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HR POLICY

The key objectives of the Company's personnel and social policy (hereinafter referred to as the Policy), designed to achieve the targets of the Strategy for the Development of the Electric Grid Complex of the Russian Federation, are:

- planning the need for personnel – with the availability of reliable information on the operational and forecast numerical and qualitative demand for labor resources, necessary and sufficient to fulfill the tasks set before the Company;
- timely meeting the needs of the Company in the staff of the required qualifications;
- ensuring the effectiveness of personnel activities, growth of labor productivity in the Company.

These key objectives of personnel and social policy are achieved through the implementation of a range of measures in various areas of activity and by achievement of established targets:

- in the field of organizational design;
- in staff assistance and staff development;
- in personnel performance management (staff motivation);
- in the field of social benefits and guarantees;
- in the area of personnel safety and work culture.

THE NUMBER AND STRUCTURE OF STAFF

The average number of employees of Kubanenergo PJSC in 2018 was 8,611 people, which is 1.4% more than in 2017. The increase in the average number of personnel due to the admission of operational personnel in the areas of electrical networks.

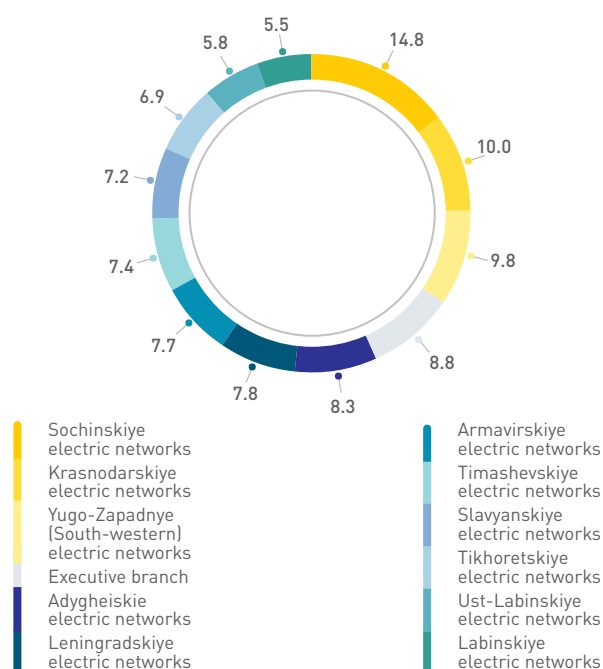
The average number of staff in the dynamics for 2016–2018, people



Staffing level, %



Distribution of staff by branches of the Company in 2018, %



The staffing of Kubanenergo PJSC over the past three years has been maintained at a reasonably high level, equal to or more than 97%.

Despite the decline in the share of working pensioners (–0.3 pp), the average age of workers in 2018 compared with 2017 increased and consisted 44 years (in 2017 – 42 years), which is mainly subject to growth of the proportion of workers up to 25 years (+0.1 pp) and the percentage of workers from 25 to 50 years (+0.2 pp) over the past three years.

The Company's staff is characterized by a sufficiently high level of employees experience – 84.9% of employees have vocational education. This indicator increased by 0.4 pp over the past three years.

STAFF TRAINING AND DEVELOPMENT

The gradual introduction of professional standards into the Company's activities is carried out by order of PJSC Rosseti No. 588 dated 30.12.2016 "Concerning the Implementation of Professional Standards in the Activities of the Rosseti Group Companies in Kubanenergo PJSC".

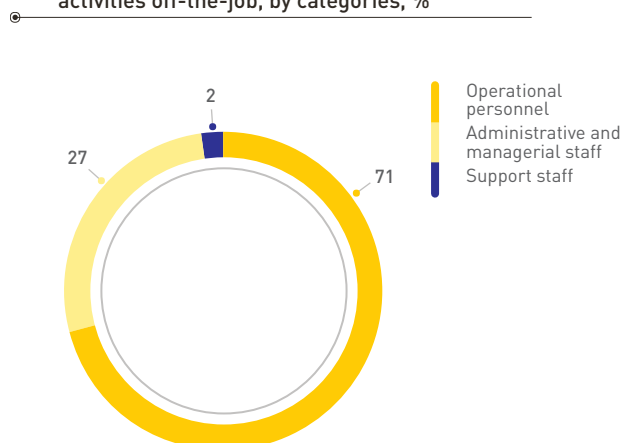
The analysis of documents defining the functional structure of Kubanenergo PJSC was carried out for compliance with professional standards in terms of duties, assigned to employees, and qualification requirements. Evaluation of the Company's staff and teaching staff of the Company corporate training center – VEI "Energy Institute for Advanced Studies" of Kubanenergo PJSC (further referred to as the Corporate Training Center) was conducted to identify compliance with professional standards in terms of education, qualifications, experience and special conditions for permit-to-work. For 2019, it is planned to train workers who have inconsistencies in education or special conditions of work permit.

