

BOARD OF DIRECTORS' REPORT ON THE COMPANY'S DEVELOPMENT IN PRIORITY AREAS

To pursue the Development Strategy of the Power Grid Complex of the Russian Federation as well as other strategies and programs, the Company herein states its priorities.

Information on priorities implementation

Priority	Basis	Arguments for targets as of 2020	2020			Target in 2021
			Target	Actual	Implementation status	
Compliance with the service quality and reliability requirements of legal regulations	Resolution of the Company's Board of Directors on issue No.1 dated 18.11.2011 (Minutes No.121/2011)	Order of RPC - PTD KT No.62/2017-e dated 27.12.2017 On Tariffs for Organizations Providing Power Transmission Services	Approved values: •grid connection quality (Q_{gc}) – 1; •yearly average power outage duration per point of delivery (P_{saidr}) – 4.4467 h; •yearly average power outage occurrence per point of delivery (P_{saidr}) – 1.0255.	Achieved values: •grid connection quality (Q_{gc}) – 1.034; •yearly average power outage duration per point of delivery (P_{saidr}) – 0.8870 h; •yearly average power outage occurrence per point of delivery (P_{saidr}) – 0.4592.	Reliability indicators met	Approved values: •grid connection quality (Q_{gc}) – 1; •yearly average power outage duration per point of delivery (P_{saidr}) – 4.3800 h; •yearly average power outage occurrence per point of delivery (P_{saidr}) – 1.0101.

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			Target	Actual		
Providing accessible energy infrastructure and good quality of grid connection to the Company's grids	Resolution of the Company's Board of Directors on issue No.1 dated 12.09.2014 (Minutes No.196/2014)	Resolution of the Company's Board of Directors (Minutes No.372/2019 dated 31.12.2019); Regulation on Grid Connection Process	Average grid connection duration (measured as the request-to-notice of completion timeframe) within 80 days for grid connection contracts made in 2020 and accounted for in the Doing Business Ranking of the World Bank	Average implementation duration of grid connection contracts of Doing Business category accounted for in the Ranking of the World Bank is 68 days	Plan accomplished	Achieving the quality of consideration of applications for grid connection of 1.3 maximum (in accordance with the Standard Methodology for Calculating and Evaluating KPIs of the sole executive bodies of Rosseti's S&A, which are engaged in power transmission and grid connection activities, taking into account the Methodology for Calculating and Evaluating KPIs of the General Director of Rosseti Kuban, approved by the Order of the Company No. 598-od dated 09.10.2020)
Planning the development of Company's Distribution Power Grid Complex	Resolution of the Company's Board of Directors on issue No.2 dated 05.09.2011 (Minutes No.116/2011); Rosseti's Order No. 4 dated 10.01.2019 On Improving the Planning of the Power Grid Development	Resolution of the Company's Board of Directors dated 31.12.2019 (Minutes No.372/2019) and Regulation on Grid Connection Process	Taking part in development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2021–2025 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2020–2024. Commission an engineering firm to draft the Comprehensive Program for the Development of Kubanenergo's Grids for 2020–2024 and up to 2026;Phase 2 in 2021–2025.	The Company participated in the development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2021–2025 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2020–2024. In the reporting year, FTC PJSC developed the Comprehensive Program for the Development of Kubanenergo's Grids for 2020–2024 and up to 2026;Phase 2 in 2021–2025 by the order of Rosseti Kuban. This Program is now the basis for yearly drafting of proposals on adding steps to the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory and the Republic of Adygea on a five-year timeframe	Plan accomplished	Taking part in development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2022–2026 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2021–2025. Commission an engineering firm to draft the Comprehensive Program for the Development of Rosseti Kuban's Grids for 2020–2024 and up to 2026;Phase 3 in 2022–2026.

