Open Joint Stock Company Interregional distribution grid company of the South (hereinafter – the Regulations) are worked out in accordance with the legislation of Russian Federation, the Charter of IDGC of the South JSC, the Regulations on the procedure for convening and holding meetings of Board of Directors of IDGC of the South JSC.

1.2. The Personnel and Remuneration Committee of Board of Directors of Interregional distribution grid company of the South (hereinafter – the Committee) is established by decision of Company’s Board of Directors and is an advisory and consultative body ensuring the efficient performance by the Company’s Board of Directors and executive bodies of functions related to providing the general guidance for the Company’s activity.

1.3. The Committee is not a Company’s body and shall not be entitled to act on behalf of the Company.

1.4. Resolutions of the Committee shall be advisory in nature for the Company’s Board of Directors and executive bodies.

1.5. The Committee shall operate in accordance with the Regulations specifying the legal status, goal and objectives, rights, obligations, structure and composition of the Committee. In its activity the Committee shall be guided by Federal Laws, other regulatory legal acts of the Russian Federation, the Company’s Charter, the Regulations on the procedure for convening and holding meetings of Board of Directors of the Company, resolutions of the Company’s Board of Directors.

## **2. GOALS AND OBJECTIVES OF COMMITTEE**

2.1. The main purpose of the Committee establishment is to ensure efficient operation of the Company’s Board of Directors when dealing with the issues which fall within its competence and provision of recommendations to the Board of Directors and executive bodies of the Company.

2.2. The objective of the Committee shall be the drawing up and submission of recommendations (reports) to the Company’s Board of Directors on the following

activities of Board of Directors:

- 1) recommendations on the amount of remuneration paid to members of Company's Board of Directors
- 2) principles and criteria for fixing the remuneration paid to members of the Company's Board of Directors, members of the collegial executive body and the person performing the functions of the sole executive body of the Company including the managing organization or manager;
- 3) specifying the essential terms of contracts concluded with members of the collegial executive body and the person exercising the functions of the sole executive body of the Company;
- 4) setting forth the criteria for selection of candidates for members of the Company's Board of Directors, for members of the collegial executive body of the Company, for the position of the sole executive body of the Company;
- 5) regular appraising of the activity of the person discharging the functions of the sole executive body (managing organization, manager) and members of the collegial executive body of the Company.

### **3. COMMITTEE'S COMPETENCE**

3.1. The following issues fall within the competence of the Committee:

- 1) working out principles, recommendations and criteria related to remuneration and financial stimulation for:
  - members of the Company's Board of Directors, the Chairperson of the Company's Board of Directors;
  - members of Management Board of the Company, Director General of the Company;
  - Members of Audit Committee of Company, Chairperson of Audit Committee of Company;
- 2) Preparation of recommendations on the approval (adjustment) of internal documents specifying the issues of remuneration and compensation;
- 3) setting forth the criteria for selection of candidates for members of the Company's Board of Directors, for the position of the Chief Executive Officer of

the Company and carrying out preliminary assessment of the aforementioned candidates and preparation of recommendations to the BoD;

4) recommendations and proposals on setting the terms of contracts (including term of office and amount of remuneration and bonuses) concluded with members of Board of Directors, members of Management Board, Director General, managing company or manager, as well as changes to such contracts;

5) regular appraisal of activity of the Director General, managing company (manager), members of Management Board and preparation of recommendations to the BoD;

6) recommendations to the BoD on discussion at General meeting of shareholders on devolution of authority of the sole executive body of Company to managing organization (manager) and the early termination of authorities of managing company (manager);

7) preparation of proposals and recommendations for BoD on question of suspension of managing company (manager);

8) preparation of proposals and recommendations for BoD on number of members of the Management Board of the Company, election of members of the Management Board, and termination of their term of office;

9) preparation of proposals and recommendations for BoD on assignment of acting Director General of the Company and also bringing to disciplinary responsibility;

10) preparation of proposals and recommendations for BoD on disciplinary responsibility of the Director General and Management Board members and their remuneration in accordance with the labor legislation of the RF;

11) preliminary draft of the organizational structure of the executive office of the Company;

12) preliminary draft of the organizational structure of the executive office of the Company's branch;

13) preliminary approval of candidates for certain positions in the executive office of the Company, determined by the Board of Directors;

14) consideration of results of activity of the employees which are subject for

approval by the BoD and preparation of recommendations to Director General of the Company;

15) preparation for the BoD of recommendations on awarding Director General with governmental awards;

16) assessment of the candidates pool for the posts of the category Top Managers of the Company;

17) preliminary consideration of proposals on readjustment of Company's management system (changing the amount of management levels, establishment/termination/regrouping of production subdivisions, distribution zones);

18) other issues related to abovementioned as well as issues discussed under the order of Company's Board of Directors.

#### **4. RIGHTS OF THE COMMITTEE**

4.1. In order to perform its functions the Committee shall be entitled to:

1) make a research on the issues which fall within its competence;

2) request and receive information and documents necessary to carry out its activity from the Director General and officials of the Company in accordance with the list approved by decision of the Committee and also request information from third party organizations through the Chairperson of Board of Directors or the Director General of the Company;

3) use the professional services of third-party companies or get third parties involved (on a contract basis as well) as experts (consultants) possessing special knowledge on the issues falling within the Committee's competence within the Committee's budget. Contracts with persons engaged by the Committee to render consulting services shall be concluded on the basis of the corresponding decision of the Committee by the authorized official of the Company on the proposal of the Chairperson of the Committee or by the Chairperson of the Committee under power of attorney issued by the sole executive body of the Company;

4) invite employees of the Company, management of the Company, members of other Committees of the Company's Board of Directors and other persons to

participate in onsite meetings of the Committee;

5) if necessary, work out and submit the drafts of alterations and additions to the Regulations for approval of the Company's Board of Directors.