Training refers to one of the priorities of the Company's personnel and social policy and is governed by the Rules for working with personnel in the organizations of the electric power industry of the Russian Federation, approved by order of the Ministry of Fuel and Energy of Russia dated 19.02.2000, No. 49, Procedure for working with personnel of Kubanenergo PJSC, approved by the order dated 25.09.2017, No. 1048, as well as instructions and recommendations of supervisory authorities.

In the reporting year, the share of employees who took part in training activities with job separation to the average number of personnel is 86.14% (7418 people), which corresponds to the key indicator of the Company's staff and social policy (30%) and by 15 percentage point (1375 people) higher than in 2017

THE LARGEST SHARE OF THE TRAINED STAFF IS TAKEN BY THE OPERATIONAL PERSONNEL – 71% (5257 PEOPLE). IN 2017 THIS INDICATOR WAS ABOUT 85%.

The structure of staff, participated in training activities off-the-job, by categories, %



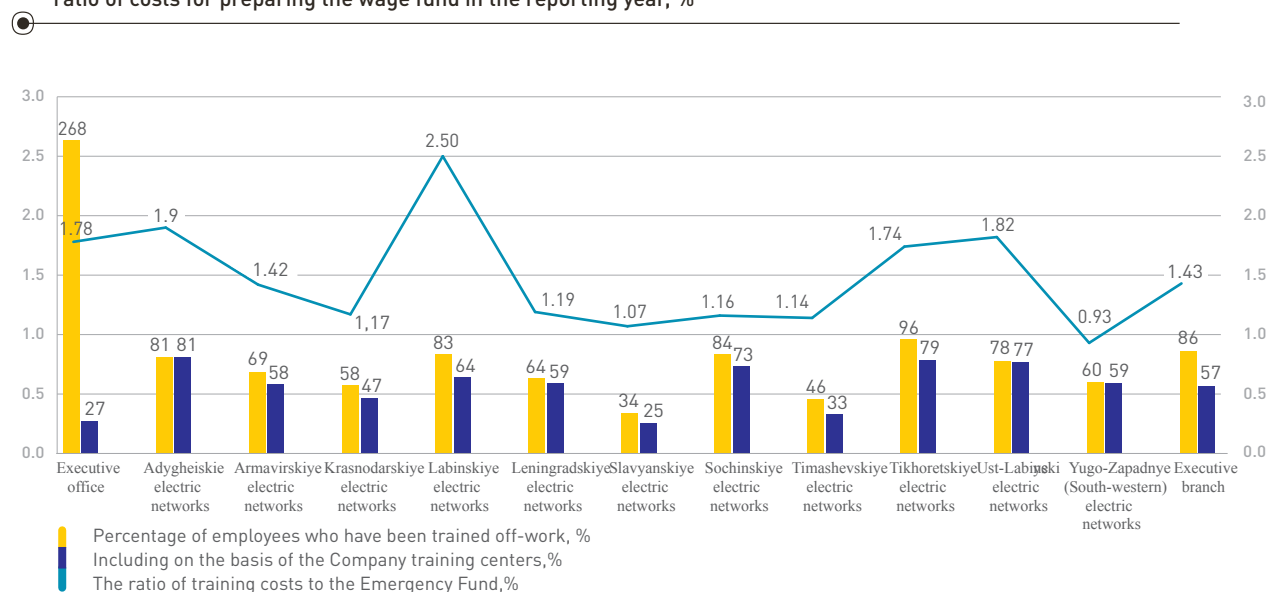
On the basis of the Corporate Training Center, 4918 people received vocational training, retraining and advanced training in 2018, which is 66% of the number trained in the reporting year, and that is 19.9 percentage point less than in 2017 (in 2017, 5193 people were trained at the Corporate Training Center, 85.9% of trained staff).

The main share of trained staff based on the Corporate Training Center is also made up of production personnel – 90% (4437 people).

