

# PERSONNEL TRAINING AND DEVELOPMENT

Personnel training is one of the key priorities of the Personnel and Social Policy of the Company, and it is governed by the Personnel Policies for the Power Sector of the Russian Federation approved by Order of the Ministry of Fuel and Energy of the Russian Federation No. 49 dated February 19, 2000, and by the Personnel Procedures at Rosseti Kuban approved by Order No. 1048 dated September 25, 2017, the Regulations on Personnel Training at Rosseti Kuban approved by Order No. 681-od dated November 26, 2020,

other regulations, as well as instructions and recommendations of supervisory bodies.

The Company's main provider of educational services is the in-house training center, the Energy Institute for Continuing Education (hereinafter – the Institute). In the reporting year, the share of the Institute's trainees of the total number of the Company's trainees stood at 85.3%.

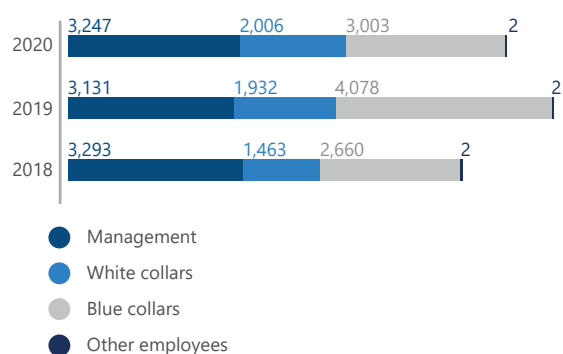
## Training of Rosseti Kuban's staff

Indicator	2018	2019	2020	Change 2020/2019
Number of off-the-job trainees	7,418	9,143	8,258	-885
Including blue collars	5,257	8,386	7,373	-1,013
The ratio of the number of off-the-job trainees to the average staff headcount, %	86.1	106	92.2	-13.8 p.p.
Number of employees who received training, retraining and advanced training at the Institute	7,418	8,633	7,044	-1,589
Including blue collars	4,437	8,003	6,545	-1,458
The number of on-line training programs available at the Institute	18	24	46	22
Average number of academic hours per employee	64	60	58	-2

The key indicator (30%) of the Company's Personnel and Social Policy is achieved thanks to the existing ratio of the off-the-job trainees in 2020 to the average headcount.

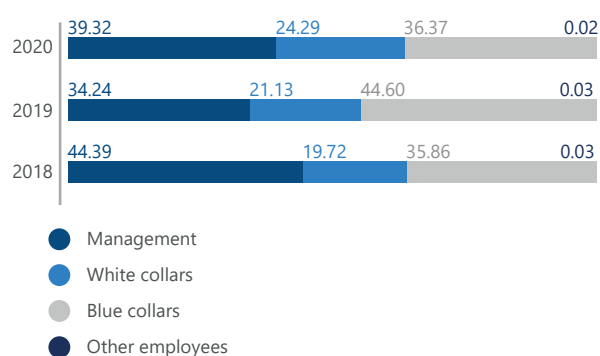
The number of trainees in the reporting year went down due to the schedule frequency of electrical personnel compulsory training, as well as to passing up individual educational programs planned to be conducted in the classroom format. Restrictions related to the prevention of the spread of a new coronavirus infection gave additional momentum to the development of distance staff training programs.

### Breakdown of off-the-job trainees by categories, ppl



A significant share of the personnel falling under managers and blue collars categories in the total number of the trained is explained by the availability and frequency of mandatory training for these categories as required by regulatory documents.

### Breakdown of off-the-job trainees by categories, %



### Personnel training costs (RUB thsd)

Indicator	2018	2019	2020	Change 2020/2019
<b>Costs for personnel training, total:</b>	<b>72,091</b>	<b>106,018</b>	<b>73,836</b>	<b>-32,182</b>
Including:				
- hosted by the Institute	49,999	77,667	53,563	-24,104
- hosted by third-party educational institutions	22,092	28,351	20,273	-8,078

Every year, the Institute trains more than 8 thousand students in more than 200 educational programs aligned with the requirements of professional standards and relevant regulatory documents.

The Institute provides services in the following areas:

- training in professional education programs (training, retraining, advanced training of employees), continuing professional education (professional retraining, advanced training of engineering staff);
- conducting topical workshops and skills workshops aimed at developing corporate and managerial competencies of personnel;
- preparation of teams for professional skill competitions.

The Institute enjoys the status of a sectoral educational and methodological center for training the fuel and energy sector employees in occupational safety and offers them the opportunities to join educational programs approved by the state technical supervision

bodies. The Institute staff includes professors properly certified in the local Rostekhnadzor offices in Rostekhnadzor-supervised specialties. The Institute is accredited and has a notification of the Ministry of Labor of the Russian Federation on entering into the register of educational services providers in the field of occupational safety. The programs employ modern innovative technologies using the latest teaching tools and methods. During the training period, students are provided with the necessary study materials, visual aids, handouts in the relevant areas of training.

The training ground located on the territory of the Institute is geared to the practical training of students in the learning process and provides means not only for individual operations, but also for routine maintenance on specific equipment with working up the time standards. It is also a venue for various professional skills competitions among the personnel of fuel and energy companies in the following competencies: "Operation of Cable Power Transmission Lines", "Smart Electricity Metering System", "Maintenance and Repair of Relay Protection and Controls".

