

Remuneration and Reimbursement for the Auditing Commission Members

According to the effective Regulation on the Remuneration and Reimbursement Paid to the Auditing Commission of the Company¹, the members of the Auditing Commission receive remunerations depending on the results of the work during the corporate year and their involvement with the work of such controlling body.

The remuneration amount for the Auditing Commission is calculated while taking into consideration the following:

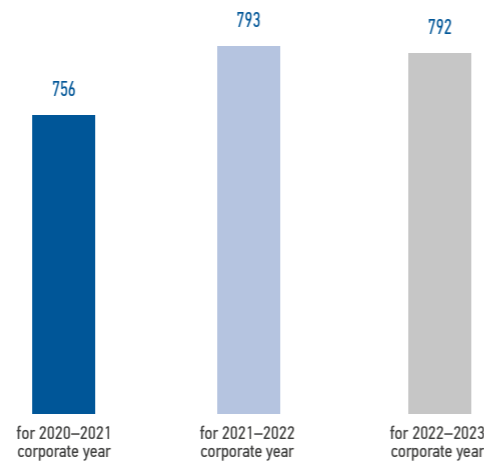
- Size of the base part of the remuneration set according to the Company RAS profits for the financial year
- Personal involvement modifier for the Auditing Commission members, reflecting their participation in meetings and inspections, as well as their fulfilment of additional duties as Chairman or Secretary of the Auditing Commission.

No remuneration is paid to a member of the Auditing Commission who has not participated in more than half of the meetings held during his/her membership in the Auditing Commission.

Reimbursement of expenses related to the participation in the meetings of the Auditing Commission is performed to the extent of the real expenditures according to the standard regulations.

The expenses of the Auditing Commission members were not reimbursed in the reporting year. For the members of the Auditing Commission, the Company has no remuneration or reimbursement payments overdue.

Remuneration accrued and paid to the members of the Auditing Commission (RUB '000)



¹ The Regulations on Payment of Remuneration and Compensation to Members of the Auditing Commission, approved by the decision of the Annual General Meeting of Shareholders of the Company dated 25 May 2018 (Minutes No. 40 dated 28 May 2018), are published on the Company's website in the [About the Company / Constitutive and Internal Documents](#) section. The Regulation is applied to the members of the Auditing Commission, in respect of which the federal law prescribes a restriction or prohibition on receipt of any payments from commercial organisations.

MATERIAL TRANSACTIONS MADE BY ROSSETI KUBAN, PJSC IN 2023

Sr. No.	Categories of material transactions	Material terms of the transaction (parties, subject, price, validity period) in the reporting year
1	Transactions recognised as major transactions under Chapter X of the Federal Law on Joint Stock Companies	Rosseti Kuban, PJSC did not carry out such transactions in the reporting year
2	Interested-party transactions (Chapter XI of the Federal Law on Joint Stock Companies)	In the reporting year, the Company concluded one interested-party transaction. The Report on interested-party transactions concluded by the Company in 2023 is given in Appendix 2 to this Report



Sr. No.	Categories of material transactions	Material terms of the transaction (parties, subject, price, validity period) in the reporting year
3	Transactions for the sale of shares (interests) in Rosseti Kuban-controlled subsidiaries and affiliates that have of a significant importance to the Company and result in the loss of control over those legal entities	Rosseti Kuban has no S&As that are of significant importance to it
4	Transactions with property of Rosseti Kuban, PJSC (including several interrelated transactions) made by the Company, the value of which exceeds the amount specified in the Company's Articles of Association or which is material to its business operations	<p>Transactions (including several interrelated transactions) involving non-current assets of the Company amounting to more than 10% of the book value of such assets according to the financial statements as at the last reporting date</p> <p>Transactions (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of property comprising fixed assets, intangible assets, construction in progress, the purpose of which is to carry out core activities in cases (amounts) determined by individual decisions of the Board of Directors of Rosseti Kuban, or, if the specified cases (amounts) are not determined by the Board of Directors of the Company</p> <p>Transactions (including several interrelated transactions) involving the disposal in any manner (or the transfer of rights in any order) of immovable property and/or equipment used directly for the core activities of the Company, with a book value exceeding 5% of the book value of the Company's assets, or the encumbrance of said property in any manner</p> <p>Transactions (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of property comprising fixed assets, intangible assets, construction in progress, the purpose of which is generation, transmission, dispatching, distribution of electricity and heat in cases (amounts) determined by individual decisions of the Board of Directors of the Company, or, if the specified cases (amounts) are not determined by the Board of Directors of the Company</p> <p>Transactions (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of property comprising fixed assets, intangible assets, construction in progress, the purpose of which is not associated with generation, transmission, dispatching, distribution of electricity and heat in cases (amounts) determined by individual decisions of the Board of Directors of the Company, or, if the specified cases (amounts) are not determined by the Board of Directors of the Company</p> <p>Transactions for more than five (5) years on the transfer for temporary possession and use or temporary use of real estate, power grid facilities or the receipt for temporary possession and use or temporary use of real estate, in cases (amounts) determined by individual decisions of the Board of Directors of the Company, or if such cases (amounts) are not determined by the Board of Directors of the Company</p>
5	Establishment of a legal entity controlled by Rosseti Kuban, PJSC that is material to its operations	No such transactions were made