The actual costs of staff training amounted to 72,091 thousand rubles, of which 49,999 thousand rubles (69.3%) – for the training of personnel on the basis of the Corporate Training Center. In 2017, 61,221 thousand rubles was directed to staff training, 49,632 thousand rubles (81.1%) of them – for training in the Corporate Training Center. The ratio of the share of training costs in the Corporate Training Center and third-party organizations is due to the requirement of Rostechnadzor to train workers in specialized training centers, as well as the established pricing policy of training organizations.

The ratio of the actual costs of staff training to the wage fund in 2018 was, as in 2017, 1.4%, which corresponds to the key indicator stipulated by the Company's personnel and social policy.

The share of Kubanenergo PJSC employees who took part in training activities with on-the-job training and the ratio of costs for preparing the wage fund in the reporting year, %



Key providers of educational services, in addition to the Corporate Training Center, are the following:

FSBEI of HPE "Russian Economic University. G.V. Plekhanov, in which employees of tariff formation subdivisions undergo advanced training regularly under specialized programs in the field of tariff regulation, elaborated with the participation of the FAS of Russia;

FSAEI FVE "St. Petersburg Energy Institute for Advanced Studies" of the Ministry of Energy of Russia. The main task of the institute and its branches is to improve the skills and professional retraining of management and specialists of the fuel and energy complex and industrial enterprises in the field of electric power industry;

Autonomous non-profit organization Further Vocational Education "St. Petersburg Academy of Security", which organized training activities for advanced training programs "Actual problems of preventing and combating corruption in the power grid complex" with employees of subsidiaries and dependent companies of PJSC Rosseti, responsible for the direct organization of preventative measures and prevention of corruption.

PERSONNEL RESERVE

Formation and development of employee pool are one of the priorities of Kubanenergo PJSC in the field of personnel policy.

The formation and development of a managerial personnel reserve and a personnel reserve of young specialists is carried out continuously on the basis to ensure the timely needs of the Company with qualified and efficient managers. And also to create conditions for the complete disclosure of the labor potential in Kubanenergo PJSC.

The managerial personnel reserve was formed in order to ensure prompt and high-quality provision of the Company's needs for employees who are trained for work in managerial positions:

- top managers,
- middle managers,
- managers and chief engineers of power distribution zone.

The Company pays special attention to the formation of a personnel reserve for the positions of heads of engineering and technical subdivisions.

The main criteria for the inclusion of workers in the management personnel reserve are:

- high professional qualifications;
- high results of production operations;
- experience in certain positions;
- availability of personal and business potential necessary for professional development and career growth.

In 2018, the management personnel reserve included 430 of the most promising employees of the Company. The provision of management positions with the personnel reserve at the end of the reporting period amounted to 59.3%.

The youth personnel reserve is formed from the number of young specialists under 35 years old who have a high development potential, are motivated for professional development and career growth in the Company.

The composition of the youth personnel reserve is updated annually, additional recruitment among young specialists of the Company is carried out to replace reservists appointed to higher positions and retired from the personnel reserve.

At the end of the reporting year, the number of the Company's youth personnel reserve is 148 people.

Target positions are defined for each reservist and mentors are assigned from among the highly qualified managers and specialists of the Company in the relevant area of activity.

Employees in the management and youth personnel reserves of the Company regularly take part in training programs, industry-wide All-Russian and regional conferences, which allow them to familiarize themselves with the advanced experience of power grid companies, learn new technologies, and master more efficient working methods.

303 reservists were trained in the areas of the Company's activities in 2018, as a part of staff development of the Company.

Of the 265 appointments to senior positions made in 2018 in the branches and the executive office of the Company, 152 positions (57%) are staffed with internal candidates, 14 of them from the management and youth personnel reserves – 14 employees (5%).

SOCIAL RESPONSIBILITY

Creating comfortable conditions for work and rest of employees, improving their social security, improving labor and social relations in the team are the main principles of the social policy of Kubanenergo PJSC.

Kubanenergo PJSC pays special attention to the social support of the Company's employees at forming the motivation of employees and increasing their commitment in their production operations. Social benefits and guarantees existing in the Company, social programs and employee assistance programs allow attracting and retaining the most valuable personnel, strengthening the loyalty of employees to the Company, and contributing to the achievement of its goals.

Demanding the greatest return and increase in the efficiency of each employee's work, the Company recognizes the need to provide employees with additional social benefits and guarantees, financed from the Company's profits, established by law.

The industry tariff agreement in the electric power industry of the Russian Federation, the collective agreement, Internal Regulations, rules, and other local regulations form the basis of the social policy of Kubanenergo PJSC.