4.2. The Committee shall have other rights specified in the Regulations.

## **5. OBLIGATIONS OF COMMITTEE**

5.1. The Committee shall:

1) faithfully perform the tasks which have been assigned to the Committee and carry out its activity in accordance with the Regulations, requirements of the RF legislation, the Charter and internal documents of the Company;

2) submit the cost-effective and legal recommendations (resolutions) on the issues falling within the Committee's competence to Board of Directors;

3) inform BoD timely about the risks to which the Company is exposed;

4) follow confidentiality requirements, not disclose information about the Company that is considered as commercial and/or official secret.

## **6. COMPOSITION OF COMMITTEE AND PROCEDURE FOR COMMITTEE ESTABLISHMENT, RIGHTS AND OBLIGATIONS OF COMMITTEE MEMBERS**

6.1. The Committee shall consist of no less than 3 (Three) members and elected by the decision of the Company's Board of Directors.

6.2. The Committee personnel shall be elected by Board of Directors of the Company among the candidates proposed by members of the Company's Board of Directors.

6.3. Each member of the Company's Board of Directors shall be entitled to propose no more than 3 (Three) candidates for the Committee members.

6.4. Only natural persons can be the Committee members. It is allowed for a member of the Committee not to be a member of the Company's Board of Directors.

6.5. Proposals of members of the Company's Board of Directors on the candidatures for election to the Committee shall be submitted in writing to the Chairperson of the Company's Board of Directors within 5 (Five) days before the

date of holding the meeting of Board of Directors (before the deadline for receipt of questionnaires for absentee voting) the agenda of which includes the item of election of the Committee members.

6.6. When nominating the candidates for the Committee a written consent of the proposed candidate and data on the candidate shall be enclosed with the proposal on nomination of the candidate (candidates) for the Committee member(s).

6.7. The proposal on nomination of the candidate (candidates) for the Committee member(s) shall contain the following information about the candidate:

- full family name, name, patronymic of the candidate;
- place of employment and position of the candidate as of the time of proposal submission.

The proposal on nomination of the candidate (candidates) for the Committee member(s) shall be signed by the member of the Company's Board of Directors who has submitted the proposal.

6.8. When electing the Committee members their education, professional training, work experience in the sphere of the Committee's activity and other special skills necessary to exercise the powers by the Committee members shall be taken into account.

6.9. Members of the Committee shall be elected in accordance with the Regulations for the period till holding the first meeting of Board of Directors to be reelected.

6.10. Powers of any member of the Committee can be terminated before the expiration of the term of office by decision of the Company's Board of Directors.

6.11. The Chairperson and members of the Committee can decline their responsibilities provided that they have submitted the application about this decision to the Chairperson of the Company's BoD and the Chairperson of the Committee.

6.12. If the number of the Committee members is less than the quorum necessary for holding the meetings of the Committee specified in the Regulations, the Chairperson of Board of Directors shall convene the extraordinary meeting of

Board of Directors in order to elect the Committee members or place the issue of election of the Committee members on the agenda of the earliest planned meeting of the Company's Board of Directors.

6.13. The Committee members within the Committee's competence shall be entitled to:

- 1) request the documents and information necessary to make decisions on the issues within the Committee's competence from the Chief Executive Officer and Management Board of the Company. The inquiry shall be made in writing under the hand of the Chairperson of the Committee;
- 2) put forward the written proposals on working out the plan of the Committee's operation;
- 3) include the items in agenda of the Committee meetings according to the procedure stipulated by the Regulations;
- 4) demand to convene the Committee meeting;
- 5) exercise other rights provided for by the Regulations.

6.14. Members of the Committee shall become familiar with the materials for the Committee meeting and have their own position on each item on meeting agenda.

6.15. Members of the Committee when exercising their rights and performing the obligations shall act for the benefit of the Company, exercise their rights and discharge the obligations in relation to the Company faithfully and reasonably.

6.16. When making a decision on the inclusion of the Company's shares in the quotation list "A"<sup>1</sup> of the Russian stock exchanges the members of the Committee should:

- not be at the time of election and during one year prior to the election the officers or employees of the Company;
- not be an officer of any other business entity in which any of the officers of the Company is a member of the Board of Nomination and Remuneration;

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<sup>1</sup> For quotation list "A" of the second level is its permissible to undertake obligation to follow the requirements to the Committee, lists in paragraph 6.6 of the chapter 6 "Composition of committee and procedure for committee establishment, rights and obligations of committee members", in which the following is defined: the composition of the committee, procedure of organizing the committee one year after the date when the Company's shares were included in the quotation list "A" of the second level.

- not be spouses, parents, children, brothers and sisters of employees of the Company (the official management organization of the Company);
- not be an affiliate of the Company, except a member of the BoD;
- not be a party to the obligations of the Company, under the terms of which they can acquire property (or money), the cost of which is more than 10 percent of the total annual income, other than compensation for participation in the BoD;
- not be representatives of the state, i.e. persons who are representatives of the Russian Federation, federal and municipal governments in the Board of Directors in respect of which the decision use a special right ("golden share") and the persons elected to the Board of Directors from the candidates nominated by the Russian Federation and the unit of the Russian Federation or municipal entity, if board members should vote on the basis of written directives (instructions, etc.), respectively, of the Russian Federation or municipal.

