

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 ARTICLE OF ASSOCIATION, AND THE UNIFIED PROCUREMENT STANDARD OF ROSSETI PJSC¹ (PROCUREMENT REGULATION) (HEREINAFTER – THE STANDARD).

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 Commission.

Procurement principles:

- Information transparency of procurement
- 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 laws governing the arrangement of procurement activities, as well as anti-corruption laws, 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 above internal Company's documents.

PROCUREMENT METHODS USED BY THE COMPANY (IN DESCENDING ORDER OF IMPORTANCE)

COMPETITIVE PROCUREMENTS

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

NON-COMPETITIVE PROCUREMENTS

- Preliminary selection
- Request for prices based on the results of competitive pre-selection
- Price comparison
- Purchase from a single supplier (contractor)
- Procurement through participation in procedures arranged by product sellers

¹ 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 PJSC Kubanenergo's Order No. 47 dated 18 January 2019. Following the resolution of the Board of Directors dated 1 July 2021 (Minutes No. 438/2021), the Company signed on to the Standard approved by the resolution of the Board of Directors of Rosseti (Minutes No. 462 dated 28 June 2021).

PARTICIPATION OF SMES IN PROCUREMENTS BY ROSSETI KUBAN, PJSC

Since 2014 on, the Company and SMEs have been engaged in the Partnership Programme under the implementation of the roadmap for cooperation with SMEs. In 2018, Rosseti Kuban joined the Partnership Programme between Rosseti Group and SMEs (Order No. 231 dated 6 March 2018), under which the Unified Register of Partnership Programme Participants was created. In this way, a SME becomes a partner for all subsidiaries and affiliates of PJSC Rosseti.

Since 2014, the Company also 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 JSC SME Corporation, 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 2021

In 2021, the Company summarised 806 procurement procedures totalling RUB 22,944.0 mn. Using electronic commerce means, 704 purchases were made for RUB 21,701.0 mn, which was 100% of the total purchases (excluding purchases from a single supplier).

As a result of regulated procurements in the reporting year, the Company gained an economic effect of RUB 788.0 mn, which was 3.3 % of the total planned annual expenditures for the purchase of goods, work, and services¹.

The results of 12 purchases of innovative and high-tech products totalling RUB 1,646.5 mn were summed up as of the end of 2021.

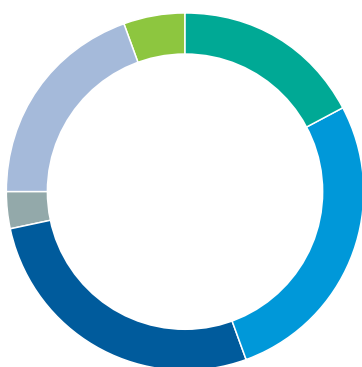
23 RUB BN

THE VOLUME OF THE COMPANY'S PROCUREMENTS IN 2021

82%

SHARE OF SME PROCUREMENTS

STRUCTURE OF THE COMPANY'S PURCHASES IN 2021 BY METHOD (RUB MN)



3,980	■ Online tender (64 purchases)
6,234	■ Online auction (9 purchases)
6,262	■ Online invitation for proposal (115 purchases)
0	■ Pre-selection (3 purchases)
750	■ Request for prices based on the results of competitive pre-selection (278 purchases)
4,472	■ Purchase from a single supplier based on the results of failed competitive procedures (235 purchases)
1,242	■ Purchase from a single supplier (102 purchases)

THE COMPANY'S PROCUREMENT STRUCTURE BY ACTIVITIES (RUB MN)



3,912	■ New construction and expansion of power grid facilities (166 purchases)
4,847	■ Retrofitting and renovation of power grid facilities (333 purchases)
1,144	■ Energy repair production (64 purchases)
147	■ IT procurements (24 purchases)
69	■ R&D (2 purchases)
4	■ Consulting services (2 purchases)
12,817	■ Other purchases (215 purchases)

¹ This indicator takes into account framework agreements for which the difference between the marginal initial contract price and the winning price is zero; their share in the total number of contracts concluded as a result of the procurement procedures was 27%.

PROCUREMENT PERFORMANCE OF THE COMPANY FOR 2019–2021 (%)

Indicator	Period		
	2019	2020	2021
Share of open procurement procedures in total procurement volume	98.6	98.1	97.2
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	100	100
Amount of savings achieved	11.3	10.6	3.3
Share of SME procurements	88.9	91.7	82.2
Share of purchases among SMEs only	48.4	29.2	19.9

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 bidding procedures
- 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