Social package for Company employees, members of their families and retirees in 2016–2018

SOCIAL ACTIVITIES	2016	2017	2018
Financial assistance to employees and retirees, thousand rubles	22,074.89	24,030.57	25,185.02
Sanatorium-resort treatment and rehabilitation of workers and their children, thousand rubles	14,372.0	13,986.12	14,195.56
Partial or full compensation of the confirmed expenses of employees	604.32	594.91	760.73
Voluntary medical insurance, the number of insured persons / insurance premium, thousand rubles.	8,831 / 11,682.10	8,928 / 21,603.57	9,035 / 22,148.40
Accident insurance, the number of insured persons / insurance premium, thousand rubles.	8,765 / 1,093.85	8,834 / 2,550.92	8,936 / 2,550.92

As a part of the social package, the Company's employees are provided with material assistance in connection with the birth of a child, marriage registration, burial of close relatives, retirement, material assistance in emergency cases, material assistance to large families, material assistance in the event of the death of an employee, compensation is paid for the maintenance of children in preschool institutions, other payments are also made as stipulated in the collective agreement.

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Being a socially responsible Company, Kubanenergo PJSC takes care of veterans and pensioners of the Company. Non-working pensioners of Kubanenergo PJSC receive monthly financial assistance.

During the reporting period, more than 2.8 thousand veterans and pensioners of the Company received various benefits (financial assistance for Victory Day, financial assistance for the Energy Day, monthly financial assistance and financial assistance for applications, etc.) for a total of 8,019.82 thousand rubles.

An important direction in improving the efficiency of staff is the rehabilitation and rest of workers and their children.

In the reporting year, 757 vouchers were purchased for sanatorium treatment and recreation of employees and their family members, and 250 vouchers to children's health camps.

Kubanenergo PJSC provides its employees with high-quality and timely medical care through the conclusion of voluntary medical insurance contracts and 24-hour employee insurance against accidents. In accordance with the established standards, Kubanenergo PJSC insures 100% of the Company's employees under voluntary medical insurance and accident insurance contracts.

In order to improve the social security of employees and the development of non-financial incentives, Kubanenergo PJSC develops non-state pension programs.

Non-state pension provision is designed to ensure a decent level of welfare of workers at retirement age, to create conditions for the effective solution of personnel issues related to attracting, retaining and motivating staff.

In order to develop and maintain a healthy lifestyle, Kubanenergo PJSC conducts physical fitness and recreation activities and develops mass sports among its employees, providing them with access to sports infrastructure.

In the reporting period, the national teams of Kubanenergo PJSC took an active part in the world and all-Russian competitions, corporate competitions of the fuel and energy complex and in competitions among the teams of the Rosseti Group of Companies.

The 3rd Sochi corporate games were held in Sochi in February 2018, as a part of the sports program of the Russian Investment Forum, and the World Energy Games in September. The combined team of PJSC Rosseti, consisting exclusively of employees of Kubanenergo PJSC, won 33 medals, of which 15 were gold, 12 silver, and six bronze. The combined team of PJSC Rosseti became the first among all teams in terms of the number of gold medals and the overall medal standings. 35 athletes of the PJSC Rosseti national team took part in 12 sports events: mini-football, volleyball, basketball, swimming, darts, pull-ups, weight-lifting, push-ups, checkers, chess, backgammon, table tennis. In each of them, athletes of PJSC Rosseti won prizes, and some of them took several gold medals in various categories.

In April 2018 in Moscow, the team of Kubanenergo PJSC became the winner of the Rossetti Cup mini-football tournament among the teams of Rosseti Group of Companies. With the winning in the Rossetti Cup tournament, the Kubanenergo PJSC team won the right to represent the Rossetti Group of Companies at the Federal "Fuel and Energy Industry Cup" competitions at the Ministry of Energy of Russia.

In September 2018, in the city of Saratov, the team of Kubanenergo PJSC became the silver prize-winner of swimming competitions among the teams of the Rosseti Group of Companies.

Kubanenergo PJSC provides social support to veterans and non-working pensioners of the Company. In 2018, active work was carried out on interaction with the veteran community.

Historical memorial events "The Victory Banner Relay" and "St. George Ribbon" were held as a part of the celebration of the 73rd anniversary of the Victory in the Great Patriotic War in all 11 branches and the executive office of the Company.

Kubanenergo PJSC took part in the all-Russian action "Immortal Regiment". Honoring veterans and providing them with material support is an integral part of the Company's humanitarian activities.

Kubanenergo PJSC pays considerable attention to activities that unite and consolidate the Company's staff, thereby enhancing the internal corporate culture.

