

The Company's strategic objectives developed taking into account ones of Rosseti Group and approved by the Company's Management Board (Minutes No.7/2017 dated April 12, 2017), include the following aspects:



Achieving Goals in 2020

Despite the pandemic that swept the world in 2020, the Company's goals remained unchanged, changes have affected approaches to their implementation only. Great attention was paid to the protection of the life and health of the Company's employees.

In 2020, the Company implemented programs and plans aimed at achieving the strategic goals.

Indicators of achieving strategic goals by the end of 2020

Goal	Results in the reported year
More reliable electricity supply in the Krasnodar Territory and the Republic of Adygea	Yearly average power outage duration per point of delivery (P_{saigr}) – 0.8870 h. Yearly average power outage occurrence per point of delivery (P_{saifr}) – 0.4592. For details, see Reliable and Efficient Operation of the Energy System
Better customer service quality and more accessible power grid infrastructure	Grid connection quality (Q_{gc}) – 1.034 For details, see Grid Connection
Grid advancement and adoption of new technologies	Innovative technologies have been introduced to automate the procedure for checking automated design systems for digital substations and ensure information security of smart electricity metering systems. For details, see Digital transformation
Stronger investment appeal and capitalization	The market capitalization of the Company was RUB 20.88 bn at the beginning of 2020 and RUB 22.69 bn at the year-end ¹ . Capitalization peaked at RUB 31 bn in 2020, while the lowest point was RUB 17 bn; the weighted average price of a single share rose by 7.4% over the reporting year while the MICEX Index rose by 8% and the Electric Utilities Index rose by 14%. For details, see Stock Market and Capitalization of the Company
Decent working conditions, improvement of professional competence and loyalty of the Company's personnel	The average salary of the Company's employees exceeded the region-specific average salary in the regions by: 43.2% – in the Krasnodar region and 69.6% – in the Republic of Adygea against a 30% target. Progress on Personnel Training Plan was 131.1% in 2020. For details, see Sustainable Development
Staying within the standard electricity loss rates in transmission	Actual electricity loss in transmission was 10.04%, a 0.47% improvement against the plan. For details, see Electricity Delivery

¹ According to the calculation of PJSC Moscow Exchange

The Company's priorities were approved by the Board of Directors (separate decisions and Minutes No. 281/2017 dated July 21, 2017). Every year, the Board of Directors submits a report on the approval of information on the change in the status of the Company's priorities. Report of the Board of Directors on the Company's Development in Priority Areas is given in the Corporate Governance Report.

Achievement of the quality goals in 2020

Ser. No.	Goal	Result
1	Implementation of the Company's Digital Transformation Program for 2020–2030	<p>The goal has been achieved.</p> <p>The Digital Transformation Program for 2020–2030 has been approved by the Board of Directors of Rosseti Kuban (Minutes No. 374/2020 dated January 24, 2020). The Program defines objectives, tasks, basic principles and approaches to the digital transformation, contains a list of activities. In the reporting year, the Company implemented the following measures under the Program:</p> <ol style="list-style-type: none"> 1. In the Project for Implementing the Smart Metering Development Program, measures under the approved Smart Metering Development Program as part of the Investment Program was implemented at 100% of the planned scope in 2020. 2. In the Project for Introducing the 1C: Payroll and HR Management 8 System, the Company signed a contract dated September 21, 2020. The period of work is 11 months from the date of the contract signing. The cost of the Project on the results of the tendering procedures amounted to RUB 24.25 mln (VAT not payable). In 2020, the Company completed the first, second and third phases of the Project (according to the schedule of work under the contract). 3. On the issue concerning adopting electronic workflow, the Company adjusted the work completion date under the Addenda dated September 30, 2020. In fact, the work on the project was completed on December 28, 2020. The system was commissioned by the Order of Rosseti Kuban No. 751-od dated December 28, 2020
2	Ensuring the reliable operation of the power grid complex	The goal has been achieved.
2.1	Maintenance and Repair Programs (M&R) of the power grid complex	<p>The goal has been achieved.</p> <p>For the reporting year, the M&R Program has been implemented in all areas. In 2020, Rosseti Kuban planned to implement activities for RUB 2,941.8 mln. In fact, Rosseti Kuban PJSC implemented the activities for RUB 3,010.2 mln or 102% of the plan.</p>
2.2	Implementation of priority projects of new construction, renovation, and reconstruction of the Company's power grid facilities aimed at improving the quality of customer service and increasing the accessibility of the power grid complex, ensuring the grid advancement and adoption of new technologies (including the construction and commissioning of the 110/10 kV Angarskaya Substation with the installation of 2x25 MVA power transformers with 110 kV overhead lines)	<p>The goal has been achieved.</p> <p>The main objective of the development of the Company's power grid consists in finding the best possible direction of equipment modernization and expansion of the grid geography to make up for a shortfall of generating capacities and satisfy a potential demand for generating capacity in the short and long term. According to the Scheme and the Program for prospective power industry development in the Krasnodar Region, Rosseti Kuban completed the construction of 35–110 kV power centers and the overhead power line.</p> <p>The priority facility was put into operation - the 110/10kV Angarskaya substation with 110 kV overhead lines (the commissioning certificate dated December 30, 2020, input capacity of 50 MVA)</p>
3	Improvement of operational performance	<p>The goal has been achieved.</p> <p>The program to improve operational efficiency and reduce costs of Rosseti Kuban was approved by the Board of Directors for 2020–2024 (Minutes No. 370/2019 dated December 30, 2019).</p> <p>The performance indicators of the Program cover the targets set by the Development Strategy for Russia's Power Grid Complex (approved by Order No. 511-r dated April 3, 2013, and Directive No. 2303p-P13 of the Government of the Russian Federation dated April 16, 2015. In 2020, year-on-year reduction of operating costs was 4% vs. a target of 2%</p>
4	Increase of non-regulated revenue from ancillary services provision	<p>The goal has been achieved.</p> <p>Revenue from additional services reached RUB 536 mln, representing a year-on-year increase of 90.3%.</p>
5	Electric loss (consumption) reduction	<p>The goal has been achieved.</p> <p>Plane for 2020–10.51%, in fact – 10.04%. The admissible rate of electricity losses was met due to implemented measures to reduce losses (organizational, technical, and for improving electricity accounting)</p>