If it is impossible to fulfill these requirements in respect of all members of the Committee, due to objective reasons, the Committee shall consist of members of the Board of Directors of the Company, corresponding to the above requirements, and members of the Board of Directors of the Company, not the sole executive body and (or) the members of the collegial executive body.

## **7. CHAIRPERSON OF COMMITTEE AND PROCEDURE FOR ELECTION OF CHAIRPERSON**

7.1. Management of the Committee and arrangement of its activity shall be carried out by the Chairperson of the Committee.

7.2. The Chairperson of the Committee shall be elected by the Company's Board of Directors from the elected Committee members by a majority of votes of the Company's Board of Directors members participating in the meeting of Board of Directors.

7.3. Board of Directors of the Company shall be authorized to reelect the Chairperson of the Committee at any time.

7.4. In case of the absence of the Chairperson of the Committee his/her obligations shall be performed by the Deputy Chairperson of the Committee. The Deputy

Chairperson of the Committee shall be elected by the Committee members from among their number by a majority vote of the total number of elected members of the Committee.

7.5. The Chairperson of the Committee shall:

- 1) convene the Committee meetings and preside over them;
- 2) determine the form of holding and approve the agenda of the Committee meeting;
- 3) define the list of persons to be invited to participate in the on-site meeting of the Committee. Officials and/or employees of the Company shall be invited to the on-site meeting of the Committee (consideration of separate items on meeting agenda) by sending the corresponding invitation addressed to the Chief Executive Officer of the Company. The Director General of the Company shall ensure the participation of officials and/or employees of the Company or other persons possessing the powers, information and qualification necessary to efficiently participate in the meeting of the Committee (consideration of items on meeting agenda, providing information, participation in discussion, decision-making etc.) who have been invited to the meeting of the Committee;
- 4) arrange the keeping of the minutes of the Committee meetings and sign the minutes of the Committee meetings;
- 5) represent the Committee in the course of cooperation with the Company's Board of Directors, other Committees of Board of Directors, executive bodies of the Company, the Auditor, the Auditing Committee of the Company and other bodies and persons;
- 6) officially maintain correspondence of the Committee, sign the inquiries, letters and documents on behalf of the Committee;
- 7) allocate the duties between the Committee members;
- 8) work out the plan of operation of the Committee and submit the aforementioned plan for approval to the Committee, exercise control over the implementation of decisions and plans of operation of the Committee;
- 9) ensure in the process of the Committee's activity the observance of

requirements of the Russian Federation legislation, the Company's Charter, other internal documents of the Company and the Regulations;

10) carry out other duties stipulated by the current legislation, the Company's Charter, the Regulations and other internal documents of the Company.

## **8. SECRETARY OF COMMITTEE**

8.1. The functions of the Secretary of the Committee shall be performed by the Corporate Secretary of the Company unless otherwise is stipulated by the decision of the Committee. If the decision on election of other person as the Corporate Secretary has been adopted, the Secretary of the Committee shall be elected by a majority vote of the total number of elected members of the Committee. If the candidate for the position is the Company's employee, the candidature shall be endorsed by the Chief Executive Officer of the Company.

8.2. The Secretary of the Committee shall provide technical (informational, documentary, recording, secretarial) support for current activity of the Committee, as well as shall:

- 1) ensure the preparation and holding of the Committee meetings;
- 2) gather and classify the materials for meetings;
- 3) ensure the timely submission to the Committee members and persons who have been invited to participate in the meeting of the Committee of notices of holding the meetings of the Committee, agendas of meetings, materials on the agenda items and questionnaires;
- 4) accomplish organizational and technical support of voting at the meeting of the Committee;
- 5) arrange cooperation of the Committee with the Board of directors of the Company, other Committees of the Board of directors of the Company, the executive bodies of the Company, the Auditor, the Audit Committee of the Company, and the other bodies and officers;
- 6) record minutes of meeting, organize preparing of projects of draft resolutions of Committee;
- 7) keeps record of correspondence (including the inquiries, requests, applications)

addressed to the Committee and/or the Committee members, ensures the receipt of necessary information by the Committee members;

8) distribute the documents approved by the Committee;

9) ensure the custody of minutes of the Committee meetings and other documents and materials related to the Committee operation in accordance with the documents custody procedures approved in the Company;

10) carry out the orders of the Chairperson of the Committee within the powers of the Committee Chairperson;

11) have other functions in accordance with the Regulations.

8.3. The Secretary of the Committee shall be paid remuneration and shall be reimbursed for expenses connected with the discharge of obligations. Remuneration and expenses connected with fulfillment of obligations by the Secretary shall be provided for in the Company's budget.

8.4. A contract on provision of Secretary services may be executed with the Secretary of the Committee. The contract with Secretary of the Committee on behalf of the Company shall be signed by Director General or by persons authorized by the BoD in order to determine the terms of the contract. The terms and conditions of the contract with the Secretary of the Committee, including the amount of Secretary's fee shall be determined by the Board of directors of the Company or the person authorized by the Board of directors of the Company.

## **9. MEETINGS OF COMMITTEE**

9.1. Meetings of the Committee shall be convened by the Chairperson of the Committee in accordance with the schedule of activity approved at the meeting of the Committee (scheduled meetings) and in other cases specified in the Regulations (extraordinary meetings).

9.2. The schedule of activity of the Committee shall be worked out by the Chairperson of the Committee with regard for the approved schedule of activity of the Company's Board of Directors and proposals of the Chairperson of the Company's Board of Directors, members of the Committee and decisions of the

Company's Board of Directors.

