

# KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPI) are used to assess if the Company's development priorities were met.

The KPIs of the General Director are aligned with:

- Item 15.1, Article 15 of the Company's Articles of Association
- Resolution of the Board of Directors of the Company dated 7 October 2020 (Minutes

No. 404/2020 dated 9 October 2020), as amended by Resolution of the Board of Directors of the Company dated 28 December 2022 (Minutes No. 505/2022 dated 30 December 2022)

Targets of key performance indicators were approved by Resolution of the Board of Directors of the Company dated 9 February

2022 (Minutes No. 464/2022 dated 11 February 2022), as amended by Resolution of the Board of Directors of the Company dated 28 December 2022 (Minutes No. 505/2022 dated 30 December 2022).

The Company's Board of Directors created the following framework for Key Performance Indicators for 2022 in compliance with the aforementioned resolutions:

KPI	Method of calculation
Total dividend yield	Comparison of the accrued dividends of the reporting year with the average value of the same indicator for the last three years and with the value set forth in the business plan of the Company
Return on invested capital	Ratio of pre-tax profit and interest to the sum of equity and long-term loans and borrowings
Operating profit (EBITDA)	Section 1. The year-on-year growth of the actual EBITDA exceeds the average annual tariff growth rate Section 2. If the condition above is not met, the achievement of the EBITDA indicator to the planned value calculated based on the approved business plan is to be estimated
Reduction of unit operating expenses (costs)	Year-on-year reduction in the ratio of unit operating costs to the volume of serviced equipment (in c.u.) in the reporting year
Level of electricity losses	Ratio of electricity delivery to the grid minus the electricity delivered from the grid and utility consumption to the delivery to the grid minus the internal balance flows
Higher labour productivity	Ratio of added value to the number of insured people. Comparison with the 2020 baseline
Efficiency of innovations	Integral indicator of innovations efficiency assesses the extent to which three composite indicators are met: <ul style="list-style-type: none"> <li>• R&amp;D expenditure indicator,</li> <li>• innovative product procurement indicator,</li> <li>• quality of design &amp; engineering (updating) / implementation indicator</li> </ul>
Accounts receivable reduction rate	Reduction of the actual overdue receivables across all S&As (excluding moratorium and restructured debts, as well as debts of subcontractors that lost the status of a WEM subject and/or a guaranteeing supplier)
Compliance with grid connection deadlines	Complex indicator that estimates the quality of grid connections performed by S&As of Rosseti, PJSC; this indicator includes three components: <ul style="list-style-type: none"> <li>• the quality of processing of grid connection applications,</li> <li>• the quality of performance of grid connection agreements and compliance with anti-trust legislation of the Russian Federation</li> </ul>
Debt/EBITDA	Section 1. it is evaluated on how well the debt to EBITDA ratio is met. In case of financial stability of the Company, the target value is $\leq 3.0$ ; otherwise, there should be an improvement of at least 10% from the actual value in the previous year but not less than 3.0. Section 2. If the condition above is not met, one needs to evaluate whether the planned debt/EBITDA ratio calculated on the basis of the approved business plan is achieved or not
Compliance with commissioning schedule	Ratio of the total actual fixed assets entered in accounting records (in monetary terms, in relation to completed construction facilities recorded as fixed assets in the reporting year, with quarter-by-quarter breakdown) to the planned values in accordance with the approved investment programme of the Company and its implementation schedules
Readiness for heating season	Indicator that estimates the readiness of the Company to work during the heating season, based on monthly monitoring by the Ministry of Energy of Russia
Implementation of the Company's Development Plan	Bonus reduction indicator calculated against the number of unfulfilled activities of the Company's Development Plan approved by the Board of Directors of Rosseti, PJSC in the reporting period

KPI	Method of calculation
Achievement of specified reliability level of services provided	Indicators of tariff regulation reliability (SAIDI, SAIFI), as well as the number of major accidents in relation to average annual values for the last three years
Absence of work-related accidents	Number of Company's employees injured in accidents (with mild, severe or fatal outcomes) that were caused by officials who failed to perform their duties, during the reporting year
Indicator of transition to predominant use of domestic software	It assesses whether a transition plan for the predominant use of domestic software is put in place on time, and is calculated as the share of funding for Russian software and related work (services) in total funding for software and related work (services)

## KPI TARGETS AND ACHIEVEMENT

Indicators	Weight / percentage of bonus reduction in the 2022 incentive system, %	Actual value for 2021 // assessment of achievement for 2021 (achieved/ not achieved)	Targets for 2022	Actual value for 2022 <sup>1</sup> // % of the 2021 actual value	Assessment of achievement in 2022 (achieved / not achieved) / reasons for deviation
Total dividend yield	10	not calculated // not assessed <sup>2</sup>	$\geq$ the arithmetic average of the funds allocated to the payment of dividends in accordance with the decisions of the general meetings of shareholders of the Company for the 3 years preceding the reporting period, and $\geq$ the amount of funds allotted for the payment of dividends in the reporting period, in accordance with the Company's business plan	The achievement of the indicator will be evaluated following the decision of the General Meeting of Shareholders on the distribution of the Company's profit for 2022	
Return on invested capital	20	496.6% //achieved	$\geq 95.0\%$	175.5%/35%	achieved
Operating profit (EBITDA)	15	completed //achieved	completed	completed//100%	achieved
Reduction of unit operating expenses (costs)	10	2.0% //achieved	$\geq 2.0\%$	11.7%/540%	achieved
Level of electricity losses	10	10.31% //achieved	10.15%	9.83%/105%	achieved
Higher labour productivity	5	19.99% //achieved	$\geq 10\%$	71.99%/360%	achieved
Efficiency of innovations	20	96% //achieved	$\geq 90\%$	not to be determined <sup>3</sup>	not to be assessed
Accounts receivable reduction rate	10	55.8% //achieved	$\leq 100\%$	87.0%/64%	achieved

<sup>1</sup> Contains the expected KPI achievement, taking into account the timing and preparation procedure of reports that provide initial data for KPI calculations. The final actual values are to be approved by the Board of Directors of Rosseti Kuban.

