

# PROCUREMENT ACTIVITIES

**Rosseti Kuban performs procurement activity according to Federal Law “On Procurement of Goods, Work, and Services by Certain Types of Legal Entities” No. 223-FZ dated July 18, 2011, other statutory regulations of the effective legislation of the Russian Federation, the Company’s Articles of Associations, and the Unified Procurement Standard of Rosseti (Procurement Regulation) (hereinafter referred to as the Standard).**

The Standard approved as an internal document by the Company’s Board decision dated December 29, 2018 (Minutes No. 327/2018) and put into effect by Kubanenergo’s Order No. 47 dated January 18, 2019. Following the decision of the Board of Directors on June 26, 2020 (Minutes No. 391/2020), the Company signed on to the Standard approved by the decision of the Board of Directors of Rosseti (Minutes No. 417 dated May 28, 2020). The Standard was put into effect by the Company’s Order No. 424 dated July 22, 2020.

The Company’s collegial working body for the development and implementation of unified procurement policy, ensuring the proper level of competition in procurement, objectivity, impartiality, and transparency of procurement procedures, fair and equal treatment of all participants in procurement procedures, and choosing contractors based on the results of regulated procedures is the Central Tender Board.

Procurement principles:

- procurement transparency;
- equality, fairness, absence of discrimination and unreasonable competition restrictions against the procurement participants;

- appropriate and efficient expenditure of monetary assets for acquiring the goods, works, services, and compliance with measures to reduce the customer costs;
- lack of restriction to participate in procurement by establishing unmeasurable requirements for procurement participants;
- transparency and management of procurement activities;
- professionalism and competence of employees involved in procurement activities of customers;
- compliance with the laws governing the arrangement of procurement activities, as well as anti-corruption legislation, including the Anti-corruption Procurement Activity Standard (Appendix to the Standard).

The methods to perform procurement procedures and the conditions for their application are determined by the above internal Company’s documents.

From 2014 on, the Company and SMEs were engaged in a common Partnership Program under the implementation of the roadmap for cooperation with SMEs. In 2018, the Company joined the Program for Partnership between Rosseti’s Group of Companies and SMEs (Order No. 231 dated

## Procurement methods used by the Company

### Competitive procurements:

- Tender, auction;
- Requests for offers, requests for quotations;
- Competitive pre-selection;
- Request for a quotation based on competitive pre-selection.

### Non-competitive procurements:

- Preliminary selection;
- Request for a quotation based on preliminary selection;
- Price comparison;
- Purchase from a single supplier (contractor);
- Procurement through bidding processes organised by sellers.

## Participation of small and medium-sized entrepreneurship (SME) in procurement conducted by Rosseti Kuban

March 6, 2018), which initiated a unified register of the partnership program participants (thereby, the SME becomes a partner for all subsidiaries and affiliates of Rosseti).

Also, in 2014, the Company put in place an advisory body to address the efficiency of procurement, including purchases from SMEs; this body, along with the Company's employees, includes representatives of JSC SME Corporation, the Fund for infrastructure and educational programs, regional offices of the Russian Union of Industrialists and Entrepreneurs, the OPORA RUSSIA All-Russian Non-Governmental Organization of SME, the Delovaya Rossiya All-Russian Public Organization, and the Chamber of Commerce. The Company also has an Action Plan to popularize the Company's program for partnership with SMEs.

In 2020, during the lockdown imposed in response to the spread of COVID-19, some procurement procedures were suspended, under the investment program capping efforts, in order to preserve the financial stability of the Company and prevent negative consequences in the current macroeconomic situation.