9.3. The schedule of activity of the Committee shall be approved at the Committee meeting following the meeting of the Company's Board of Directors at which the schedule of activity of the Company's Board of Directors has been approved.

9.4. When convening the Committee meeting the Chairperson of the Committee shall fix the date, time, place and form of meeting holding, agenda and list of persons invited to participate in the on-site meeting of the Committee.

9.5. Agenda of the scheduled meeting shall be set by the Chairperson of the Committee in accordance with the approved Plan of Operation of the Committee, decisions of the Company's Board of Directors and proposals of the Chairperson of the Company's Board of Directors.

9.6. Members of the Committee shall be entitled to put forward proposals on setting the agenda of the Committee scheduled meeting.

9.7. The Chairperson of the Committee shall be authorized to include received proposals in agenda of the scheduled meeting or to convene the extraordinary meeting of the Committee.

9.8. Extraordinary meetings of the Committee shall be held:

- in accordance with the notice received from the Corporate Secretary of the Company of the meeting of the Company's Board of Directors the agenda of which includes the item (items) which, according to the Regulations, shall be referred to the competence of the Committee;
- on the initiative of the Chairperson of the Committee;
- by decision of the Company's Board of Directors or by decision of the Committee;
- at the request of the Chairperson of the Company's Board of Directors, the member of the Committee, the Auditing Committee or the Auditor of the Company.

9.9. The demand of the Chairperson of the Company's Board of Directors, the member of the Committee, the Auditing Committee or the Auditor of the Company for convening the Committee meeting shall be submitted to the

Chairperson of the Committee in writing within 7 (seven) working days before the date of meeting holding and shall contain the wording of the item, argument in support of necessity to examine the issue at the meeting, draft decision of the Committee as well as accompanying materials and information. The demand for convening the Committee meeting shall be signed by the person who has submitted the aforementioned demand (the demand of the Auditing Committee for convening the Committee meeting shall be signed by the Chairperson of the Auditing Committee, the demand of the Company's Auditor shall be signed by the authorized person of the Auditor). At the same time the copy of the demand for convening the Committee meeting with all Appendixes shall be submitted to the Secretary of the Committee.

9.10. Within 1 (one) working day from the date of raising the demand for convening the extraordinary meeting the Chairperson of the Committee shall take a decision to hold the extraordinary meeting of the Committee, shall fix the date, time and place of holding the Committee meeting (date and time of termination of questionnaires submission when conducting the absentee voting) or make a decision to refuse to convene the extraordinary Committee meeting. The motivated decision on refusal to convene the extraordinary Committee meeting shall be submitted to a person or body of the Company demanding to convene such meeting no later than the day following the day of making the decision on refusal to convene the meeting by the Chairperson of the Committee.

9.11. The decision of the Chairperson of the Committee to refuse to convene the extraordinary Committee meeting can be taken in the following cases:

- 1) an item (items) proposed to be placed on the agenda of the Committee meeting is (are) not referred by the Regulations on the Committee to its competence;
- 2) agenda item that the demand for convening the extraordinary meeting of the Committee contains has already been included in agenda of the earliest meeting to be convened in accordance with the decision of the Chairperson of the Committee that has been taken before receiving the aforementioned demand;
- 3) form, procedure and terms of raising the demand for convening the meeting

provided for by item 9.8. of the Regulations have been ignored;

9.12. The Chairperson of the Committee shall be authorized to include the items, which the demand for convening the extraordinary meeting of the Committee contains, in the agenda of the earliest scheduled meeting of the Committee.

9.13. The notice of holding the meeting of the Committee shall contain meeting agenda, the form of meeting holding, date, place and time of meeting holding (date and time of termination of submission of questionnaires for voting on the items of meeting agenda). The notice of holding the meeting shall be drawn up by the Secretary of the Committee and shall be signed by the Chairperson of the Committee or the Deputy Chairperson of the Committee (in cases stipulated by the Regulations). The notice of holding the meeting shall be submitted to the Committee members and persons invited to participate in the on-site meeting of the Committee within 5 (five) working days before the date of holding the Committee meeting (the deadline for questionnaires submission when holding the off-site meetings). Materials and information related to agenda items shall be submitted to members of the Committee and persons invited to participate in the on-site meeting of the Committee within 3 (three) working days before the date of holding the meeting (the deadline for questionnaires submission when holding the off-site meetings) including decisions (recommendations) of the Company's Management Board in cases specified in item 9.15 of these Regulations. Materials on the items on agenda of the Committee meeting shall without fail contain draft decisions on these items. The working out of draft decisions (their preparation) shall be arranged by the Chairperson of the Committee except for cases of consideration of issues by the Committee at the request of persons mentioned in item 9.8 of these Regulations. Persons invited to participate in the on-site meeting of the Committee shall receive materials on the items on agenda of the Committee meeting the discussion of which presupposes their participation.

9.14. The notice of holding the meeting of the Committee and materials (information) on agenda items can be submitted (delivered) to the Committee members and persons invited to participate in the on-site meeting of the

Committee in person, as a fax message or via e-mail.

9.15. If the items to be submitted for consideration at the extraordinary meeting of the Committee are considered urgent, the terms of convocation of the extraordinary meeting and submission of materials on items on agenda of such meeting can be reduced by decision of the Chairperson of the Committee.

Committee meeting held in person, with the consent of all present members may address issues not included in the meeting agenda.

9.16. Upon receipt from the Company's Corporate Secretary of the notice of holding the meeting of the Company's Board of Directors the agenda of which contains the issues referred by the Regulations to the competence of the Committee, the Chairperson of the Committee shall take all necessary measures to ensure the timely holding of the Committee meeting in order to draw up recommendations (decisions) on the stated items on agenda of the meeting of the Company's Board of Directors and their submission to Board of Directors in accordance with the approved Regulations on the procedure for convening and holding meetings of the Company's Board of Directors.

