

# STRATEGIC PRIORITIES AND DEVELOPMENT PROSPECTS

The goals and objectives of the Company’s development strategy are in line with the national development goals of Russia and strategic objectives set for the power grid sector at the federal level:



By Decree of the President of the Russian Federation No. 309 dated 7 May 2024 ‘On the National Development Goals of the Russian Federation until 2030 and Beyond to 2036’



By the Energy Strategy of the Russian Federation until 2035 (approved by Decree of the Government of the Russian Federation No. 1523-r dated 9 June 2020)



By the Strategy for the Development of the Power Grid System of the Russian Federation (approved by Decree of the Government of the Russian Federation No. 511-r dated 3 April 2013)

On 10 April 2017, the Company’s Management Board approved the following strategic objectives for the Company:



To enhance reliability of electricity supply in the Krasnodar Krai and the Republic of Adygeya



To ensure advanced grid development and advent of technology



To improve the consumer experience and increase the accessibility of the power grid infrastructure



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

## Achievement of the Company’s strategic objectives in the reporting year and plans for the future

Strategic objectives of Rosseti Kuban JSC	Results in the reporting year	Plans and targets for the future
To enhance reliability of electricity supply in the Krasnodar Krai and the Republic of Adygeya	<p>Annually, the Company carries out comprehensive measures on retrofitting, upgrade and renovation of existing power grid facilities to achieve the following key objectives:</p> <ul style="list-style-type: none"> <li>To increase reliability of power supply to consumers</li> <li>To create a safe working environment for the personnel</li> <li>To slow down the rate of physical wear and tear of equipment</li> <li>To reduce the proportion of equipment that has reached the end of its service life in accordance with regulatory documentation</li> <li>To improve the equipment performance</li> <li>To ensure compliance with environmental protection and ecological safety requirements and regulations</li> <li>To cut down operating costs in the longer term</li> <li>To operate power grid facilities so to prevent accidents and mitigate their consequences if any</li> </ul> <p>For more details, please see the <a href="#">Reliable and Efficient Operation of the Energy System section..</a></p> <p>The Company’s reliability indicators (Isaidi, Isaifi) remained within the target values set by the tariff regulatory authorities of the Krasnodar Krai, with the tolerance taken into account.</p> <p>The number of accidents in the 110 kV and above grid dropped by 4.9% year-on-year</p>	<ul style="list-style-type: none"> <li>To deliver production programmes in full</li> <li>To ensure timely and complete implementation of the repair programme</li> <li>To make preparations for the 2025/2026 heating season. To achieve readiness for heating season</li> <li>To strictly follow the rules of the Federal Service for Environmental, Technological and Nuclear Supervision (Rostekhnadzor) and the Ministry of Energy of Russia</li> <li>To foster the safety culture among the Company’s personnel</li> </ul>
To improve the consumer experience and increase the accessibility of the power grid infrastructure	<p><b>In terms of consumer experience</b></p> <p>The Company complied with the requirements of the Uniform Consumer Experience Standards for Grid Companies approved by Order of the Ministry of Energy of Russia No. 186 dated 15 April 2014 (hereinafter referred to as the Uniform Standards), including the requirements for timely, complete and accurate disclosure of information.</p> <p>In the reporting period, the Company achieved the target indicator set for compliance with the Unified Quality Standards (Kq3 = 0). The indicator value is calculated using the Guidelines for Calculating the Reliability and Quality of Goods and Services Provided to the Organisation Managing the Unified National (All-Russian) Power Grid, approved by Order of the Ministry of Energy of Russia No. 1256 dated 29 November 2016.</p> <p><b>In terms of grid connection quality</b></p> <p>The grid connection quality indicator (IGC) is 1.021; it is within the target range established by the Regional Energy Commission — the Price and Tariff Department of the Krasnodar Krai for the reporting year, with the tolerance taken into account.</p> <p>To improve the accessibility of the power grid infrastructure:</p> <ul style="list-style-type: none"> <li>The contact centre was renovated, including: <ul style="list-style-type: none"> <li>replacement of the telephone hardware and software</li> <li>introduction of an automated system for handling subscriber phone calls</li> <li>increase in the number of telephone lines from 90 to 120</li> <li>processing of every second call without operator involvement thanks to IVR<sup>1</sup> and auto-informing features</li> <li>average waiting time for an operator response from the moment the consumer selects a category in the interactive menu — up to 41 seconds (including IVR)</li> </ul> </li> <li>implementation of an automated information system for processing customer calls</li> </ul>	<p><b>In terms of consumer experience</b></p> <p>To meet the requirements of the Unified Customer Experience Standards approved by Order of the Ministry of Energy of Russia No. 186 dated 15 April 2014.</p> <p><b>In terms of grid connection quality</b></p> <p>To maintain the quality level of the grid connection within the target value for the reporting year set by the Regional Energy Commission — Department of Prices and Tariffs of the Krasnodar Krai (with the tolerance taken into account) with a trend towards its improvement</p>

<sup>1</sup> Interactive Voice Response (IVR) is a system of pre-recorded voice messages that routes calls within a call centre.

## 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<sup>1</sup>. 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.**

<sup>1</sup> Approved by Order of the Ministry of Energy of Russia No. 2328 dated 29 November 2024.