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			Target	Actual	Implementation status	
Improving the counter-terrorism and anti-sabotage protection of the Company's grid facilities	Resolution of the Company's Board of Directors on issue No.5 dated 05.08.2010 (Minutes No.94/2010)	Comprehensive Security Policy of Kubanenergo as approved by resolution of the Board of Directors (Minutes No. 202/2015 dated 30.01.2015)	<p>For facility security purposes, the Company plans to:</p> <ul style="list-style-type: none"> • For facility security purposes, the Company plans to: • pursue Rosseti's Order No. 18 dated 22.01.2020 On the Approval of Counter-Terrorism Procedures for Rosseti S&As' Facilities as well as the Company's counter-terrorism regulations; • keep the security equipment of the Company's facilities up and running; • renew the security service contracts; • inspect officers of private security firms on duty at the Company's facilities off the schedule; • weekly brief the dispatchers and personnel of offsite teams on duty on how to act in case a terrorist attack is detected at the Company's facility; • train the staff of the Company's branches to respond to unauthorized personnel or foreign objects at the facilities; 	<p>Public and political events in Krasnodar Territory were cancelled in the reporting year in connection with the COVID-19 pandemic. The plans have been implemented to the fullest extent, except for keeping the Company's energy facilities secure during public and political events (the Russian Investment Forum 2020 in Sochi) etc.</p>	Plan accomplished	<p>For facility security purposes, the Company plans to:</p> <ul style="list-style-type: none"> • For facility security purposes, the Company plans to: • pursue Rosseti's Order No. 18 dated 22.01.2020 On the Approval of Counter-Terrorism Procedures for Rosseti S&As' Facilities as well as the Company's counter-terrorism regulations; • keep the security equipment of the Company's facilities up and running; • inspect officers of private security firms on duty at the Company's facilities off the schedule; • weekly brief the dispatchers and personnel of offsite teams on duty on how to act in case a terrorist attack is detected at the Company's facility; • train the staff of the Company's branches to respond to unauthorized personnel or foreign objects at the facilities;

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			<ul style="list-style-type: none"> update plans of the Company's emergency-response cooperation with law enforcers in the Krasnodar Territory and the Republic of Adygea; develop and coordinate appropriate cooperation procedures; equip the territory of the Executive Office, production base, 110 kV SS Vyshesteblievskaya with engineering and technical protection means; ensure safety of the Company's power facilities during public and political events (Russian Investment Forum 2020 in Sochi) etc. 			<ul style="list-style-type: none"> update plans of the Company's emergency-response cooperation with law enforcers in the Krasnodar Territory and the Republic of Adygea; develop and coordinate appropriate cooperation procedures; equip with the following security equipment: 110 kV SS Boyko-Ponura, 110 kV SS Gazoapparat, 110 kV SS Kommunar, 110 kV SS Lebedi, 110 kV SS Pereyaslovskaya; hold events aimed at security provision for Company's power facilities during the volleyball world championship in 2022 and other public and political events
Improving the internal control and risk management systems, developing the internal audit function	Resolution of the Company's Board of Directors on issue No.2 dated 12.09.2014 (Minutes No.196/2014)	Strategy for the Development and Improvement of the Internal Control System of Rosseti and S&A approved by the resolution of the Board of Directors of Rosseti (Minutes No.143 dated 13.02.2014); the Company's Order No.6 dated 12.01.2016 On Adopting the Methodology for Performance Assessment of the Rosseti Group's Internal Control and Risk Management System; resolution of the Board of Directors' Audit Committee (Minutes No.36/2016 dated 17.03.2016)	Implementation: <ul style="list-style-type: none"> the plan of events to maintain the efficiency and development of the Company's internal control system for 2019–2022 approved by the resolution of the Board of Directors dated December 25, 2019 (Minutes No.369/2019) for 2020; the plan of events to improve the Company's risk management system for 2020–2023 approved by the resolution of the Board of Directors dated 31.12.2019 (Minutes No.373/2019) for 2020. 	The following plan events have been implemented: <ul style="list-style-type: none"> the plan to maintain the efficiency and development of the Company's internal control system, plan to improve the Company's risk management system 	Plan accomplished	Implementation of the comprehensive plan to maintain the efficiency and development of the internal control and risk management systems of Rosseti Group approved by the resolution of the Rosseti's Board of Directors (Minutes No.443 dated 29.12.2020)

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			Target	Actual	Implementation status	
Annual operating costs reduction by at least 2–3%	Decree of the Russian Government No.2303p-P13 dated 16.04.2015 On Annual Operating Costs Reduction by at Least 2–3%	Rosseti's Order No.300 dated 15.07.2020 On Approval of the Standard Methodology for Calculating and Evaluating KPIs of the Sole Executive Bodies of Rosseti's S&A, Which are Engaged in Power Transmission and Grid Connection Activities	Annual operating costs reduction by at least 2% year-on-year	Plan accomplished	Plan accomplished	Annual operating costs reduction by at least 2% in 2021 year-on-year

