

# PROCUREMENT

The Company performs procurement activity according to Federal Law on procurement of goods, work, and services by certain types of legal entities No. 223-FZ dated 18 July 2011, other statutory regulations of the effective legislation of the Russian Federation, the Company's Articles of Association, and the [Unified Procurement Standard of Rosseti PJSC \(Procurement Regulations\)](#) (hereinafter referred to as the Standard).

This Standard was adopted by a resolution of the Board of Directors of Rosseti PJSC on 29 December 2022<sup>1</sup> and approved as an internal document of Rosseti Kuban by a resolution of the Company's Board of Directors on 26 January 2023<sup>2</sup>. 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 Committee.

## Procurement principles:

- Information transparency of procurements
- Equality, fairness, absence of discrimination and unreasonable competition restrictions against the procurement participants
- Appropriate and efficient spending of monetary assets for acquiring the goods, works, services, and compliance with measures to reduce the customer expenditures
- Lack of restriction to participate in procurement by establishing unmeasurable requirements for procurement participants

- Transparency and manageability of procurement activities
- Professionalism and competence of employees involved in procurement activities of Customers
- Compliance with applicable legislation 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 Standard.

## Procurement methods used by the Company

Indicator	Methods of procurement
Competitive	<ul style="list-style-type: none"> <li>• Tender, auction</li> <li>• Requests for offers, requests for quotations</li> <li>• Competitive pre-qualification</li> <li>• Request for prices based on the results of competitive pre-qualification</li> </ul>
Non-competitive	<ul style="list-style-type: none"> <li>• Pre-qualification</li> <li>• Request for prices based on the results of competitive pre-qualification</li> <li>• Price comparison</li> <li>• Purchase from a single supplier (contractor)</li> <li>• Procurement through participation in procedures arranged by product sellers</li> </ul>

<sup>1</sup> Minutes No. 604 dated 30 December 2022.  
<sup>2</sup> Minutes No. 508/2023 dated 27 January 2023.

## Participation of SMEs in procurements organised by the Company

As part of the roadmap for cooperation with SMEs, the Company has been running a partnership programme between Rosseti Kuban and SMEs since 2014. In 2018, the Company joined a partnership programme between Rosseti Group and SMEs<sup>1</sup>, which established a unified register of participants in the Partnership Programme. Thus, SMEs become partners for all S&As of Rosseti PJSC.

Since 2014, the Company has had an advisory body for ensuring the efficiency of purchases made by the Company, including those

from SMEs. In addition to Company employees, the body also includes representatives of SME Corporation JSC, the Infrastructure and Educational Programmes Fund, the Russian Union of Industrialists and Entrepreneurs (RSPP), OPORA RUSSIA All-Russian Public Organisation of Small and Medium-Sized Businesses, Delovaya Rossiya All-Russian Public Organisation, and the Chamber of Commerce and Industry of the Russian Federation.

In order to expand opportunities and encourage the participation of contractors (suppliers, contractors)

in the procurement of goods, works and services for the needs of Rosseti PJSC in accordance with Article 16.1 of Federal Law No. 209-FZ dated 24 July 2007 on the development of small and medium-sized enterprises in the Russian Federation, Rosseti PJSC has been implementing a SME Development Programme since 2023 with a view to their potential participation in the procurement of goods (works, services) for the needs of Rosseti PJSC. The Company ensures the implementation of this programme alongside other subsidiaries and affiliated companies of Rosseti PJSC.

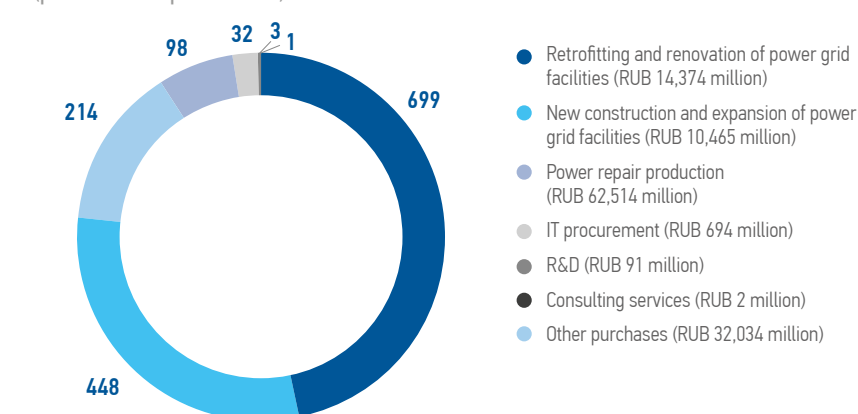
## Key results of the Company's procurement activities in 2024

