

Strategic objectives of Rosseti Kuban JSC

Results in the reporting year

To ensure advanced grid development and advent of technology

The primary goal of the advanced development of the Company's power grid is to determine the optimal course for grid upgrade and expansion in order to fill up any gaps in generating capacity and meet any anticipated long-term demand for generating capacity.

In 2024, the Company assisted in preparing the Scheme and Programme for the Development of Russia's Power Supply Systems for 2025–2030.¹ According to these documents, the Company will have to focus on helping the most problematic areas of the Kuban energy system (South-West and Central), which need their power infrastructure improved.

During the reporting year, innovative technologies were introduced in the following key areas of the innovation development programme:

- Transition to smart grids with a distributed intellectual automation and control system
- Transition to integrated business process efficiency and automation of control systems
- Application of advanced technology solutions and materials in power engineering
- Promotion of an innovative development management system and establishment of an innovative infrastructure

For more details, please see the Innovations subsection in the [Operational Results section](#).

To provide decent working conditions, improve professional competence and loyalty of the Company's personnel

The average salary of production personnel at the Company's branches in 2024 is competitive and exceeds the average salary in the region where the Company operates.

The staff training plan for 2024 was over-fulfilled by 141%.

For more details, please see the Human Resources Management subsection of the [Sustainable Development section](#).

Plans and targets for the future

To participate in preparing the Scheme and Programme for the Development of Russia's Power Supply Systems.

To ensure innovative development of the Company to achieve target levels of innovation implementation and completion of research and development (R&D), as well as other indicators of innovation development programme

To continue maintaining and improving the Company's competitive edge in the regional labour market, creating conditions for attracting and retaining qualified workforce, implementing the Company's policy of social responsibility to its employees

PROSPECTS FOR THE COMPANY'S DEVELOPMENT

THE GROWTH OF THE RUSSIAN FEDERATION'S ENERGY SECTOR AIMS TO BOTH PRESERVE AND BOLSTER THE RUSSIAN FEDERATION'S STANDING IN THE INTERNATIONAL ENERGY ARENA AND ADVANCE THE NATION'S SOCIAL AND ECONOMIC DEVELOPMENT AS MUCH AS FEASIBLE.

THE MAIN OBJECTIVES AND KEY MEASURES FOR THE DEVELOPMENT OF THE RUSSIAN FEDERATION'S ENERGY SECTOR ARE TO IMPROVE THE RELIABILITY AND QUALITY OF POWER SUPPLY TO CONSUMERS TO A LEVEL COMPARABLE WITH THE BEST INTERNATIONAL STANDARDS, WHILE ENSURING THE ECONOMIC EFFICIENCY OF SUCH SERVICES AND IMPROVING THE EFFICIENCY OF THE POWER GRID SYSTEM.

In order to close the generating capacity deficit and meet future consumer demand, the Company is seeking optimal ways to upgrade and expand the power grid complex, and is also participating in the development of a five-year plan and programme for the development of Russia's power supply systems. In accordance with this Scheme and Programme, the Company will have to focus on helping the most problematic areas of the Kuban energy system (South-West and Central), which need their power infrastructure improved.

KEY PERFORMANCE INDICATORS

The achievement of the Company's priority development goals is assessed using a system of key performance indicators (KPIs) and functional key performance indicators (FKPIs) applied within the Company.

Since 2023, the KPI system of Rosseti Group has been shaped in line with Order of the Government of the Russian Federation No. 3579-r dated 28 December 2020 (hereinafter referred to as Order No. 3579-r).

In accordance with Order No. 3579-r, the KPI system is divided into two groups of indicators:

- KPIs are indicators related to the Company's strategic documents, based on which the effectiveness of the entire management team of the Company (head, deputy heads, chief accountant) is assessed.
- FKPIs are individual indicators established for the Company's executives personally, taking into account the specifics of the Company's business lines they supervise.

The KPI and FKPI system applied in the Company is linked to the size of the variable part of management remuneration (50% of incentive payments — for achieving KPIs and another 50% — for achieving FKPIs). Each indicator has a specific weight in the total amount of bonuses paid. Annual bonuses are paid subject to the achievement of relevant targets.