The following events were held in 2018:

- celebration of Defender of the Fatherland Day;
- Celebration of March 8;
- honoring the participants of the Great Patriotic War;
- celebration of Children's Day;
- holding a competition of children's creativity "Energy of talents";
- holding a competition of children's drawings "Russian Grids: children make a drawing!";
- holding Christmas party for the children of the Company's employees.

An employee of Kubanenergo PJSC took part in the finals of the competition, which was held as a part of the celebration of the fifth anniversary of PJSC Rosseti in April 2018 in Moscow and won the regional stage of the corporate vocal contest Energy.

To popularize the professions of the energy industry and to involve the children of Kubanenergo PJSC employees in the creative process, annual traditional contests "Rosseti: children make a drawing!" and "Energy of talents". In general, over 220 children took part in these contests in the Company, 180 of them were awarded with valuable prizes and gifts.

Particular attention is paid to the preparation and celebration of the professional holiday "Day of Energy".

In total, in 2018 more than 200 employees of the Company were awarded departmental awards of the Ministry of Energy of Russia, industry awards of the ERA of Russia Association, regional awards of the Krasnodar Territory Administration, the head of the Republic of Adygea and the State Council – Khase of the Republic of Adygea. For a significant contribution to the development of the electric grid complex and participation in ensuring reliable and uninterrupted operation, 1243 employees were awarded corporate awards, of which 106 – were awarded by PJSC Rosseti, 594 – were awarded by Kubanenergo PJSC, 543 – were awarded by Kubanenergo branches.

The social work of Kubanenergo PJSC is aimed at developing social partnership, increasing the social protection of employees and creates prospects for the development of the Company as a whole.

WINNERS OF THE WORLDSKILLS CHAMPIONSHIP

In Krasnodar on August 10, 2018, the Young Professionals of the Open Corporate Professional Excellence Championship of Rosseti PJSC were determined and awarded according to the WorldSkills methodology.



FIRSTHAND EXPERIENCE

MOTION OF OUR CHAMPIONSHIP
"RELIABLE PEOPLE WITH RELIABLE NETWORKS," AND THE PARTICIPANTS OF THE COMPETITION HAVE COMPLETELY JUSTIFIED THIS MOTION, SHOWING THEIR SKILLS. HERE THERE ARE WINNERS, AND NO LOSERS. EACH PARTICIPANT HAS ONCE AGAIN PROVED HIS HIGH PROFESSIONAL SKILLS AND ABILITIES AND TOOK OVER THE EXPERIENCE OF COLLEAGUES FROM OTHER REGIONS OF RUSSIA.

SERGEY PETROV

HEAD OF TECHNICAL SOLUTIONS OF PJSC ROSSETI, WORLDSKILLS
CERTIFIED EXPERT СЕРТИФИЦИРОВАННЫЙ ЭКСПЕРТ WORLDSKILLS

For four days, the teams of power engineers of Kubanenergo PJSC, Tyumenenergo JSC, Udmurtenergoneft LLC, and FGC UES PJSC participated in competitions at the training area of the Energy Advanced Training Institute of Kubanenergo PJSC.

Deputy Head of Department - Head of Technical Solutions of PJSC Rosseti, WorldSkills Certified Expert, Sergey Petrov, Deputy General Director for Technical Issues – Chief Engineer of Kubanenergo PJSC, Igor Shishigin, Rector of Energy Institute, Evgeny Rud', and representatives of partner companies took part in the Grand closing ceremony.

The winners were awarded medals, diplomas, valuable prizes and gifts from the partner companies of the Championship. The best experts, organizers, volunteers, representatives of technical support, and temporary press center were rewarded for their services.

The winners of the Championship in Krasnodar in each of the professional competencies now have to defend the honor of their companies at the All-Russian competitions, which will be held in Yekaterinburg in November of this year.

OUR WINNERS:

OPERATION OF CABLE ELECTRICAL TRANSMISSION LINES



MAINTENANCE AND REPAIR OF RELAY PROTECTION AND AUTOMATION EQUIPMENT



SMART ELECTRICITY METERING SYSTEM



YOUTH POLICY

The youth policy of Kubanenergo PJSC is aimed at involving young workers in the public activities of the Company, encouraging their professional and creative activity, at the implementation of scientific potential, identification and development of talented students and schoolchildren, increasing their motivation to study in educational institutions for programs of energy orientation and subsequent employment in the Company, and improving the organization of the Company's interaction with educational organizations.