9.17. Upon receipt from the Company's Corporate Secretary of the notice of holding the meeting of the Company's Board of Directors the agenda of which contains the issues referred by the Regulations to the competence of the Committee which, in accordance with the Regulations on Management Board of the Company, shall be preliminarily considered by the Company's Management Board, the Committee meeting on such issues shall be held after their preliminary consideration at the meeting of the Company's Management Board. In this case corresponding decisions (recommendations) of Management Board shall be submitted to members of the Committee by the Committee meeting start. Aforementioned provisions shall not apply to the cases if the terms of holding the specified meeting of Management Board and submission of decisions (recommendations) approved by Management Board to the Committee provided for by the Regulations on Management Board of the Company have not been maintained.

## **10. PROCEDURE FOR HOLDING COMMITTEE MEETINGS**

10.1. Meetings of the Committee can be held in the form of joint presence of members of the Committee (on-site meeting) or in the form of absentee voting on agenda items of the meeting (off-site meeting).

10.2. The on-site meeting of the Committee shall be opened by the Chairperson of the meeting – the Chairperson of the Committee and in case of absence of the latter – by the Deputy Chairperson.

10.2.1. Members of the Committee and invited persons shall take part in the on-site meeting of the Committee.

10.2.2. The Secretary of the Committee shall determine whether the quorum necessary for holding the meeting of the Committee is present. The Chairperson at the on-site meeting shall inform those present on the presence of quorum necessary for holding the Committee meeting and read out meeting agenda.

10.2.3. If the quorum is absent, the meeting shall be declared incompetent. At the same time the Chairperson of the meeting shall adopt one of the following decisions:

- 1) having consulted with persons present at the meeting, fix a different time for the meeting start;
- 2) fix a date of the recurrent meeting with the same agenda;
- 3) include the issues, the consideration of which was planned for the cancelled meeting of the Committee, in agenda of the ensuing scheduled meeting of the Committee.

10.2.4. The on-site meeting of the Committee shall be considered competent (has the quorum) if no less than half elected members of the Committee are present at the meeting.

10.2.5. When summarizing the voting results on the items which have been included in agenda of the on-site meeting of the Committee the written opinions of the Committee members absent at the meeting to be drawn up and received according to the procedure stipulated by the Regulations shall be taken into account.

10.2.6. Written opinions of the Committee members absent at the on-site meeting of the Committee shall be drawn up only by filling in the questionnaire for voting on agenda items.

10.2.7. On the day of holding the on-site meeting of the Committee the Secretary of the Committee proceeding from the results of discussion of agenda items and voting of members of the Committee present at the meeting shall draw up the questionnaire in accordance with Appendix 1 to the Regulations to be signed by the Chairperson of the Committee and submit it in the original, via e-mail or facsimile communication to the Committee members absent at the meeting.

10.2.8. When filling in the questionnaire the member of the Committee shall leave uncrossed only one possible voting variant (“for”, “against”, “abstained”) on each item which has been put to the vote. The filled in questionnaire shall be signed by the Committee member; his/her family name and initials shall be specified. The filled in and signed questionnaire shall be submitted by the member of the Committee to the Secretary of the Committee no later than the day following the holding of the Committee meeting in the original, by means of e-mail or facsimile communication with the ensuing submission of the original questionnaire at the address stated in the questionnaire.

10.2.9. The questionnaire the filling in of which fails to meet the requirements specified in the first paragraph of sub-item 10.2.8 of the Regulations shall not be taken into account in the vote count with regard to the corresponding issue. The questionnaire which has not been signed as well as the questionnaire which has been submitted upon the expiration of the term specified in sub-item 10.2.8 of the Regulations shall be nullified, shall not be taken into account when counting the votes and summarizing the voting results.

10.2.10 Voting results on agenda items of the on-site meeting of the Committee shall be determined (summarized) on the basis of results of voting of the Committee members present at the on-site meeting and questionnaires to be filled in and signed by the Committee members which have been received by the Secretary of the Committee within the specified period. Voting results shall be

determined after the deadline for questionnaires submission had went by.

10.3. The decision to hold the Committee meeting in the form of absentee voting shall be taken by the Chairperson of the Committee.

10.3.1. When holding a meeting in the form of absentee voting, the members of the Committee can submit their recommendations and (or) comments on proposed resolutions to agenda items with 2 (two) business days before the deadline for receiving the questionnaires for voting.

10.3.2. The questionnaires for off-site meeting, in accordance with Appendix 2 of the Regulations, should be sent to members of the Committee no later than 1 (one) day before the specified in notification deadline of accepting the questionnaires.

10.3.3. When filling in the questionnaire for absentee voting, the member of the Committee shall leave uncrossed only one possible voting variant ("for", "against", "abstained") on each item which has been put to the vote. The filled in questionnaire shall be signed by the Committee member, his/her family name and initials shall be specified. The filled in and signed questionnaire shall be submitted to the Secretary of the Committee by the member of the Committee no later than the date and time of questionnaires receipt termination, specified in the questionnaire, in the original, by means of e-mail or facsimile communication with the ensuing submission of the original questionnaire at the address stated in the questionnaire.

10.3.4. The questionnaire the filling in of which fails to meet the requirements specified in the first paragraph of sub-item 10.3.3 of the Regulations shall not be taken into account in the vote count with regard to the corresponding issue.