In 2024, the following year-on-year changes were made to the KPIs and FKPIs:

- FKPI 'Net borrowings and bond loans to finance the deficit in the investment programme' was replaced by FKPI 'Debt/EBITDA'
- FKPI 'Implementation of the Comprehensive Security Plan' was replaced by FKPI 'Safeguarding of the Organisation's Property'
- FKPI 'No Reservation and/or the Auditor's Modified Opinion Affecting the Reliability of the Annual Accounting (Financial) Statements' replaced by FKPI 'Number of Comments (Errors) on the Organisation's Accounting Practices Identified by the Auditor and the Auditing Commission during Audits Conducted at the End of the Reporting Period'
- A section entitled 'Bonus Reduction Indicators' was added, including the following bonus reduction indicators: 'Maximum Discrepancy in Losses at the End of the Reporting Period (Year)', 'Violation of the Transactions Procedure' and 'Timely Execution of Corrective Action Plans (CAPs)'
- FKPIs 'Staffing level', 'Control over the Timely Conduct of the Company's and Subsidiaries' Annual General Meetings of Shareholders and Annual General Meetings of Participants', 'Effectiveness of the Transition to the Use of Domestic Radio-Electronic Products' and 'Effectiveness of the Provision of Additional Services' were added.

THE COMPANY'S KPI AND FKPIs AND THEIR TARGET VALUES FOR 2024–2026 WERE ESTABLISHED BY A RESOLUTION OF THE COMPANY'S BOARD OF DIRECTORS DATED 20 DECEMBER 2024 (MINUTES NO. 579/2024 DATED 23 DECEMBER 2024) PURSUANT TO CLAUSE 15.1, ART. 15 OF THE COMPANY'S ARTICLES OF ASSOCIATION.

² Approved by Order of the Ministry of Energy of Russia No. 2328 dated 29 November 2024.

¹ Annual General Meeting of Shareholders Annual General Meeting of Participants

Achievement of KPIs and FKPIs in 2024

		Weight in the remuneration system / share of bonuses for 2024, %		Target/ thresh- old value for 2024	Assessment of achieve- ment		Reasons		
Indicator	Method of calculation		UoM		Value achieved in 2024 ¹	in 2024 (% achieved) ²	for under- achieve- ment	Target for 2025 ³	Targets for 2026 ⁴
Financial and economic KPIs									
Return on invested capital (ROIC)	Ratio of operating profit adjusted for impairment/(reversal of impairment) of fixed assets, revenue from grid connection services, and accrual/(reversal of) provision for expected credit losses to the sum of average equity and long-term loans and borrowings	10	%	9.3	12.5	120% (achieved)	–	8.5	8.4
Operating profit margin	Ratio of operating profit adjusted for impairment/(reversal of impairment) of fixed assets and revenue from grid connection services to revenue, minus revenue from grid connection services	20	%	10.3	12.7	120% (achieved)	–	10.3	10.6
Net profit without impairment and grid connection	Net profit without impairment and grid connection profit/(loss) adjusted for impairment/(reversal of impairment) of fixed assets and revenues from grid connection services (including relevant income tax)	20	RUB '000	3,569,914	6,136,894	120% (achieved)	–	3,163,412	4,482,857
Industry-specific KPIs									
Level of electricity losses	Ratio of the volume of electricity losses in the Company's grids (calculated as the difference between electricity delivered to the grid and electricity delivered from the grid and domestic consumption) increased by the amount of differences for previous periods, settled against the Company, to the electricity delivered to the grid for the reporting period	15	%	9.86	9.33	105% (achieved)	–	9.84	9.81
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	20	ea	1.0	1.0	100% (achieved)	–	1.0	1.0
Compliance with commissioning schedule	Ratio of the total actual volume of commissioning of fixed assets in the reporting year derived from the progress report on the Company's investment programme (in monetary terms, on the basis of the date when the construction completion certificate is signed off by the acceptance commission) to the planned one in accordance with the approved investment programme and implementation schedule	15	%	93.5	112.1	120% (achieved)	–	95.0	95.0

¹ For 2024, shows the expected achievement of KPIs and FKPs, taking into account the timing and preparation procedure of reports that provide initial data for calculations. The final actual values are to be approved by the Board of Directors of Rosseti Kuban JSC.

² If the KPI achievement rate exceeds 120%, the achievement rate shall be indicated as 120%. If the achievement rate is less than 80%, the achievement rate shall be indicated as 0%.

³ The scope and target values of the indicators were approved by the decision of the Board of Directors of Rosseti Kuban PJSC dated 20 December 2024 (Minutes No. 579/2024 dated 23 December 2024) and are subject to revision (if necessary) by decision of the Board of Directors of the Company, taking into account the requirements of the Standard Procedure for Calculating KPIs and FKPIs for the management of subsidiaries of Rosseti PJSC approved by Order of Rosseti PJSC No. 171 dated 3 April 2025.

