

# KEY PERFORMANCE INDICATORS

Whether the Company's development priorities are accomplished is determined by means of the Key Performance Indicators (KPI).

The KPIs of the Company's General Director are aligned with:

- Paragraph 15.1 of Article 15 of the Company's Articles of Association
- The Resolution of the Company's Board of Directors dated 7 October 2020 (Minutes No. 404/2020 dated 9 October 2020)

Target KPI values were approved by the Resolution of the Company's Board of Directors dated 15 February 2021 (Minutes No. 419/2021 dated 17 February 2021).

In accordance with the above resolution of the Company's Board of Directors, the following KPIs were set for 2021.

KPI	Method of calculation
Total shareholder return	Comparison of the accrued dividends of the reporting year with the average value of the same indicator of previous three years and with the value in the business plan of the Company
Return on invested capital	The ratio of profit before taxes and interest to the sum of capital and long-term loans and borrowings
Profit from operations (EBITDA)	Section 1. The year-on-year growth of the actual EBITDA exceeds the average annual rate of tariff growth. 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 of the ratio of unit operating costs to the volume of serviced equipment (in c.u.) in the reporting year
Level of electricity losses	The 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	In accordance with Order No. 748 of the Ministry of Economic Development dated 28 December 2018: ratio of the value added to the number of persons insured
Efficiency of innovations	The integral indicator of the efficiency of innovation activity estimates the degree of performance of three composite indicators: the indicator of R&D expenditures, the indicator of the purchase of innovative products, and the indicator of the quality of R&D development (updating) / fulfilment of the Innovation Development Programme
Accounts receivable reduction ratio	Reduction of the actual overdue receivables by all the subsidiaries and affiliates (excluding moratorium and restructured debts, as well as debts of subcontractors deprived of the status of a subject of the wholesale electricity market and/or the status of a guaranteeing)
Compliance with grid connection time-frames	A complex indicator that estimates the quality level of the grid connections performed by subsidiaries and affiliates (S&As) of PJSC Rosseti; this indicator includes three components: the quality of consideration of applications for grid connection, the quality of execution of agreements on the implementation of grid connection of applicants, and compliance with the anti-trust legislation of the Russian Federation



KPI	Method of calculation
Debt/EBITDA	Section 1. It is estimated by the debt-to-EBITDA ratio. 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, the achievement of the planned Debt/EBITDA indicator (calculated on the basis of the approved business plan) is to be estimated
Compliance with the facility commissioning schedule	The ratio of the total actual fixed assets put in accounting records (in monetary terms, in relation to completed construction facilities and taken into 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 schedules
Readiness for heating season	Indicator that estimates the readiness of the Company to work during the heating season, based on monthly monitoring of the Ministry of Energy of Russia
Implementation of the Company's Development Plan	Bonus reduction indicator: its amount is calculated depending on the number of unfulfilled activities of the Company's Development Plan approved by the Rosseti Board of Directors, in the reporting period
Achievement of the specified reliability level of the services provided	Indicators for the power outage duration, per point of delivery, and the power outage occurrence, per point of delivery (SAIDI, SAIFI), as well as the number of major accidents in relation to the annual average values over three years
Absence of occupational accidents	The number of injured employees of the Company in accidents (with mild, severe, or fatal outcomes) associated with the failure of officials to fulfil their duties, for the reporting year

## KPI TARGETS AND ACHIEVEMENT

Indicators	Weight / percentage of bonus reduction in the 2021 bonus scheme (%)	Actual value for 2020 / estimate of achievement for 2020 (achieved / not achieved)	Targets for 2021
Total shareholder return	10	RUB 0 ≤ RUB 367,374,143 / not achieved RUB 0 ≤ RUB 122,648,367 / not achieved	≥ 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 three years preceding the reporting period, and ≥ the amount of funds envisaged for the payment of dividends in the reporting period, in accordance with the Company's business plan
Return on invested capital	20	118.3%/achieved	≥95.0%
Profit from operations (EBITDA)	15	Completed/ achieved	Completed
Reduction of unit operating expenses (costs)	10	4.0%/achieved	≥2.0%
Level of electricity losses	10	10.08%/achieved	≤10.50%
Higher labour productivity	5	4.26%/achieved	≥5%
Efficiency of innovations	20	117%/achieved	≥90.0%
Accounts receivable reduction ratio	10	74.0%/achieved	≤100%
Compliance with grid connection timeframes	-10	1.0/achieved	≤ the actual value of the indicator in the previous year multiplied by 0.85, but not less than 1.1 (1.1)
Debt/EBITDA	-10	Completed/ achieved	Completed
Compliance with the facility commissioning schedule	-10	Q1 100% Q2 130% Q3 196% Q4 104% year 111% / achieved	≥90.0% (in all quarters)

<sup>1</sup> The comparison of the actual value for 2021 with the actual value for 2020 is not possible due to a change in the indicator calculation procedure.