The questionnaire which has not been signed as well as the questionnaire which has been submitted upon the expiration of the term specified in sub-item 10.3.3 of the Regulations shall be nullified, shall not participate in establishing the quorum necessary for adoption of a decision by absentee voting, shall not be taken into account when counting the votes and summarizing the voting results.

10.3.5. The off-site meeting of the Committee shall be considered competent (has the quorum) if no less than half elected members of the Committee have

participated in it.

10.3.6. The Committee members whose questionnaires have been received by the Secretary of the Committee no later than the deadline for questionnaires submission shall be considered members participating in the off-site meeting.

10.4. Decisions at the Committee meeting shall be adopted by simple majority of votes of the Committee members that have been elected.

10.5. When discussing the issues at the meeting each member of the Committee shall have one vote. In case of equality of votes the vote of the Chairperson of the Committee shall be considered casting. The transfer of the vote from one member of the Committee to any other member of the Committee as well as to other persons shall not be allowed.

10.6. Within 2 (two) working days after holding the Committee meeting the Secretary of the Committee shall draw up the minutes of the meeting.

10.7. The minutes of the Committee meeting shall be signed by the Chairperson of the meeting and the Secretary of the Committee. Minutes shall be drawn up in duplicate one of which during 1 (one) working day after being signed shall be submitted by the Secretary of the Committee to the Company's Board of Directors with prepared materials and recommendations to be enclosed, the other shall be kept in the archive of the Committee. Copies of the minutes, prepared materials and recommendations shall be submitted to all members of the Committee.

10.8. The Chairperson and the Secretary of the Committee shall bear responsibility for accuracy of the Minutes drawing. The Secretary of the Committee shall be responsible for custody of the minutes, questionnaires, materials and recommendations of the Committee.

10.9. The Minutes of the Committee meeting shall contain the following information:

- form of meeting holding;
- date, place and time of meeting holding (date and time of questionnaires receipt termination);
- list of the Committee members participating in the consideration of agenda items

including the form of voting (in person or by submitting the questionnaire) and the list of other persons participating in the on-site meeting;

- agenda;

- proposals of the Committee members on agenda items;

- items put to the vote, voting results with the indication of character of voting of each member of the Committee;

- adopted decisions.

10.10. If the member of the Committee expresses willingness, a brief statement of his/her opinion on agenda items of the Committee meeting can be attached to the Minutes of the Committee meeting. Such statement of opinion shall be drawn up by the member of the Committee and submitted to the Secretary of the Committee.

## **11. COOPERATION WITH THE COMPANY'S BODIES AND OTHER BODIES**

11.1. When performing its obligations the Committee shall maintain efficient working relations with management bodies, control authorities, structural subdivisions of the Company, other organizations and persons.

11.2. The Chairperson and the Secretary of the Committee shall ensure informational, technical and coordinated cooperation of the Committee with Board of Directors, executive bodies, control authorities and structural subdivisions of the Company as well as with other Committees of the Company's Board of Directors.

11.3. Chief Executive Officer and Management Board of the Company at the request signed by the Chairperson of the Committee shall provide information and materials that the Committee members need to take decisions on the issues falling within the Committee's competence.

Aforementioned information and materials shall be submitted within 3 (Three) working days from the date of request receipt unless the longer term is set in the request.

If incomplete or inadequate information (materials) has (have) been provided, members of the Committee shall be entitled to request additional information (materials).

11.4. Recommendations (resolutions) to be prepared (drawn up) by the Committee shall be submitted by the Chairperson of the Committee to the Company's Board of Directors and at the same time copies of the aforementioned recommendations (resolutions) shall be submitted to the Chief Executive Officer of the Company.

## **12. CONFIDENTIALITY**

12.1. During the period of discharge of the Committee members' obligations and during one year after the termination of the term of office in the Committee the persons who are (have been) members of the Committee, the Secretary of the Committee and third parties that have been involved in the Committee activities shall fulfill the requirements of confidentiality in relation to generally inaccessible information which has been received by them as a result of their activities in the Committee. The decision of the authorized management body of the Company shall specify which information shall be considered inaccessible with respect to operation of the Company as well as information content.

12.2. Members of the Committee, the Secretary of the Committee and third parties that have been involved in the Committee operation shall be entitled to receive the aforementioned information on condition that they have concluded the agreement with the Company on the use of afore-stated information.

12.3. All documents connected with the Committee operation shall be kept at the location of the Company in conformity with the procedure for documents custody established in the Company. The Secretary of the Committee shall respond for custody of afore-stated documents.

## **13. ENSURING OF COMMITTEE'S ACTIVITY**

13.1. In order to ensure the Committee's activity when setting the expenditure of the Company's total budget the separate expense item shall be provided for. Particularly, expenses of the Committee shall include remuneration and compensation paid to the Chairperson, members of the Committee and the Secretary of the Committee, expenses connected with involvement of outside consultants, administrative staff costs and other expenses.

13.2. By decision of the Company's Board of Directors members of the Committee

can be paid remuneration and can be reimbursed for any expenses connected with the discharge of their obligations. The amount of such remuneration and compensation, procedure and terms of payment shall be established by the separate decision of the Company's Board of Directors.

13.3. The proposal on the budget size of the Committee (with disclosure of item-by-item information) shall be worked out at the Committee meeting and be submitted to the Company's Board of Directors. The conclusion of the Director General on the possibility of financing the budget presentation in the planned scope of the business activities in the relevant planning period includes to the draft budget of the Committee.