INTERNAL AUDIT

The objective of the internal audit is to assist the Board of Directors and executive bodies of the Company in improving the efficiency of the Company's management and improving its financial and economic activities.

Such assistance is effected through a systematic and consistent review and assessment of risk management, internal control and corporate governance systems as tools to provide reasonable assurance of achieving the Company's objectives.

The risk-based approach is applied in organising the functioning of the internal audit system in the Company. Internal audit activities in the Company take into account information on ESG factors, risks and opportunities related to such factors that have a significant impact on the Company's development and performance indicators, as well as other issues of the Company's sustainable development.

The Internal Audit Function is a subdivision responsible for the implementation of the internal audit function in the Company.

The Internal Audit Function is functionally accountable to the Board of Directors, while the latter:

- Establishes principles and approaches of organisation of the internal audit, as well as approves internal documents defining the Company's policy in terms of the internal audit
- Controls and organises the Internal Audit activities, among other things, approves the Regulation on Internal Audit Department, action plan, progress report on action plan, and internal audit budget, preliminary approves the resolutions of the Company's sole executive body concerning the appointment or dismissal (at the employer's initiative) of the Internal Audit Head, disciplinary penalties, approves employment contract and remuneration provisions for the Internal Audit Head, considers the quality assessment results for internal audit

The goals and objectives, organisational and functional principles, roles and responsibilities of the Internal Audit Directorate are set out in the Internal Audit Policy of the Company approved by the resolution of the Board of Directors (Minutes No. 521/2023 dated 16 June 2023).

The function of the Company's internal audit is regulated by the following key documents:

- The Company's Internal Audit Policy and the Code of Ethics for Internal Auditors approved by resolution of the Board of Directors on 15 June 2023 (Minutes No. 521/2023 dated 16 June 2023)
- Regulations on the Internal Audit Function of the Company approved by the decision of the Board of Directors of the Company dated 18 April 2022 (Minutes No. 473/2022 dated 21 April 2022)
- The Company's Internal Audit Assurance and Quality Improvement Programme approved by the decision of the Company's Board of Directors dated 18 April 2022 (Minutes No. 473/2022 dated 21 April 2022)
- Corporate standards for the internal audit functions and the practical application standards elaborated in compliance with the international standards for the professional practice of internal auditing

The feedback from the Audit Committee is submitted to the Head of Internal Audit during the interactions with the Audit Committee including the participation in its meetings, the analysis of its resolutions/recommendations concerning the issues in the competence of the internal audit, and also by polling the members of Audit Committee.

The satisfaction index of the Audit Committee of the Board of Directors with the performance of the internal audit function for 2023 is rated as "fully compliant". The satisfaction was rated under following the Programme on Assurance and Improvement of Internal Audit Quality in the Company by means of a questionnaire survey.

The Company put an action plan in place for the development and improvement of the Company's internal audit activities for the period from 2020 to 2024, approved by a resolution of the Company's Board of Directors dated 30 March 2020 (Minutes No. 383/2020 dated 2 April 2020) and amended by a resolution of the Company's Board of Directors dated 19 February 2021 (Minutes No. 420/2021 dated 24 February 2021). In terms of events planned for 2023, the action plan for improvement of Company's internal audit is implemented to the fullest extent.

In 2019, KPMG, JSC conducted an external independent assessment of the Company's internal audit activity (conducted at least once every 5 years; the next one — in 2024). Based on the results of the above assessment, KPMG, JSC received an opinion, according to which the Company's internal audit activity "generally complies" with the International Professional Standards for Internal Auditing, the Code of Ethics developed by the Institute of Internal Auditors and the Internal Audit Policy of the Company.