In 2024, the Company summed up the results of 1,495 procurement procedures totalling RUB 60,174.1 million. Using electronic commerce means, 1,397 purchases were made for RUB 58,543.3 million, which was 100% of the total volume of purchases (excluding purchases from a single supplier).

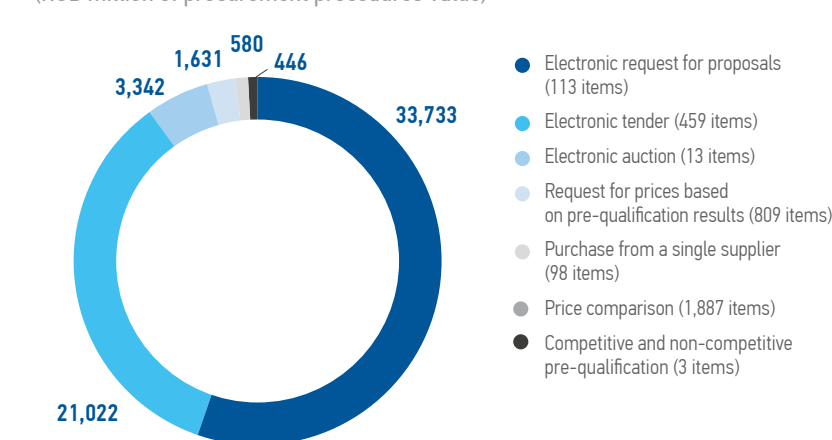
In the reporting year, regulated procurement resulted in economic benefits of RUB 1,633.9 million (2.6% of the planned declared procurement value) for the Company.

At the end of 2024, results were finalised for 31 procurements for innovative and high-tech products, totalling RUB 4,346.3 million

The Company's procurement structure in 2024 by type of activity (procurement procedures)



Procurement structure of the Company in 2024 by procurement method (RUB million of procurement procedures value)



<sup>1</sup> Order No. 231 dated 6 March 2018.

## Procurement performance of the Company for 2022–2024 (%)

Indicator	2022	2023	2024	Δ 2024/ 2023 (p.p.)
Share of open procurement procedures in total procurement volume	95	97	97	–
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	–
Savings achieved (share of planned announced procurement value) (%)	11.8	3.5	2.6	–0.9
Share of procurements from SMEs	81.2	72.0	69.5	–2.5
Share of procurements from SMEs only	25.2	31.4	33.9	+2.5

## Improvement of procurement activities

The Company purchases goods and services primarily on a competitive basis from suppliers offering the best value for money, and optimises its procurement activities by:

- Using techniques to reduce the marginal purchase price

- Increasing the share of competitive procedures
- Introducing mandatory actions to reduce prices of procurement participants (re-bidding, pre-contractual negotiations)

- Adhering to the Company's procurement policy and the SME Partnership Programme
- Functioning the advisory body on ensuring the effectiveness of purchases conducted by the Company, including from SMEs

## Supply chain management

The Company's supply chain management strategy aims to optimise the procurement of goods and services through competitive procedures.

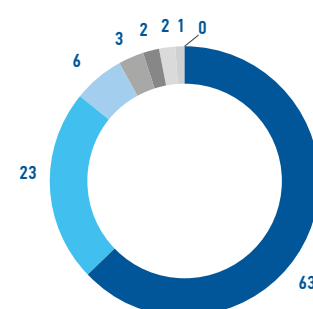
In order to ensure effective interaction with its counterparties, Rosseti Kuban participates annually in the assessment of suppliers and equipment for the energy sector through a questionnaire organised by FEC rating agency.

### Types of suppliers involved in the supply chain:

- Financial and credit organisations
- Contractors (construction and installation, design and survey works, etc.)
- Suppliers (supply of materials, equipment, spare parts, etc.)
- Others (security, mail, administrative services)

Supplies and services for the Company's needs are provided by organisations from 36 regions of the Russian Federation, but the priority share of suppliers is made up of regional companies (63%).