<sup>2</sup> The results of KPIs will be summarised in a separate resolution of the Board of Directors of the Company in accordance with the Methodology for Calculation and Assessment of KPI Performance of the General Director of Rosseti Kuban, PJSC [approved by resolution of the Board of Directors on 7 October 2020 (Minutes No. 404/2020 dated 9 October 2020)].

Actual value for 2021 / % of year-on-year actual value	Assessment of achievement in 2021 (achieved / not achieved) / reasons for deviation	Targets for 2022
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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 2021

≥ the arithmetic average of funds allocated for the payment of dividends as decided by the general meetings of shareholders of the Company for the three years preceding the reporting period, and ≥ the amount of funds provided for the payment of dividends in the reporting period, in accordance with the Company's business plan

100%/85%

Achieved

≥95.0%

Completed/100%

Achieved

Completed

2.1%/53%

Achieved

≥2.0%

9.92%/109%

Achieved

≤10.15%

20%/—<sup>1</sup>

Achieved

≥10%

Not to be determined

Not assessed<sup>2</sup>

≥90.0%

56.0%/132%

Achieved

≤100%

1.0/100%

Achieved

≤ the actual value of the indicator in the previous year multiplied by 0.85, but not less than 1.1

Completed/100%

Achieved

Completed

Q1 124%/124%

Achieved

≥90.0%

Q2 131%/101%

(in all quarters)

Q3 139%/71%

Q4 100%/96%

year 111%/100%

## KPI TARGETS AND ACHIEVEMENT

Indicators	Weight / percentage of bonus reduction in the 2021 bonus scheme (%)	Actual value for 2020 / estimate of achievement for 2020 (achieved / not achieved)	Targets for 2021
Readiness for heating season	-10	Simultaneously: <ul style="list-style-type: none"> <li>0.99</li> <li>Completed/achieved</li> </ul>	Simultaneously: <ul style="list-style-type: none"> <li><math>\geq 0.95</math></li> <li>Failure to achieve the set value of the specialised indicator "Presence of Outstanding Measures for Readiness Condition Compliance by an Electric Power Industry Entity"</li> </ul>
Implementation of the Company's Development Plan	-70	0%/achieved	0% (all activities implemented)
Achievement of the specified reliability level of the services provided	-10	Simultaneously: <ul style="list-style-type: none"> <li>Isaidi = 0.81, Isaifi = 0.98</li> <li>No significant degradation in the indicators set by the tariff regulation authorities</li> <li>0/achieved</li> </ul>	Simultaneously: <ul style="list-style-type: none"> <li><math>K_i \leq 1</math></li> <li>No significant degradation in the indicators set by the tariff regulation authorities</li> <li>No increase in number of major accidents</li> </ul>
Absence of occupational accidents	-10	Simultaneously: <ul style="list-style-type: none"> <li>0</li> <li>1 / not achieved</li> </ul>	Simultaneously: <ul style="list-style-type: none"> <li>no more than two injured persons</li> <li>0</li> </ul>

The Company's KPI system is bound to the variable component of managers' remuneration: each indicator is associated with its unit weight or percentage of bonus reduction, and annual bonuses are only payable if the corresponding KPI targets are met.

Actual value for 2021 / % of year-on-year actual value	Assessment of achievement in 2021 (achieved / not achieved) / reasons for deviation	Targets for 2022
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Simultaneously: <ul style="list-style-type: none"> <li>• 1.00</li> <li>• Non-achievement of the target value of the specialised indicator /100%</li> </ul>	Achieved	Simultaneously: <ul style="list-style-type: none"> <li>• <math>\geq 0.95</math></li> <li>• Failure to achieve the set value of the specialised indicator "Presence of Outstanding Measures for Readiness Condition Compliance by an Electric Power Industry Entity"</li> </ul>
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0%/100%	Achieved	0 (all activities implemented)
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Simultaneously: <ul style="list-style-type: none"> <li>• Isaidi = 4.62, Isaifi = 2.80</li> <li>• No significant degradation in the indicators set by the tariff regulation authorities</li> <li>• 1 (increase in major accidents)</li> </ul>	Achieved with due regard to the objective factors	Simultaneously: <ul style="list-style-type: none"> <li>• <math>K_i \leq 1</math></li> <li>• No significant degradation in the indicators set by the tariff regulation authorities</li> <li>• No increase in number of major accidents</li> </ul>
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Simultaneously: <ul style="list-style-type: none"> <li>• one casualty</li> <li>• 0/100%</li> </ul>	Achieved	Simultaneously: <ul style="list-style-type: none"> <li>• no more than two injured persons</li> <li>• 0</li> </ul>
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