13.4. For the purpose of holding the meeting of the Committee the Chief Executive Officer of the Company being authorized by the Chairperson of the Committee shall provide the premises for the Committee, provide unfettered access to them for persons the list of which is specified in the application and also shall carry out other activities to hold the meeting of the Committee.

#### **14. FINAL PROVISIONS**

14.1. Board of Directors of the Company shall be authorized to demand the report on current activity of the Committee from the Committee at any time. Terms of preparation and submission of such report shall be determined by decision of Board of Directors.

14.2. The Chairperson of the Committee shall be entitled to submit separate reports on the issues which fall within the competence of the Committee to the Company's Board of Directors.

14.3. Information on separate decisions of the Committee shall be placed on the Company's web-site on the Internet. It is the Chairperson of the Company's Board of Directors who shall determine whether placement of information is necessary.

14.4. Information on activity of the Committee shall be included in the Annual Report of the Company.

14.5. The Regulations as well as all additions and alterations to them shall be approved by the Company's Board of Directors.

14.6. Issues which have not been dealt with in the Regulations shall be regulated by the Company's Charter, the Regulations on the procedure for convening and holding meetings of the Company's Board of Directors and other internal documents of the Company, effective legislation and decisions of the Company's Board of Directors.

14.7. If as a result of change of the legislation or regulatory enactments of the Russian Federation some clauses of the Regulations contradict them, these clauses shall be considered invalid and till the moment of making alterations in the Regulations members of the Committee shall be guided by laws and by-law regulatory legal acts of the Russian Federation.

COMMITTEE OF BOARD OF DIRECTORS

of Open Joint Stock Company Interregional Distribution Grid Company of the South  
 QUESTIONNAIRE for voting on agenda items of the on-site meeting of Personnel  
 and Remuneration Committee of Board of Directors of “IDGC of the South” JSC

held on “ \_\_\_\_\_ ” \_\_\_\_\_ 20\_\_

Item:

1. \_\_\_\_\_

Decision (adopted at the meeting):

1. \_\_\_\_\_

FOR

AGAINST

ABSATINED

(leave Your variant uncrossed)

Item:

2. \_\_\_\_\_

Decision (adopted at the meeting):

2. \_\_\_\_\_

FOR

AGAINST

ABSATINED

(leave Your variant uncrossed)

The filled in and signed questionnaire shall be submitted via fax or in the original no  
 later than \_\_\_\_\_ . /date, time/

The questionnaire received by the Company upon the expiration of the term shall be  
 considered invalid, shall not be taken into account in the counting of votes and  
 summarizing the voting results. Please send the original of the questionnaire to the  
 address: \_\_\_\_\_

Member of the Committee

of the IDGC of the South BoD \_\_\_\_\_ (signature) \_\_\_\_\_ (full name)

Chairperson of the Committee

of the IDGC of the South BoD \_\_\_\_\_ (signature) \_\_\_\_\_ (full name)

The questionnaire shall be considered invalid without the signature of the  
 Chairperson and the member of the committee

COMMITTEE OF BOARD OF DIRECTORS

of Open Joint Stock Company Interregional Distribution Grid Company of the South  
QUESTIONNAIRE for voting on agenda items of the on-site meeting of Personnel  
and Remuneration Committee of Board of Directors of “IDGC of the South” JSC  
held on “ \_\_\_\_\_ ” \_\_\_\_\_ 20\_\_

Item:

1. \_\_\_\_\_

Decision (adopted at the meeting):

1. \_\_\_\_\_

FOR

AGAINST

ABSATINED

(leave Your variant uncrossed)

Item:

2. \_\_\_\_\_

Decision (adopted at the meeting):

2. \_\_\_\_\_

FOR

AGAINST

ABSATINED

(leave Your variant uncrossed)

The filled in and signed questionnaire shall be submitted via fax or in the original no  
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Member of the Committee

of the IDGC of the South BoD \_\_\_\_\_ (signature) \_\_\_\_\_ (full name)

Chairperson of the Committee

of the IDGC of the South BoD \_\_\_\_\_ (signature) \_\_\_\_\_ (full name)

The questionnaire shall be considered invalid without the signature of the  
Chairperson and the member of the committee.

COMMITTEE OF BOARD OF DIRECTORS

of Open Joint Stock Company Interregional Distribution Grid Company of the South  
QUESTIONNAIRE for voting on agenda items of the off-site meeting of Personnel  
and Remuneration Committee of Board of Directors of “IDGC of the South” JSC  
held on “ \_\_\_\_\_ ” \_\_\_\_\_ 20\_\_

Item:

1. \_\_\_\_\_

Decision (adopted at the meeting):

1. \_\_\_\_\_

FOR

AGAINST

ABSATINED

(leave Your variant uncrossed)

Item:

2. \_\_\_\_\_

Decision (adopted at the meeting):

2. \_\_\_\_\_

FOR

AGAINST

ABSATINED

(leave Your variant uncrossed)

The filled in and signed questionnaire shall be submitted via fax or in the original no later than \_\_\_\_\_ . /date, time/

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Member of the Committee

of the IDGC of the South BoD \_\_\_\_\_ (signature) \_\_\_\_\_ (full name)

Chairperson of the Committee

of the IDGC of the South BoD \_\_\_\_\_ (signature) \_\_\_\_\_ (full name)

The questionnaire shall be considered invalid without the signature of the Chairperson and the member of the committee.