### Geography of the Company's suppliers in 2024 (%)



- Southern Federal District
- Central Federal District
- Volga Federal District
- North-Western Federal District
- Ural Federal District
- North Caucasus Federal District
- Siberian Federal District
- Far Eastern Federal District

# IMPORT SUBSTITUTION AND RELATIONS WITH EQUIPMENT MANUFACTURERS

In order to ensure the technological security of the power grid complex and reduce dependence on foreign products, equipment, technical devices, as well as the work/services of foreign companies and the use of foreign software, the Company is guided by the corporate import substitution plan of Rosseti PJSC. In the reporting year, the Company's Order No. 104-od dated 13 February 2024 approved the action plan for the implementation of the corporate import substitution plan of Rosseti PJSC.

The corporate import substitution plan of Rosseti PJSC provides for an annual reduction in the share of foreign equipment in the total volume of equipment purchases and the establishment of target values. One of the key tasks for achieving the import substitution targets is to ensure innovative development through the creation of scientific and technical potential. The Research, Development and Technology Programme (R&D) is playing a big part in this.

Import substitution is greatly aided by Rosseti Kuban's continuous collaboration with domestic colleges and equipment manufacturers. For example, an R&D contract was signed in 2024 to explore the prospects of using high-temperature wires, taking into account the shift in peak loads during periods of extremely high temperatures and the impact of temperature on the transmission capacity of overhead transmission lines. This agreement stipulates the use of modern domestic high-temperature wire that is highly competitive with foreign equivalents.

For the Company, the planned share of imports in total purchases in 2024 should not exceed 4.6%. In fact, the share of imported equipment and materials in total procurement in 2024 was 16.71%,

including purchases from manufacturers that are members of the Eurasian Economic Union (EAEU), and 5.99% excluding purchases from non-EAEU manufacturers. The identified deviations are related to the need to purchase key equipment manufactured in China, as it is impossible to manufacture and deliver the equipment within the timeframe required by the investment programme using domestic manufacturing plants.

In 2024, Rosseti Kuban's digital transformation programme was updated. The updated programme contains a plan of transition to the predominant use of domestic radio-electronic products until 2024 and an action plan for software import substitution for 2022–2024.

The share of expenses on procurement of Russian software and related works (services) in the total expenses on procurement of software and related works (services) in 2024 was 98%, which is 2.4% higher than the planned value. Investments in domestic IT solutions totalled RUB 557 million.

The following domestic software was put into use during the reporting year:

- The SpaceVM virtualisation system was put into operation on seven servers.
- VK WorkMail mail servers with a domestic domain were deployed. User workstations are being migrated.
- Servers running on a domestic operating system (more than 60 servers) are now in operation.
- Work was completed on the deployment of a contact centre using domestic VoxDistro software.

Investments in Russian radio-electronic products accounted for 94% of total expenditures on the purchase of radio-electronic products. That said, the planned

key performance indicator (KPI) for effectiveness of transition to domestic radio-electronic products for 2024 stands at 77%.

The following domestic server, network and computer equipment was supplied during the reporting year:

- Three data storage systems (AeroDisk AQ440CX.D) were purchased to ensure the operability of the systems in use.
- Two servers (Graviton C2242I), three voice gateways (Eltex SMG-1016M), six Eltex switches and 87 telephone sets were purchased. This equipment's needed to set up a call centre using local software that can handle up to 80 operators.
- Twenty-eight service routers and two commutators were purchased for the executive office and branches of the Company. A test bench was assembled, and a standard configuration for the Company's branches is being drafted.
- Yadro servers and AeroDisk data storage system were purchased for the Pyramida Seti software complex. New server equipment will increase the number of metering units that can be processed.
- A total of 163 domestic laptops (KVADRA NAU LE14U) were purchased to equip employees involved in the installation and maintenance of smart electricity metering systems.

The following are planned for 2025:

- To introduce a domestic virtualisation system to replace imported hypervisors with domestic ones
- To deploy domestic operating systems on servers and user workstations
- To transition to the use of domestic email
- To migrate the call centre to VoxDistro, a comprehensive domestic solution