

PROCUREMENT

Rosseti Kuban, PJSC performs procurement activity according to Federal Law "On Procurement of Goods, Work, and Services by Certain Types of Legal Entities" No. 223-FZ dated 18 July 2011, other statutory regulations of the effective legislation of the Russian Federation, the Company's Articles of Association, and the [Unified Procurement Standard of Rosseti, PJSC](#) (Procurement Regulation) (hereinafter referred to as the Standard).

The Standard¹ was approved as an internal document by the decision of the Company's Board of Directors² dated 26 January 2023. The Central Tender Commission is the Company's collegial working body for the formation and implementation of a unified procurement policy. It ensures the proper level of competition in procurement, objectivity, impartiality and transparency of procurement procedures, fair and equal treatment of all participants in procurement

procedures and selection of counterparties based on the results of regulated procedures.

Procurement principles:

- Information transparency of procurements
- Equality, fairness, absence of discrimination and unreasonable competition restrictions against the procurement participants
- Appropriate and efficient spending of monetary assets for acquiring the goods, works, services, and compliance with measures to reduce the customer expenditures
- Lack of restriction to participate in procurement by establishing unmeasurable requirements for procurement participants.
- Transparency and manageability of procurement activities

- Professionalism and competence of employees involved in procurement activities of Customers
- Compliance with applicable legislation governing the arrangement of procurement activities, as well as anti-corruption legislation, including the anti-corruption procurement activity standard (Appendix to the Standard)
- The methods to perform procurement procedures and the conditions for their application are determined by the Standard. (Appendix to the Standard)

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Procurement methods used by the Company

Competitive procurements

- Tender, auction
- Requests for offers, requests for quotations
- Competitive pre-qualification
- Request for prices based on the results of competitive pre-qualification

Non-competitive procurements

- Pre-qualification
- Request for prices based on the results of competitive pre-qualification
- Price comparison

- Purchase from a single supplier (contractor)
- Procurement through participation in procedures arranged by product sellers

Participation of small and medium-sized enterprises in procurement conducted by Rosseti Kuban, PJSC

Since 2014, the Programme for Partnership between Rosseti Kuban and small and medium businesses has been implemented in the Company within the SME cooperation roadmap. Since 2018, Rosseti Kuban, PJSC joined the partnership programme between the Rosseti Group and SMEs, under which a unified register of partnership programme participants was created, thus making SMEs partners for all S&A of Rosseti, PJSC.

Since 2014, the Company has had an advisory body for ensuring the efficiency of purchases made by Rosseti Kuban, PJSC, including those from SMEs.

In addition to the Company's employees, the advisory body includes representatives of the following institutions:

- SME Corporation, JSC
- Fund for Infrastructure and Educational Programmes
- Regional branches of the Russian Union of Industrialists and Entrepreneurs
- OPORA RUSSIA, an All-Russian public organisation of small and medium-sized businesses.
- Delovaya Rossiya, an All-Russian public organisation
- Chamber of Commerce and Industry

In order to expand opportunities and encourage the participation of stakeholders (suppliers, contractors) in the procurement of goods, works, and services for Rosseti, PJSC's needs in accordance with Russian laws on SME development, Rosseti, PJSC has a programme for the development of SMEs for their potential participation in the procurement of goods (works, services) for Rosseti, PJSC's needs starting from 2023. Rosseti Kuban, PJSC, along with other S&A's of Rosseti, PJSC ensures the implementation of this programme.

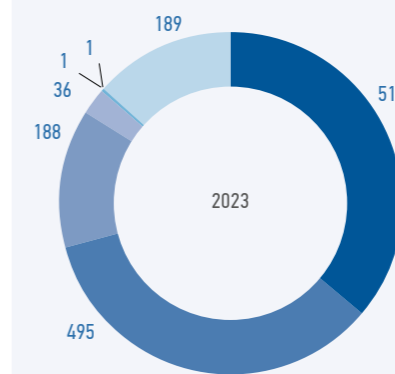
Key Results of the Company's Procurement Activities in 2023

In 2023, the Company summarised the results of 1,426 procurement procedures for a total of RUB 43,387.3 million. Among them, 1,309 purchases worth RUB 42,246.1 million were made using electronic means of commerce, which is 100% of the total procurement volume (excluding purchases from a single supplier and purchases by participating in procedures organised by non-electronic sellers).