## Confidentiality Agreement

\_\_\_\_\_20\_\_\_\_\_

“IDGC of the South” JSC represented by Director General \_\_\_\_\_, acting on the basis of the Charter, and \_\_\_\_\_ hereinafter referred to as “Contractor”, collectively named the Parties have entered into the agreement as follows:

### **Preamble**

In order to provide assistance to the Board of Directors of “IDGC of the South” JSC in the performance of its duties, in the Board of Directors of “IDGC of the South” JSC the Personnel and Remuneration Committee of the Board of Directors of “IDGC of the South” JSC is established as the advisory body, acting in accordance with the Regulations on Personnel and Remuneration Committee of the Board of Directors of “IDGC of the South” JSC.

In connection with the exercise of the rights and the duties the Counterparty is granted an access to confidential information. In the framework of the Agreement, the Parties shall agree on the conditions relating to restrictions on the use and further disclosure of such information.

### **Confidentiality and limited use**

1. In the purposes of the confidentiality agreement the term “Confidential Information” in general and in particular means the whole or any information of any kind, either in oral written form or in electronic form, related to “IDGC of the South” JSC (which is hereinafter referred to as “Notifying Party”), concerning its economic and commercial activities, technologies, customers and/or suppliers that has actual or potential commercial value as it is unknown to third parties, and proved by Notifying Party to the Contractor in accordance with the Agreement, together with all the archived records or copies of the information or excerpts of such information contained on storage devices of any kind.

The Contractor shall keep the Confidential Information using the same level of scrutiny, which it uses to store its own confidential information, which is his

property, and such Confidential Information shall not be used or reproduced, and it should not be referenced by the Contractor for any purpose. Confidential information must not be disclosed to any third party by the Contractor, both natural and legal persons.

2. The Contractor is not entitled to provide confidential information to other persons (“give advises” or in any other form) that use or might use it for the purpose that has led or likely could lead to the disclosure of the information or any other illegal or prohibited by the law and the Agreement use, including the use of such information for personal gain or enrichment of other persons, regardless of whether such person is affiliated or not.

In the case of the use of confidential information in the above-mentioned purposes, Contractor shall immediately stop the implementation of such actions, and “IDGC of the South” JSC has the right to demand compensation for damages under the applicable law.

The Contractor shall notify the Committee on any planned and/or committed transactions with securities of “IDGC of the South” JSC and its subsidiaries and dependent companies.

3. The Contractor is responsible under the law for the actions of its affiliates, including, but not limited to, the wife (husband), parents, children, full and half siblings, adoptive parents and adopted children and other persons who are recognized as affiliated in respect of Counterparty that received the Confidential Information leading or likely could lead to the disclosure of it or any other unauthorized use, including the use of such information for personal gain or enrichment of other persons.

4. The Agreement on Observance of Confidentiality should not be regarded as a document providing to the Contractor any license rights or any other rights in respect of the Confidential Information and to its further use.

Unless otherwise agreed in a separate written agreement signed by the Parties, all Confidential Information will remain the property of Notifying Party.

The obligations imposed by the Confidentiality agreement on the parties to the

Agreement, shall not be an obstacle for the Notifying Party for the transfer of any Confidential Information to its financial, legal or other advisors and third parties who may, from time to time work in the interests of Notifying Parties and who need to know such Confidential Information, and that concluded an agreement of confidentiality in written form.

Confidential information obtained by the Contractor from the Notifying Party may be provided to third parties in the case, when the obligation to its provision is established by requirements of the Russian Federation or the possibility of such disclosure is provided by this or any other written agreement between the Parties.

Provision of Confidential Information by the Contractor to public authorities, other state agencies and local authorities can only be carried out on the basis of justified claims, signed by an authorized officer, containing a reference to the objectives and legal basis requesting information. In the event of such, as well as any other requirements for the provision of confidential information, Contractor shall immediately notify informs the parties in writing.

#### **Return of Confidential Information**

6. In accordance with the requirement of the Notifying Party or on the sole discretion of the Notifying Party all and any Confidential Information in any manner in which the Contractor has received or acquired from the Notifying Party or of the Notifying Party, shall be returned or, if not possible, destroyed within 14 (fourteen) days from the date of receipt of the request, and no copies of such information or data relating to such information, or extracts from it (in any form), must not remain at the Counterparty and the Counterparty shall not thereafter use or reproduce such information in whole or in part in any other purpose.

#### **Term and Termination of Agreement**

7. The Confidentiality Agreement shall enter into force upon the signature and shall remain in force for a period of 360 (three hundred and sixty) days from the date of its conclusion. Notwithstanding the foregoing, this Agreement can be terminated by the Notifying Party at any time upon prior written notice sent to the address of the Contractor seven days prior to the date of termination of the

Agreement. Termination or expiration of this confidentiality agreement does not exempt any of the Parties from the obligations imposed on it by this confidentiality agreement in respect of the Confidential Information, transferred or acquired prior to such termination or expiration of this Agreement, and such obligations shall remain in force for a period of 1(one) year after expiration or termination of the Agreement.

### **Governing Law**

8. The Confidentiality Agreement is regulated in accordance with the legislation of the Russian Federation.

All claims and disputes arising out of this Agreement or in connection with this Agreement or relating to this Agreement or the legal relationships established by this Agreement, the Parties shall be transmitted to the appropriate court at the location of “IDGC of the South” JSC.

### **Other terms and conditions**

9. Upon signature this confidentiality agreement will represent the entire agreement between the Parties in respect of the subject matter in it and after its execution will substitute and cancel any and all prior agreements, documents, records and contacts, both in oral and written form, between the parties regarding the subject matter of the Agreement.

Any changes and/or additions to this confidentiality agreement will be effective only if they are made in written form and signed by both Parties.

This Agreement is executed in two identical copies, one for each Party.

Date of signing the agreement, the details and signatures of the Parties