<sup>2</sup> In the Company's business plan for 2021, net profit is approved with a value of less than 0 and the weight of the indicator is reallocated to the KPI "Return on invested capital".

<sup>3</sup> The KPI results will be summarised by a separate resolution of the Board of Directors of the Company in accordance with the KPI Calculation and Assessment Methodology for the General Director of Rosseti Kuban (Minutes No. 404/2020 dated 9 October 2020), as amended by the resolution of the Board of Directors of the Company (Minutes No. 505/2022 dated 30 December 2022) based on the results of the assessment conducted by the collegial body of Rosseti Group on the implementation and follow-up of the Innovative Development Programme of Rosseti, PJSC and its S&As for 2020–2024 with an outlook until 2030, taking into account the principles and approaches defined by the current Methodological Guidelines for the annual assessment of the implementation of innovative development programmes of joint stock companies and the Methodological Guidelines for assessing the quality of the design (updating) of innovative development programmes of joint stock companies.

Indicators	Weight / percentage of bonus reduction in the 2022 incentive system, %	Actual value for 2021 // assessment of achievement for 2021 (achieved/ not achieved)	Targets for 2022	Actual value for 2022 <sup>1</sup> // % of the 2021 actual value	Assessment of achievement in 2022 (achieved / not achieved) / reasons for deviation
Compliance with grid connection deadlines	-10	1.0//achieved	≤ the actual value of the indicator for the previous year multiplied by 0.85 but not less than 1.1	1.0//100%	achieved
Debt/EBITDA	-10	completed //achieved	completed	completed	achieved
Compliance with commissioning schedule	-10	1Q 124.0% 2Q 131.0% 3Q 139.0% 4Q 100.0% FY 111.0% //achieved	≥ 90.0% (in all quarters)	1Q 201.0% //162.0% 2Q 286.0%//218.0% 3Q 207.0%//149.0% 4Q 108.0%//108.0% FY 129.0%//116.0%	achieved
Readiness for heating season	-10	Simultaneously: 1) 1.0 2) completed // achieved	Simultaneously: 1) ≥ 0.95 2) failure to achieve the set value of the specialised indicator; presence of outstanding measures for readiness compliance by an electric power entity	Simultaneously: 1) 1.0 2) non-achievement of the target value of the specialised indicator //100.0%	achieved
Implementation of the Company's Development Plan	-70	0.0//achieved	0.0 (all activities completed)	0.0//100.0%	achieved
Achievement of specified reliability level of services provided	-10	Simultaneously: 1) $K_{SAIDI}=4.62$ ; for $K_{SAIFI}=2.80$ 2) The actual values did not exceed the permissible level of the planned values of the indicators established by the tariff regulators 3) 1.0 // not achieved	Simultaneously: 1) $K_i \leq 1.0$ 2) No significant deterioration in the indicators set by the tariff regulator 3) No increase in major accidents	Simultaneously: 1) for $K_{SAIDI}=1.40$ ; for $K_{SAIFI}=1.65$ (achieved, considering the presence of objective factors) <sup>1</sup> 2) actual values did not exceed the permissible level of the planned values of the indicators established by the tariff regulators 3) 0.0	achieved

<sup>1</sup> Exceeding of the planned value of Ksaidi and Ksaifi, is associated with the implementation of measures to improve the accounting of disturbances (accidents), reduce the number of unrecorded outages, increase the transparency and manageability of technological processes, reliability of recorded parameters used to calculate the reliability level of services provided.

Indicators	Weight / percentage of bonus reduction in the 2022 incentive system, %	Actual value for 2021 // assessment of achievement for 2021 (achieved/ not achieved)	Targets for 2022	Actual value for 2022 <sup>1</sup> // % of the 2021 actual value	Assessment of achievement in 2022 (achieved / not achieved) / reasons for deviation
Absence of work-related accidents	-10	Simultaneously: 1) 1.0 2) 0.0//achieved	Simultaneously: 1) No more than two injured persons 2) 0.0	Simultaneously: 1) 1<2 2) 0.0//100.0%	achieved
Indicator of transition to predominant use of domestic software	-20	introduced from 2022	≥90.0%	92.44% <sup>2</sup>	achieved

Target KPI values for 2023 are not reflected due to changes in the composition of KPIs, as well as approaches to the procedure for setting KPI targets and calculating actual KPI values, in accordance with the requirements of the Russian Federation Government Resolution No. 3579-r dated 28 December 2020 (as amended by Russian Federation Government Resolution No. 2072 dated 16 November 2022).

The Company's system of key performance indicators is linked to the variable part of management remuneration, with each indicator having a specific weight or percentage of bonus reduction in the volume of bonuses paid, and annual bonuses are paid subject to the achievement of the respective KPIs.

<sup>2</sup> This value is preliminary. Achievement of the indicator will be assessed following the preparation of the progress report on the digital transformation strategy.