

- them to convey their knowledge and traditions to the new generations of workers, within labor dynasties as well.
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:

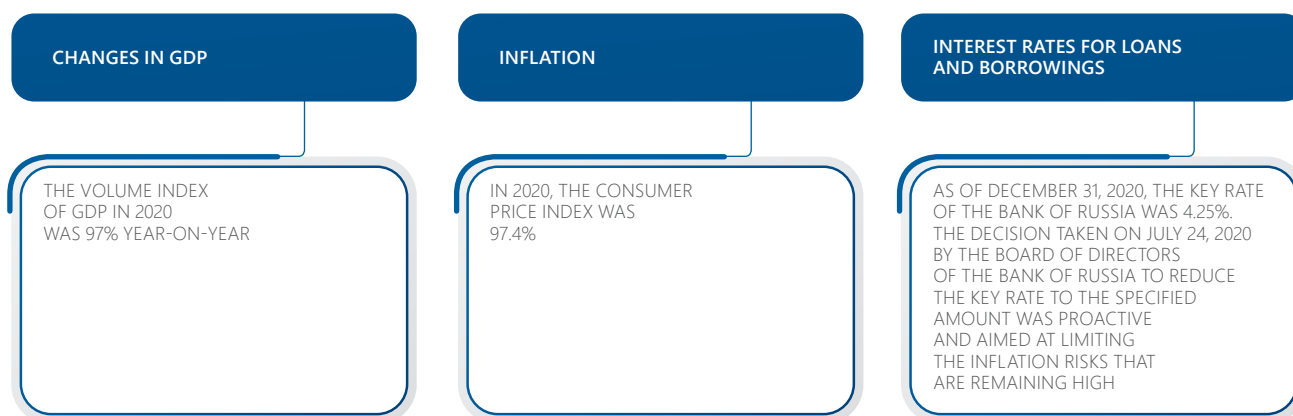
- Professionalism;
- Integrity and responsibility;
- Interaction and collaboration;
- Image and reputation;
- Confidentiality.

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/

Factors in the descending value

Current health	Actual power consumption in the Unified Energy System of Russia in 2020 reached 1,033.7 bn kWh, down 2.4% year-on-year ¹ . Actual power consumption in the Krasnodar region and the Republic of Adygea in 2020 amounted to 27,420.5 mln kWh, down 207.6 mln kWh or 0.8% year-on-year ² .
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Measures to minimise the impact (if possible)	A range of activities to develop new (non-tariff) types of business and increase non-tariff sources of income
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Price dynamics on the Wholesale Electricity and Capacity Market

Description	Changes in electricity prices in the wholesale electricity market (WEM) directly affect the amount of compensation for electricity losses in power grids and, accordingly, on all the Company's activities
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Current health	The single-supply price of electricity on the WEM in 2020 showed a 3.4% increase year-on-year.
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Measures to minimise the impact (if possible)	Measures to reduce power losses in the grids
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Current health of the industry

Description	The health of the industry directly affects all aspects of the Company's activities
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Current health	Heavy wear of the main generating and grid equipment Reduction of the Investment programs in the industry Default in payment Tariff policy leading to both under-reporting of financial indicators (cost-plus pricing) and actual unprofitableness of some companies Reducing power consumption against a backdrop in declining industrial production due to the introduction of restrictive measures to prevent the spread of COVID-19
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Measures to minimise the impact (if possible)	Implementing the concept of digital transformation Introducing the cost management system Introducing the up-to-date Company's management tools, automating key functions to improve management decision-making
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According to the forecast of the social and economic development of the Russian Federation for 2021 and the target period of 2022 and 2023³, in 2021, the pace of economic recovery will be influenced by some competing factors:

- the negative impact of residual quarantine restrictions, as well as changes in consumer behaviour (deterrent);
- the implementation of the effect of the monetary easing (support factor);
- further normalization of budget expenditures after their build-up in 2020 to prevent the spread of new coronavirus infection and support the economy (deterrent).

Taking these factors into account, GDP growth in 2021 is projected to be 3.3%, in 2022–2023 – at least 3%. GDP growth will be based on the expansion of domestic demand, both consumer and investment.

At the same time, the increase of power consumption in Russia in 2021 to the level of 2019 and its possible exceedence by 0.5% are expected⁴.

FORECAST OF ECONOMIC AND ELECTRICAL POWER INDUSTRY RECOVERY IN 2021

¹ Source: Report on the performance of the UES of Russia in 2020.

² Source: Report on the performance of the UES of Russia in 2020 (Operational Dispatch Office of the South - Krasnodar region and the Republic of Adygea).

³ Source: <https://tass.ru/ekonomika/10475757>

⁴ Source: <https://tass.ru/ekonomika/10475757>