Indicator	Method of calculation	Weight in the remuneration system / share of bonuses for 2024, %	UoM	Target/ thresh- old value for 2024	Assessment of achieve- ment		Reasons for under- achieve- ment	Target for 2025 ³	Targets for 2026 ⁴
		Value in 2024 ¹		Value achieved/not achieved ²					
Bonus reduction indicators									
Implementation of the Company's Development Plan	Bonus reduction indicator calculated against the number of unfulfilled items of the Company's Development Plan approved by the Board of Directors of the Company in the reporting period	–50	%	0	0	Achieved	–	0	0
Maximum amount of differences in the amount of losses at the end of the reporting period (year)	Bonus reduction indicator, the size of which is calculated as the share of differences at the end of the reporting period (year) (not settled as of the end of the second month of the year following the reporting period) not covered by actional work, relative to the volume of electricity losses in the Company's grids	–10	%	3.50	0.05	Achieved	–	3.50	3.50
Violation of the transactions procedure	The indicator assessing the absence of violations in the execution of major transactions, as well as related-party transactions and transactions requiring approval under the Company's Articles of Association	–10	Number	0.0	0.0	Achieved	–	0.0	0.0
Timely completion of the CAP	The indicator assessing whether the Company fulfilled its CAPs in the reporting period, with the CAPs being developed and approved by the Company based on the results of control measures taken in relation to the Company and audits conducted by auditing commissions	–10	%	90.0	100.0	Achieved	–	90.0	90.0
Indicative indicators									
Achievement of the Efficiency of Grid Connection Procedures of the National Investment Climate Rating	The indicator is determined on the basis of the achievement of benchmarks for the Efficiency of Grid Connection Procedures of the National Investment Climate Rating in the constituent entities of the Russian Federation within the Company's operational responsibility area	Indicative indicator	%	100.0	108.4	Achieved	–	100.0	100.0

Indicator	Method of calculation	Official responsible for achieving the FKPI	UoM	Target for 2024	Value achieved in 2024 ¹	Assessment of achievement (%; achieved/not achieved) ²	Reasons for underachievement	Target for 2025 ³	Target for 2026
FKPI									
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	Calculated as profit/(loss) before taxes, depreciation, amortisation and interest expense adjusted for impairment/(reversal of impairment) of fixed assets, and revenue from grid connection services	General Director Deputy General Director for Economics and Finance	RUB '000	15,842,394	20,073,354	100% (achieved)	–	16,598,928	17,901,525
Achievement and verification of readiness for the heating season	The certificate of readiness for heating season shall be received by the Company in a timely manner by 5 November of the reporting year in accordance with the Rules for Assessing the Readiness of Electric Power Entities for the Heating Season, approved by Resolution No. 543 of the Government of the Russian Federation dated 10 May 2017	General Director Deputy General Director for Technical Issues — Chief Engineer	ea	1.0	1.0	100% (achieved)	–	1.0	1.0
No significant accidents in power grids investigated by the Rostekhnadzor	The calculation of this indicator takes into account accidents in the Company's power grids classified by the Rostekhnadzor commission in accordance with clause 4 of the Rules for Investigation of the Causes of Accidents in the Electric Power Industry (approved by Resolution of the Government of the Russian Federation No. 846 dated 28 October 2009)	Deputy General Director for Technical Issues — Chief Engineer	Number	0.0	0.0	100% (achieved)	–	0.0	0.0

¹ For 2024, shows the expected achievement of KPIs and FKPs, taking into account the timing and preparation procedure of reports that provide initial data for calculations. The final actual values are to be approved by the Board of Directors of Rosseti Kuban JSC.

² If the achievement rate of FKPI exceeds 100%, the percentage shall be indicated as 100%. If the achievement rate is less than 90%, the percentage shall be indicated as 0%.

³ The scope and target values of the indicators may be adjusted by resolution of the Company's Board of Directors.

Indicator	Method of calculation	Official responsible for achieving the FKPI	UoM	Target for 2024	Value achieved in 2024 ¹	Assessment of achievement (%; achieved/not achieved) ²	Reasons for underachievement	Target for 2025 ³	Target for 2026
Efficiency of innovations	Integral indicator of innovations assesses the extent to which three component indicators are met: • R&D expenditure • procurement of innovative products • Quality of the development (updating) of the innovation development programme / implementation of the innovation development programme	Deputy General Director for Technical Issues — Chief Engineer	%	98.0	98.0	100% (achieved)	–	98.0	98.0
Increase in labour productivity relative to 2022	Ratio of value added by all types of services to the average annual number of employees. Comparison with the 2023 baseline	Deputy General Director — Head of the Office Deputy General Director for Economics and Finance	%	10.0	22.5	100% (achieved)	–	15.0	20.0
Active staff turnover	Ratio of the total voluntary redundancy under Clause 3 (termination of the employment agreement on the employee's part) and Clause 5 (transfer of an employee at their request or with their consent to work for another employer, or transfer to an elective job (position)) of Article 77 of the Labour Code of the Russian Federation to the average headcount in the reporting period	Deputy General Director — Head of the Office	%	6.5	6.1	100% (achieved)	–	6.5	6.5
Staffing level	Defined as the ratio of the staff number reduced by the number of vacant positions to the staff number according to the Company's staffing table at the end of the reporting period	Deputy General Director — Head of the Office	%	95.0	90.0	95% (achieved)	–	95.0	95.0

