

Improvement of Procurement Activities

The Company purchases goods and services mainly based on tenders from suppliers offering the best price-quality ratio, optimising procurement activity via the following methods:

- Using techniques to reduce the marginal purchase price
- Increasing the share of tenders

- Introducing mandatory actions to reduce prices of procurement participants (re-bidding, pre-contractual negotiations)
- Complying with the Company's Procurement Policy and the Programme for Partnership between Rosseti Kuban and SMEs

- Functioning of the advisory body on ensuring the effectiveness of purchases conducted by Rosseti Kuban, including from SMEs

Supply Chain Management

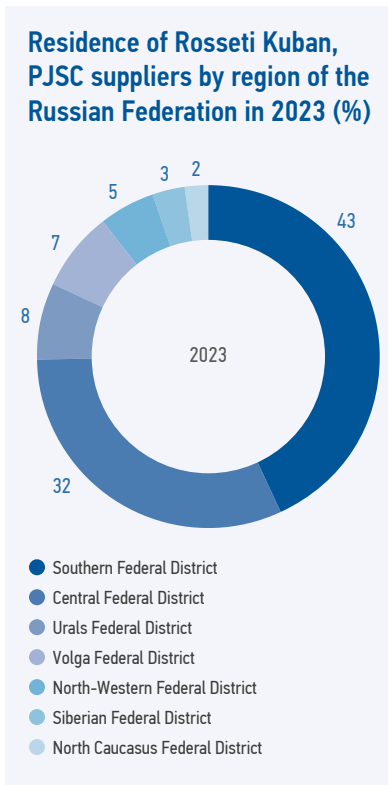
Rosseti Kuban's supply chain management strategy is aimed at optimising the procurement of goods through competitive procedures and framework agreements. This allows for the furnishing of grid connection facilities, including the preferential category of applicants up to 150 kW (loss of income), operation, maintenance, and repair programmes, as well as the Company's emergency stock in due time.

In order to furnish the Company's repair programmes for uninterrupted performance of works, delivery of material and technical resources is organised in terms of the need of Q1 — in December of the previous year, in terms of the need of Q2–Q4 — by the end of March of the current year. An optimally organised logistics system allows the Company to carry out its production activities to the fullest extent without disrupting the scheduled work deadlines.

In addition, the efficiency of reception, storage, and the issue of materials and equipment at the Company's warehouses

should be noted. In emergency situations (natural phenomena, technological violations, etc.), the process of issuing the necessary material within several hours is organised, which positively affects the overall time for the elimination of breakdowns.

Goods for the needs of Rosseti Kuban, PJSC are supplied from all regions of the Russian Federation where the production of materials and equipment for energy companies is localised. However, regional organisations make up a priority share of suppliers.



IMPORT SUBSTITUTION AND RELATIONS WITH EQUIPMENT MANUFACTURERS

In order to ensure technological safety of the power grid sector and reduce dependence on foreign products, equipment, technical devices and works/services of foreign companies and the use of foreign software, Rosseti Kuban is following the import substitution plan of Rosseti, PJSC as well as the response plan in case of restrictions on the use of imported products.

The Company has an action plan in place to determine the level of its dependence on imported products. The main goal of the plan is to identify the technological and economic risks that the Company faces from using imported goods in the event of a significant fluctuation in foreign exchange rates and/or the imposition of sanctions by foreign governments, and to develop effective countermeasures to those risks, which includes by increasing the effectiveness of communication with Russian Federation defence industry enterprises.

In the reporting year, the share of imported equipment in the total volume of purchases of major electrical equipment and materials in the Company was 2.75%, excluding the volume of products purchased from manufacturers in the Republic of Belarus, and 8.04%, including such purchases.

The development of core IT infrastructure and services in 2023 involved as follows:

- Russian software was purchased for the transition to the predominant use of domestic software: operating systems, database management system, virtualisation systems, backup systems, graphic editors, etc.
- Domestic server equipment was purchased for scaling and migration of the corporate software system
- Testing of domestic solutions for backup systems (Cyber Backup by Cyberprotect) and catalogue and virtualisation service (SpaceVM by DACOM M) was carried out
- Server capacities were deployed to introduce an automated information system for processing customer requests

The Company's digital transformation programme contains a plan of transition to the predominant use of domestic radio-electronic products until 2024 and an action plan for software import substitution for 2022–2024. In 2023, the share of expenditures on the purchase of Russian radioelectronic products was 79.5%, and that for Russian software was 98%.

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98%

share of expenditures on the purchase of Russian software in 2023