

Implementation of Elements of ROSSETI Group Strategy

THE COMPANY, BEING A PART OF RUSSIA' POWER GRID COMPLEX AND ROSSETI GROUP, STRIVES TO ACHIEVE THE GOALS SET AT THE STATE LEVEL FOR THE IMPLEMENTATION OF THE DEVELOPMENT STRATEGY OF PUBLIC JOINT-STOCK COMPANY ROSSETI, SUBSIDIARIES, AND AFFILIATES (ROSSETI GROUP) UNTIL 2030 (HEREAFTER REFERRED TO AS STRATEGY) APPROVED BY THE BOARD OF DIRECTORS OF ROSSETI (MINUTES NO.388 DATED DECEMBER 26, 2019).

The major change in the operation of Rosseti's Group is the transition to a business model of modern innovation infrastructure. Promoting the further upgrade of efficiency of current activities to develop the sector and ensuring reliability, quality and accessibility of infrastructure in the new digital environment is among the main strategic priorities. The Company focuses on the balancing of interests of all parties, including the government, consumers, shareholders, investors, as well as on the development of new business areas.

PJSC Rosseti has defined the following strategic development priorities for ROSSETI Group:

RELIABLE, STABLE AND AFFORDABLE ELECTRICITY SUPPLY TO CONSUMERS;

FURTHER IMPROVEMENT IN THE EFFICIENCY OF THE CORE BUSINESS OF POWER TRANSMISSION;

PROMOTION OF LEGISLATIVE INITIATIVES FOR DEVELOPMENT;

MAINTENANCE OF THE BALANCE OF INTEREST FOR ALL PARTIES: STATE/ CONSUMERS/ SHAREHOLDERS/ INVESTORS;

DEVELOPMENT OF NEW BUSINESS AREAS (NON-TARIFF SERVICES AND CONSUMER SERVICES) THROUGH THE DIGITAL TRANSFORMATION TO ENSURE THE COMPANY'S RESILIENCE TO CHANGES IN THE SECTOR;

PROMOTION OF ENERGY AND ENVIRONMENTAL SAFETY

Achieving the Group's strategic priorities is planned by:

- Technological and innovative development;
- Digital transformation;
- Business diversification;
- Information and technological security provision;
- Improvement of operational and investment performance;
- promotion of legislative initiatives to improve pricing in the industry.

In implementing the Strategy, the Company is guided by the goals of the following hierarchy:



The Company's values are enshrined in the Code of Corporate Ethics and Employee Conduct



1. Reliability. The Company seeks to ensure maximum reliable, uninterrupted power supply to cover the economic and social needs of Russia by taking every organizational and technical effort to guarantee reliable operation of grid infrastructure while also ensuring the security of its facilities.

2. Human resources. The Company's key resource is its personnel that has been preserving and boosting the Company's value for a long time. Achievement of the strategic goals and objectives set by the Government by the Company depends on professionalism, conscientiousness, and labor safety of its employees to a large extent.

Every employee of the Company is valuable regardless of gender, age, colour, nationality, and position. All the employees have equal opportunities for successful and effective work, professional development and career progress.

While composing the staff (including management),

the Company is driven by the principles of fairness and objectivity. The decisions on appointment or transfer are made based on business qualities of the employees only.

The Company welcomes the so-called labor dynasties (translator's note: cases where family members of different generations work for the same company) and enables their development.

The Company promotes the continuity of generations by respecting the veterans' experience while also enabling them to convey their knowledge and traditions to the new generations of workers, within labor dynasties as well.

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3. Performance. The Company is aware of its responsibilities to shareholders, investors, and partners, that is why performance efficiency is a fundamental value. The Company strives for continuous profit growth enabled by the strategic initiatives of supervision and governance bodies, top management, and shareholders.
 4. Safety. The Company relies on a strictly regulated and balanced approach to security as it takes measures to prevent possible offences.
 5. Social Responsibility. Rosseti Kuban is a socially responsible company that focuses on environmental protection, occupational safety, and social Programs.

Herein set forth the principles of professional ethics and conduct binding upon all employees of the Company:

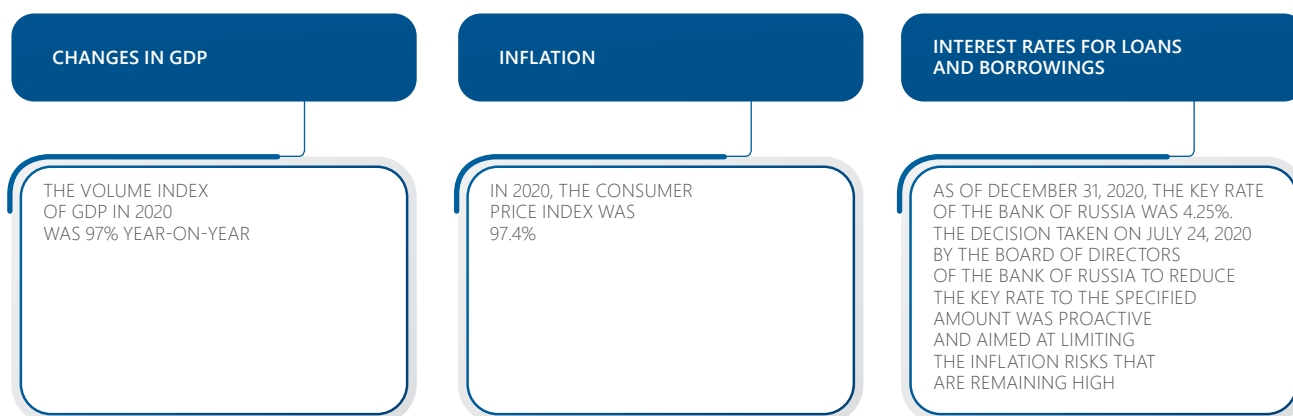
- Professionalism;
- Integrity and responsibility;
- Interaction and collaboration;
- Image and reputation;
- Confidentiality.

The Company will not sacrifice its values for the sake of profit and perceives the said values as an interlink between all areas of activity expecting the same attitude from its business partners.

The Company holds dear its corporate values and maintains a high level of the corporate culture.

Macroeconomic Analysis

Factors that determine the Russian economy as a whole and influence the electricity sector¹



Specific factors as the drivers of the sectoral development

Factors in the descending value	
State tariff regulation	
Description	Electricity transmission and grid connection services are state-regulated activities. Tariffs for the Company's services approved by regulators directly affect the amount of revenue received
Current health	The Government of the Russian Federation implements a Tariff Policy based on the "inflation minus" principle Setting tariffs below the economically sound level will lead to underfunding through tariff sources of the Company's current activities and Investment Program
Measures to minimise the impact (if possible)	Economic justification of the costs included in tariffs, including negotiations to factor in the economically justified expenses that are in excess of the costs currently incorporated into the tariffs and the revenue shortfalls incurred during the past periods due to reasons beyond the Company's control Consistent cost cutting and Investment Program optimising Implementation of measures to improve pricing in the industry in cooperation with ROSSETI
Power consumption dynamics	
Description	Changing energy consumption has direct relevance to the health of the industry

¹ <https://www.gks.ru>, http://www.cbr.ru/hd_base/KeyRate/