Ser. No.	Goal	Result
6	Reducing the consumption of fuel and energy resources	The goal has been achieved. The actual reduction in consumption was: electricity – 30,288,726 kWh; thermal energy – 2,737,995 Gcal; water – 68.688 thousand cubic meters; natural gas – 100.379 thousand cubic meters; diesel – 3,191.312 litres; petrol – 4,223.045 litres.
7.	Improving the efficiency of the Company's services to consumers by informing applicants and promoting online services	The goal has been achieved. 1. Six seminars and meetings were held in an online format with the participation of 77 potential and current applicants, representatives of business, and executive authorities of the subjects of the Russian Federation. 2. At the end of January, the Company held a meeting in the format of an "energy dialogue" on the grid connection of residential structures in Sochi, during which they discussed issues related to the grid connection, the improvement of the accessibility of the Company's services and the development of customer services, including interactive ones, as well as the long-term development of the power infrastructure of the Sochi grids. 3. A personal account on the official website портал-тп.рф and in the mobile application ensured a more available electronic interaction with consumers during the grid connection. 4. The consumer service offices provided the automated environment for applicants who have no access to the Internet network. 5. The ROSSETI's official website offers support for "The Light Country" portal for consumer feedback, where a consumer may leave appeals on: – regular power cutoff; – voltage fluctuation / low voltage; – failures of electric equipment.
8	Development of the Company's information systems and data sharing	The goal has been partially achieved (four points of six)
8.1	Creation and implementation of the electronic workflow system (EWS) on the Russian platform	The goal has been achieved. EWS was put into operation (Order No. 751-od dated December 28, 2020)
8.2	Development of the Production Asset Management System (PAMS) and PAMS Mobile Solutions in Operations Management System	The goal has not been achieved, in progress. The project has been suspended in accordance with the regulatory and administrative documents and letters of Rosseti. The draft of the adjusted PAMS development plan for 2020–2022 includes measures to automate the operations management system, taking into account the integration with the electronic defect log, an operational information system, the "Automated management system for repairs of power-generating equipment" software system (Request Software System, Repairs Software System), and digital tools of personal protection with an implementation period from Q3 2021 to Q3 2022.
8.3	Replicating the functionality of the Mobile Solutions of the Production Asset Management System (PAMS) in the Company's branches	The goal has been achieved. The functionality is replicated. In order to replicate the functionality of the mobile solutions in all branches of the Company issued Order No.78 dated February 18, 2020. In February, personnel of the engineering units of the branches and the Executive Office of the Company passed full-time training in mobile solution functionality (Minutes No. 19/SUPA dated February 19, 2020). Personnel of the Company's branches passed a full-rime training in mobile solution functionality from March 10 to 17 in the Institution of Continuing Professional Education "Power Engineering Institute of Advanced Training of Rosseti Kuban" (Minutes No.20/SUPA dated March 18, 2020). In December, employees of the Company's branches were trained through distance learning in mobile solution functionality (Minutes No. 21/SUPA dated December 16, 2020). 207 mobile devices are used in the commercial operation currently
8.4	Development of a regional node of the Unified Geographic Information System	The goal for 2020 activities has been achieved. The Company started to develop the Unified Geographic Information System under Contract No. 407/30–837 dated June 4, 2020
8.5	Development of the electricity metering system as regards building the power balances at all grid levels, analysing non-balances and excessive losses of power, in particular	The goal for 2020 activities has been achieved. The automated electricity metering system is provided with the developed and introduced functionality to analyse non-balances and excessive losses of power in the distribution grid: – Report on Calculating the power balance by elements of 0.4–20 kV grid; – Report on Useful output by connection of metering points; – Summary Report on Analysis of power losses by 10(6)/0.4 kV metering point
8.6	Commissioning and development of Master Mobile application	The goal has not been achieved, in progress. Not put into commercial operation.

