

PROCUREMENT

Rosseti Kuban 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 Standard was approved as an internal document by the resolution of the Board of Directors dated 29 December 2018 (Minutes No. 327/2018) and put into effect by Kubanenergo's Order No. 47 dated 18 January 2019. In accordance with the decisions of the Board of Directors, the Company adhered to all amendments to the Standard adopted by Rosseti. The Company's collegial working body for the development and implementation of unified procurement policy, ensuring 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 choosing contractors based on the results of regulated procedures is the Central Tender Committee.

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.

PROCUREMENT METHODS USED BY THE COMPANY

Competitive procurements

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

Non-competitive procurements

- Preliminary selection
- 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 ENTREPRENEURSHIP (SME) IN PROCUREMENT CONDUCTED BY ROSSETI KUBAN

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 has joined the Programme for Partnership between the Rosseti Group of Companies and small and medium enterprises (Order No. 231 dated 6 March 2018), under which a unified register

of the Partnership Programme participants was created (thereby, the SME becomes a partner for all S&As of Rosseti).

Since 2014, the Company has an advisory body to address the efficiency of procurement, including purchases from SMEs; this body, along with the Company's employees, includes representatives of SME Corporation, JSC,

the Fund for Infrastructure and Educational Programmes, regional offices of the Russian Union of Industrialists and Entrepreneurs, the OPORA RUSSIA All-Russian Non-Governmental Organisation of SME, the Delovaya Rossiya All-Russian Public Organisation, and the Chamber of Commerce.

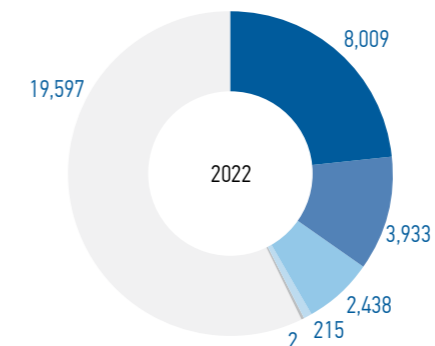
KEY RESULTS OF THE COMPANY'S PROCUREMENT ACTIVITIES IN 2022

In 2022, the Company drew the balance on 1,493 procurement procedures totalling RUB 34,195.7 million. Using electronic commerce means, 1,346 purchases were made for RUB 32,571.1 million, which was 100% of the total volume of purchases (excluding purchases from a single supplier).

As a result of regulated procurements in the reporting year, the Company obtained an economic effect of RUB 4,566.0 million., which was 11.8% of the total planned annual expenditures for the purchase of goods, works and services.

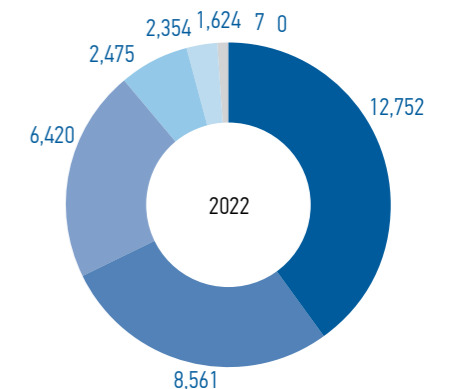
The results of 4 purchases of innovative and high-tech products totalling RUB 1,214.5 million were summed up as of the end of 2022.

BY TYPE OF ACTIVITY (RUB MN)



- New construction and expansion of power grid facilities
- Retrofitting and renovation of power grid facilities
- Energy repair production
- IT procurements
- Consulting services
- Other purchases

BY PROCUREMENT METHOD (RUB MN)



- Online auction
- Purchase from a single supplier based on the results of failed competitive procedures
- Online invitation for proposal
- Online tender
- Request for a quotation based on preliminary selection
- Purchase from a single supplier
- Participation in procedures organized by product sellers
- Pre-selection



INDICATORS FOR THE COMPANY'S PROCUREMENT ACTIVITIES FOR 2020–2022 (%)

	Period			Δ 021/2022 (p.p.)
	2020	2021	2022	
Share of open procurement procedures in total procurement volume	98.1	97.2	95.2	-2.0
Share of procedures carried out using e-commerce means (electronic trading platforms) in the total volume of purchases (excluding purchases from a single supplier)	100.0	100.0	100.0	0.0
Amount of savings achieved	10.6	3.3	11.8	+8.5
Share of SME procurements	91.7	82.2	81.2	-1.0
Share of purchases from SMEs only	29.2	19.9	25.2	+5.3

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

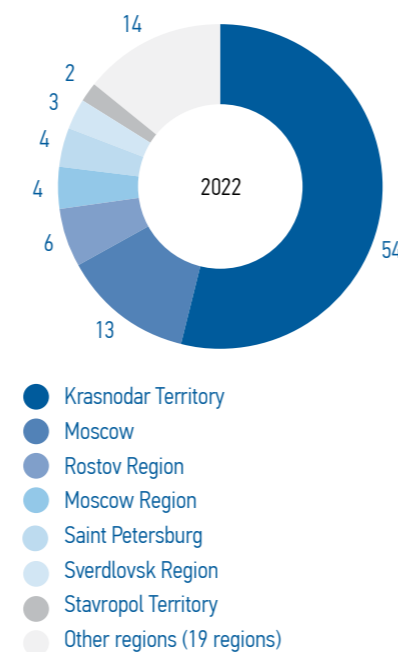
Rosseti Kuban's supply chain management strategy is aimed at optimising the procurement of goods/works/services through competitive procedures and long-term agreements.

Rosseti Kuban procures goods/works/services in all regions of the Russian Federation, but regional organisations are a priority for suppliers/contractors/executors.

In the reporting year, 296 suppliers/contractors/contractors were engaged for the procurement of goods/works/services related to repair, maintenance and as part of the Company's investment programme, which is 20% more than in 2021.

There were no significant changes in the supply chain during 2022.

REGIONS OF SUPPLIERS (CONTRACTORS, EXECUTORS) COOPERATING WITH ROSSETI KUBAN IN 2022, AND THEIR SHARES IN SUPPLIES (%)



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 Kuban as well as the response plan in case of restrictions on the use of imported products.

The Company prepared an action plan to determine the level of dependence of Rosseti Kuban 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 procurement of basic electrical equipment and materials in the Company was 8.31%, of which 57% is equipment (power transformers 6–10 kV, cosine capacitors) produced by member countries of the Customs Union of the Eurasian

Economic Union (Republic of Belarus, Republic of Kazakhstan), which passed quality control (certification) and obtaining documents confirming the ability to use the tested equipment, materials and systems at the facilities of Rosseti Kuban.

In order to decide whether local software solutions may replace imported ones, domestic operating systems and virtualisation technologies were tested on Rosseti Kuban's server facilities in 2022 based on recommendations from domestic software developers.