As a result of regulated procurements in the reporting year, the Company obtained an economic effect of RUB 1,585.5 million, which was 3.5% of the total planned annual expenditures for the purchase of goods, works and services.

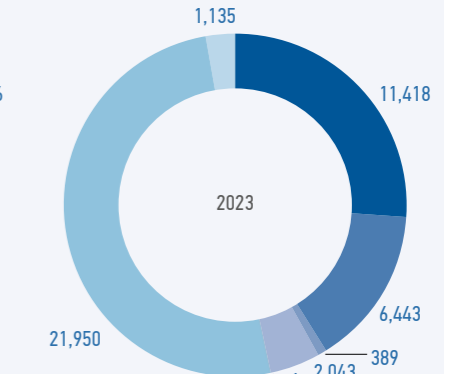
The results of 30 purchases of innovative and high-tech products totalling RUB 3,629.3 million were summed up as of the end of 2023.

Breakdown of the Company's purchases by type of activity (number)



- New construction and expansion of power grid facilities (RUB 12,232 mln)
- Retrofitting and renovation of power grid facilities (RUB 4,911 mln)
- Energy repair production (RUB 4,693 mln)
- IT procurements (RUB 557 mln)
- R&D (RUB 11 mln)
- Consulting services (RUB 9 mln)
- Other purchases (RUB 20,971 mln)

Breakdown of the Company's purchases by procurement methods (RUB mln)



- Online tender (171)
- Online auction (8)
- Online invitation for proposal (57)
- Request for a quotation based on pre-qualification (527)
- Participation in vendor-held procedures (2)
- Purchase from a single supplier based on the results of failed competitive procedures (500)
- Purchase from a single supplier (116)

31.4%

of procurements conducted from SMEs only (+6.2 p.p. vs. 2022)

Indicators of the Company's procurement activities for 2021–2023 (%)

Indicator	2021	2022	2023	Change 2023/2022 (p.p.)
Share of open procurement procedures in total procurement volume	97.2	95.2	97.4	+2.2
Share of procedures conducted using electronic means of commerce (electronic trading platforms) in the total volume of purchases (excluding purchases from a single supplier and purchases through participation in procedures organised by product sellers)	100	100	100	–
Amount of savings achieved ¹	3.3	11.8	3.5	-8.3
Share of procurements from SMEs	82.2	81.2	72.0	-9.2
Share of procurements from SMEs only	19.9	25.2	31.4	+6.2

¹ As amended, approved by the decision of the Board of Directors of Rosseti, PJSC on 29 December 2022 (Minutes No. 604 dated 30 December 2022).

² Minutes No. 508/2023 dated 27 January 2023.

¹ In % of planned stated cost of purchase.

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

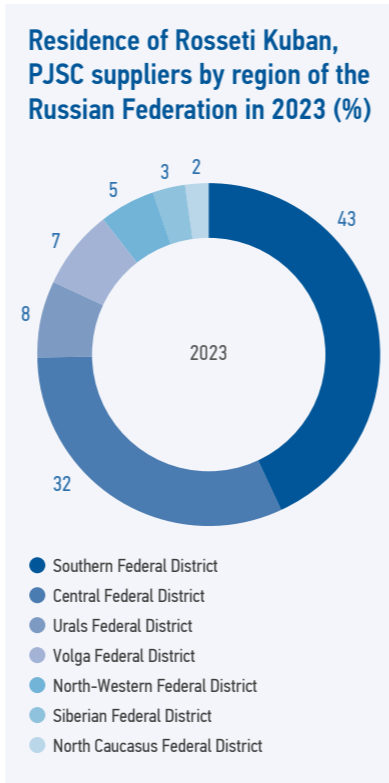
Rosseti Kuban's supply chain management strategy is aimed at optimising the procurement of goods through competitive procedures and framework agreements. This allows for the furnishing of grid connection facilities, including the preferential category of applicants up to 150 kW (loss of income), operation, 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%.

79.5%

share of expenditures on the purchase of Russian radioelectronic products

98%

share of expenditures on the purchase of Russian software in 2023