As the maintenance and repair of the Company's facilities require live work practices, the Institute has started the live work training of teams from the fourth quarter of 2020. The teaching staff of the Institute received appropriate training at the private educational institution of further vocational education (PEI FVE) "Live Work Centre"; the training ground of the Institute was equipped with the necessary equipment for hands-on skill practice in this type of work. In 2020, two teams of Rosseti Kuban's branches (Power Grids of Sochi and Power Grids of Krasnodar) were trained under the program "Live work on below 1,000 V overhead, cable power lines and switchgears".

In the reporting year, 331 employees of the Company (3.6% of the average headcount) underwent the independent qualification assessment at Energia Center and 295 successfully passed the professional examination. To further contribute to the motivation of personnel who confirmed their qualifications, they were given a personal premium of 5% of the base pay rate (fixed official salary). The assessment of the needs of the Company at a time of hiring and during staff appointments, as well as the comprehensive assessment of managers, involved 215 people.

The key providers of educational services in 2020, other than the Institute, were:

- LLC Academy of Professional Training and Retraining;
- Federal State Budget Institution Learning and Training Centre of Rostekhnadzor;
- FSAEI FVE IPK TEK;
- ANCO Moscow Training Centre of the Unified Energy System;
- PEI FVE International Institute of East-West Cooperation.

## Talent Pool

To meet the Company demand for qualified and efficient managers in a timely manner and create conditions for the best fulfilment of the staff potential of Rosseti Kuban, the company constantly updates and improves its manager and young specialist talent pool.

The management talent pool is created to implement the Company demand in management staff in a timely and efficient manner, including the following positions:

- top managers;
- mid-rank managers;
- managers and chief engineers for power distribution zones.

The main criteria to include employees in the management talent pool are:

- high professional qualification;
- strong production performance;
- managerial experience;
- personal and managerial potential necessary for professional development and career growth in the Company.

**Talent pools of the Company**

Indicator	Unit of measurement	2018	2019	2020
Management talent pool	ppl.	430	406	251
Percentage of senior positions covered by the talent pool	%	59.25	59.31	69.93
Percentage of pool member assigned to target positions in the reporting year	%	3.7	4.2	4.8
Percentage of management positions staffed by internal candidates, including from the talent pools	%	57.4	58.4	56.8
Youth talent pool	ppl.	148	147	187

The youth talent pool consists of young specialists aged under 35 years who have high development potential and are motivated for professional development and career progress in the Company.

The membership of the Company's youth talent pools is updated on an annual basis, and development plans for young professionals include participation in training programs, discipline-related trainings aimed at personal growth

and development of competencies, industry-wide and regional conferences, and youth forums in order to get acquainted with the best practices of power grid companies in a timely manner.

**Staff Remuneration System**

In order to maintain high standards of social and labor relations based on reciprocity and parity, one of the major challenges facing the Company is to ensure the continuity of the economic relations control principles related to social and labor relations, such as:

- reality, validity and unconditional fulfilment of the obligations assumed;
- consideration of labor market characteristics.

The staff remuneration scheme currently in place in the Company regulates the rate of wages depending on staff qualifications, complexity, quantity, quality and conditions of work performed and is outlined in the Regulation on Remuneration of the Company's Employees, which is an appendix to the collective agreement. This Regulation is aligned with the current legislation of the Russian Federation, the Sectoral Tariff Agreement in the Electric Power Industry of the Russian Federation for 2019–2021 and the Recommendations on a Unified Job Compensation Scheme at Base Pay Rates (fixed official salaries) for Electric Power Employees approved by the All-Russian Industrial

Association of Electric Power Employers and All-Russian Electric Trade Union.

The system of remuneration and material incentives for the Company's management is defined by the Regulations on Material Incentives and the Social Package of Senior Managers and the Regulations on Material Incentives and the Social Package of Leading Managers. The management incentive system stipulated by these Regulations is aimed at creating the necessary conditions for attracting high-level professional managers to the Company, which are capable of ensuring the reliability and quality of energy supply to consumers, improving the efficiency of property and financial management, as well as achieving high business performance and established strategic priorities.

## Increase in Labor Productivity

The Increase in Labor Productivity is one of the KPIs of the General Director of the Company, it was introduced under with Decree of the Government of the Russian Federation No. 7389p-P13 dated October 31, 2014 in pursuance of the action plan to increase the labor productivity, create and update high-performance jobs approved by Order of the Government of the Russian Federation No. 1250-R dated July 9, 2014.

The actual KPI value is calculated using the revenue from electricity transmission services, expenses for electricity transmission services reflected in the IFRS consolidated financial statements of the Company and its subsidiaries, number of man-hours worked by active roll full-timers and external part-timers of the Company and its subsidiaries engaged in electricity transmission activities since the beginning of the year.

The KPI target is set so to accommodate a potential year-on-year increase in comparable conditions of the Company's activities.

The KPI is considered to be achieved if its actual value is greater than or equal to the target value. Otherwise, the indicator is considered unachieved.

The target value of the KPI "Increase in Labor Productivity" for 2020 was set at  $\geq 2\%$  to the actual value of the previous period; at the end of the reporting year, the Company overachieved the set target by two times.

The below initiatives are constantly in progression to achieve the target value of the "Increase in labor productivity" indicator:

- initiatives to improve the organizational and functional structure (optimization of business processes, elimination of redundant management levels and duplicate functions in order to increase the level of manageability);
- rightsizing of the administrative and managerial staff;
- analysis of the working time utilization and work intensity (reducing unproductive losses of working hours, analyzing the engagement of employees to perform weekend work and overtime work).

### Changes in labor productivity in the Company (RUB mln / mln man-hour)

2018	2019	2020
1,670	1,741	1,817