Ser. No.	Goal	Result
9	Making information resources more accessible to the Company's employees	The goal has been achieved. 1. The EWS software system, an electronic workflow system, has been put into commercial operation. 2. Further development of the corporate information resource "Knowledge Base": the resource is replenished with new local regulations on a regular basis.
10	Continuous training of staff (including quality, environment, health and labor safety, operation and maintenance of electrical equipment, as well as digital technologies) to maintain the level of professional competence of the Company's employees	The goal has been achieved. Staff passed continuous training (including quality, environment, health and labor safety, operation and maintenance of electrical equipment, as well as digital technologies) to maintain the level of professional competence of the Company's employees. By the end of 2020, 134% of the planned number of employees passed the training.
11	Improving the integrated security system aimed at protecting the interests of the Company, preventing internal and external threats, identifying the causes and conditions that hinder the implementation of the Company's Development Strategy and sustainable functioning	The goal has been achieved. In 2020, the Company developed the Integrated Safety Plan, which was fully implemented. Reports on 2-Security, 2-Information Security and 2-Regional Security are sent to the Rosseti Security Department; On February 4, the Company held a final meeting of the security units of Rosseti Kuban attended by representatives of the Rosseti Security Department

The following quality goals for 2021 (approved by the General Director's order) have been set:

1. Ensuring the reliable operation of the power grid complex, including:
 - Implementing Maintenance and Repair Programs (M&R) of the power grid complex;
 - Developing the accessible energy infrastructure for power supply of industrial and investment sites of the Republic of Adygea by reconstructing four 110 kV power centers and five 35 kV power centers.
2. Increase of non-regulated revenue from ancillary services provision.
3. Electric loss (consumption) reduction.
4. Implementation of Kubanenergo's Digital Transformation Program for 2019–2030
5. Improving the efficiency of the Company's service to consumers by informing applicants and promoting online services.
6. Introduction of the Innovative Management System based on the standard GOST P 56273.1–2014/CEN/TS 16555–1:2013 "Innovative Management. Part 1. Innovative Management System."
7. Development of the Company's information systems and data sharing:
 - Development of the Production Asset Management System (PAMS) and PAMS mobile applications
 - Provision of access to the functionality of the smart electricity (power) metering system in the consumer's account.
8. Continuous training of staff (including quality, environment, health and labor safety, operation and maintenance of electrical equipment, as well as digital technologies) to maintain the level of professional competence of the Company's employees

It is assumed to achieve these goals by implementing measures to meet the targets of the programs approved by the Company as part of the business plan.

Target performances in quality

No.	Performance	Unit	2021 target	2024 forecast
1	Average power outage duration (Psaidi) (duration of electricity supply interruption per a consumer)	h	1.08	0.97
2	Average power interruption frequency (Psaidi) (number of interruptions of power supply per a consumer)	events	0.46	0.43
3	Electricity losses	%	10.55	8.97
4	R&D costs indicator	%	0.15	0.19
5	Workforce productivity	%	Growth of at least 5% annually	
6	Reduction of unit operating expenses (costs)			
6.1	Reduction of unit operating expenses (costs) year-on-year	%	≥2	
6.2	Reduction of unit operating expenses (costs) vs. the level of 2018	%	≥4	≥10
7	Percentage of non-tariff revenue from other activities	%	2.71	5.14

Risk Management System

THE COMPANY HAS A RISK MANAGEMENT SYSTEM (RMS) ENSURING SUSTAINABLE CONTINUOUS OPERATION AND DEVELOPMENT OF THE COMPANY THROUGH TIMELY IDENTIFICATION, ASSESSMENT, AND MANAGEMENT OF RISKS THAT POSE A THREAT TO THE EFFECTIVE IMPLEMENTATION OF THE COMPANY'S BUSINESS AND REPUTATION, THE HEALTH OF ITS EMPLOYEES, THE ENVIRONMENT, OR PROPERTY INTERESTS OF SHAREHOLDERS AND INVESTORS.

Goals of Rosseti Kuban Risk Management System

ENSURING THE EFFICIENCY OF FINANCIAL AND BUSINESS ACTIVITIES AND ECONOMIC USE OF RESOURCES, AS WELL AS ENSURING THE SAFETY OF THE COMPANY'S ASSETS

PROVIDING FOR FULL AND RELIABLE ACCOUNTING (FINANCIAL), STATISTICAL, MANAGEMENT AND OTHER REPORTING;

COMPLIANCE WITH APPLICABLE LAWS AND LOCAL REGULATIONS.

RMS Organization

The tasks of the Company's Risk Management System are to ensure reasonable confidence in achieving the goals set for the Company under the Strategy of the Russian Federation for Development of the Electric Grid Complex, development software documents and the Company's Articles of Associations, and the growth of the Company's value while maintaining the balance of interests of all stakeholders.

The Board of Directors, the executive bodies of Rosseti Kuban, managers, and employees at all levels of the Company's management shall implement the Company's Risk Management, i.e. risk identification, evaluation, and ranking, as well as risk treatment to ensure a reasonable guarantee of the Company's goal achieving.