Indicator	Method of calculation	Official responsible for achieving the FKPI	UoM	Target for 2024	Value achieved in 2024 ¹	Assessment of achievement (%; achieved/not achieved) ²	Reasons for underachievement	Target for 2025 ³	Target for 2026
Observance of grid connection deadlines	A comprehensive indicator that assesses the quality of the grid connection process, consisting of two components: <ul style="list-style-type: none"> quality of processing applications for grid connection quality of executing contracts for grid connection of applicants 	First Deputy General Director — Director of Sochi Power Grids Branch Deputy General Director for Development and Grid Connection Deputy General Director for Investments	RU	1.1	1.0	100% (achieved)	–	1.1	1.1
Debt/EBITDA	Ratio of long-term and short-term loans and borrowings to EBITDA	Deputy General Director for Economics and Finance	RU	1.6	1.2	100% (achieved)	–	1.8	1.6
Efficiency of transition to domestic software	Defined as the share (percentage) of installed Russian (domestic) software in the Company-wide software scope as to the implementation of the in-house plan for transition to all-domestic software approved by the Company's Board of Directors	First Deputy General Director — Director of Sochi Power Grids Branch	%	84.3	87.7	100% (achieved)	–	88.9	90.0
Effectiveness of the transition to the use of domestic radio-electronic products	Defined as the share (percentage) of Russian (domestic) radio-electronic products purchased by the Company in the company-wide scope as to the implementation of the plan to transition to the all-domestic radio-electronic products	Deputy General Director for Technical Issues — Chief Engineer	%	77.0	94.2	100% (achieved)	–	78.0	79.0
Overdue receivables for electricity transmission services	Non-exceedance of the actual value of overdue receivables (excluding moratorium debt) at the end of the reporting period above the target value	Deputy General Director for Sale of Services Deputy Director General for Corporate Governance	RUB '000	1,026,451.0	1,039,458.1	99% (achieved)	–	907,893.0	840,743.9
Safeguarding of the Organisation's Property	The calculation of this indicator takes into account cases of theft or deliberate damage to the Company's property	Deputy General Director for Technical Issues — Chief Engineer	–	0.0	0.0	100% (achieved)	–	0.0	0.0

Indicator	Method of calculation	Official responsible for achieving the FKPI	UoM	Target for 2024	Value achieved in 2024 ¹	Assessment of achievement (%; achieved/not achieved) ²	Reasons for underachievement	Target for 2025 ³	Target for 2026
Enforcement of insider information protection requirements and maintenance of share listings	A comprehensive indicator assessing the level of corporate governance in the Company, consisting of two components: <ul style="list-style-type: none"> ensuring compliance with insider information protection requirements maintenance of share listings 	Deputy Director General for Corporate Governance	Fulfilled / not fulfilled	Fulfilled	Fulfilled	100% (achieved)	–	Fulfilled	Fulfilled
Timeliness of the annual General Meeting of Shareholders of the Company and its subsidiaries	The calculation of this indicator takes into account instances of failure by the Company and its subsidiaries to comply with the deadlines for holding the annual General Meeting of Shareholders established by the legislation of the Russian Federation	Deputy Director General for Corporate Governance	%	100.0	100.0	100% (achieved)	–	100.0	100.0
Share of contracts concluded based on the results of electronic procedures	Calculated as a ratio of the number of electronic procurement procedures, which resulted in the conclusion of agreements associated with spending of funds, to the total number of procurement procedures (competitive and non-competitive), which resulted in the conclusion of such agreements	First Deputy General Director — Director of Sochi Power Grids Branch Deputy General Director for Investments	%	56.0	87.3	100% (achieved)	–	60.0	64.0
Number of comments (errors) on the organisation's accounting practices identified by the auditor and the auditing commission during audits conducted at the end of the reporting period	The assessment of the achievement of the indicator takes into account comments (errors) regarding accounting and reporting, comments regarding compliance with Russian Federation legislation on taxes and levies, as well as the level of materiality established by auditing standards	Chief Accountant – Head of the Department for Financial and Tax Accounting and Reporting	–	0.0	0.0	100% (achieved)	–	0.0	0.0
Effectiveness of the Provision of Additional Services	This indicator assesses the achievement of planned revenue from the sale of additional services from other activities and the achievement of planned gross profit from the sale of additional services from other activities for the reporting period	First Deputy General Director — Director of Sochi Power Grids Branch	%	100.0	111.0	100% (achieved)	–	100.0	100.0