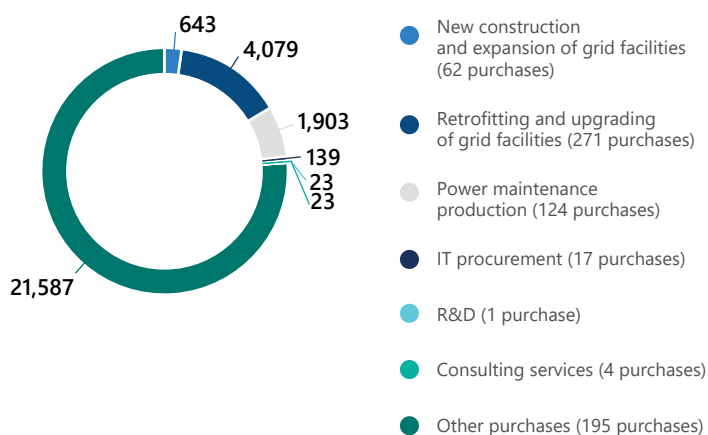
### The main results of the Company's procurement in 2020

In 2020, the Company summed up the results of 674 procurement procedures for a total amount of RUB 28,395.9 mn. E-commerce tools were used to make 561 purchases for the amount of RUB 27,848.8 mln, which is 100% of the total volume of purchases (excluding purchases from a single supplier).

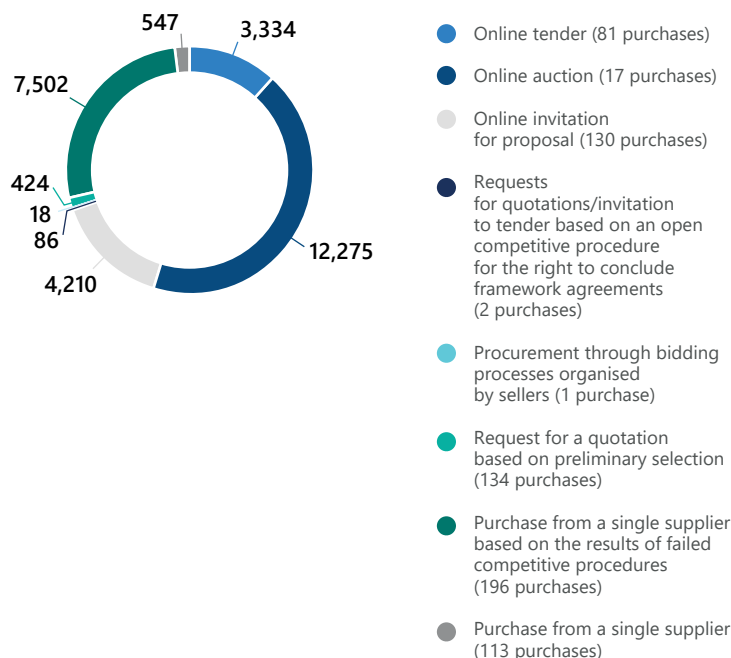
As a result of regulated procurements in the reported year, the Company enjoyed an economic effect of RUB 3,316.6 mln, which was 10.6% of the total planned annual cost for procurement of goods, work, and services.

The results of 14 purchases of innovative and high-tech products totalling RUB 1,318.6 mln were summed up as of the end of 2020.

The Company's Procurement Structure by Activities in 2020 (RUB mln)



Structure of purchases in 2020 by purchasing methods (RUB mln)



**Procurement results (%)**

Indicator	2018	2019	2020
Share of open procurement procedures in total procurement volume	98.2	98.6	98.1
Share of procedures carried out using e-commerce means (electronic trading platforms) in the total volume of purchases (excluding purchases from a single supplier)	100	100	100
The amount of savings achieved at the end of the bidding process	5	11.3	10.6
Share of purchases won by SMEs	70.2	88.9	91.7
Share of purchases among SMEs only	33.6	48.4	29.2

**Improving procurement activities**

Rosseti Kuban purchases goods and services mainly based on tenders from suppliers offering the best price-quality ratio, optimizing procurement activity by:

- using techniques to reduce the marginal purchase price;
- increasing the share of tenders;
- introducing mandatory actions to reduce prices of procurement participants (re-bidding, pre-contractual negotiations);
- complying with the Company's Procurement Policy and the Program for Partnership between Rosseti Kuban and SMEs;
- functioning of the advisory body on ensuring the effectiveness of purchases conducted by Rosseti Kuban, including from SMEs.
- In delivery of the Corporate Import Phaseout Plan of Rosseti approved by Order No. 46 of Rosseti dated February 5, 2020, the actual share of purchases of imported equipment and materials in 2020 stood at 6.56% vs the planned target of 5%.