March 31 and April 1-2 of the reporting year in lyceum No. 48, named after A.V. Suvorov of Krasnodar passed the first stage of the All-Russian Olympiad of schoolchildren of PJSC Rosseti.

45 Krasnodar schoolchildren took part in the regional stage of the intellectual competition. At the end of the first stage, where the young people performed test tasks in mathematics, physics and computer science, seven students were selected.

On April 24 the awarding of the winners and prize-winners of the first stage of the All-Russian schoolchildren Olympiad of PJSC Rosseti, and also handing them assignments for the second stage of the Olympiad was held at the executive office of Kubanenergo PJSC.

According to the results of the second stage, two winners of the final part of the Olympiad received the right to participate in the energy project shift organized by PJSC Rosseti based on the Orlyonok All-Russian Children's Center in 2018.

On June 1, 2018, on Children's Day, specialists of Kubanenergo PJSC took part in the opening of the educational session "#Vmeste-Yarche" at the Orlyonok All-Russian Children's Center. They have conducted an intellectual game "Energy charge" and organized a performance for a spectacular Tesla show.

More than 300 boys and girls from 10 to 15 years from 20 regions of Russia and neighboring countries took part in the events. Among them are the winners and prize-winners of the federal round of the All-Russian Competition of Creative, Design and Research Works of Students "#Vmeste-Yarche-2017", the school league of the international engineering championship CASE-IN, the program "Start Energy. Competition of engineering solutions.

The ceremonial opening of the next labor season of student energy teams took place on July 1 at Kubanenergo PJSC. Until mid-August, the detachments worked at the electric grid facilities of the Kuban and the Republic of Adygea.

For the period of the labor season, an employment contract was signed with each member of student teams. All students successfully completed safety training, internships with subsequent knowledge testing and were given permission to work independently. A mentor from among the experienced employees of the Company was assigned to each young specialist.

In 2018, student groups were formed in five branches of the Company – in Armavirskiy, Krasnodarskiy, Sochinskiy, Slavyanskiy, and Labinskiy electrical networks. The total number of Kubanenergo energy units in 2018 was 73 people.

October 11–15, 2018 in Rostov-on-Don the students serviceman of the Company's energy groups from among students of the Kuban State Agrarian University, Armavirskiy Institute of Mechanics and Technology, Slavyanskiy Electrotechnical College and Labinskiy Social and Technical College took part in the closing of the summer labor season of student groups of PJSC Rosseti, which was held in the framework of the All-Russian gathering of student groups.

The student team of Kubanenergo PJSC – Energia Kuban won the bronze medal at the creative festival of student teams of the Rosseti Group of Companies. In addition, the fighters of "Kuban Energy" won prizes in the photo contest and competition for the best article. Thus, Saida Nabokova's creative work "Dynasty of Power Engineers from the village of Adamy" took second place. Photographs of Maxim Khoroshko in the nomination "Selfie of power engineer" and Oleg Pridachina in the nomination "business before pleasure" won the bronze.

In the creative competition of helmets and art objects "Energy Kuban" also showed good results. The art object "I light my heart by flowing the discharge" was ranked third among the 74 works submitted. In the competition helmets work unit "Energy Kuban" won first place.

As a part of the program of the All-Russian rally of student detachments, the commanders of the student detachments of Kubanenergo Vyacheslav Dron (Brothers, the Slavs), Timofey Konkov (Energy of Youth) and activist of the Energetik group Sergei Simonenko took part in laying the Victory Park on the territory of the memorial complex "Sambek Heights" in the Rostov region.

From July 29 to August 4, 2018, a delegation of young specialists from Kubanenergo PJSC took part in the International Forum of Young Industrialists "Forsage" and Power Engineers, which was delivered in the Kaluga Region.

The topic of the 2018 Forum is "People. Technology. Areas. Representatives of 16 energy companies (including the Rosseti Group of Companies), which is more than 400 people from different regions of Russia, during the week developed ideas for the development of their own companies and territories of their presence in the regions, and the best ideas selected by experts were recommended for implementation.

On October 6, 2018, graduates of the energy project shift of PJSC Rosseti, which included the winner of the All-Russian Olympiad of PJSC Rosseti schoolchildren held at Kubanenergo PJSC, Alexander Polovinko and the winner of the All-Russian Forum of Young Scientists "Step into the Future" Roman Korolev, took part in the interactive session of the Youth Day of the Russian Energy Week in Moscow.

One of the traditional formats of the Youth Day is interactive sessions on the formation of youth projects aimed at the development and popularization of the fuel and energy complex of the Russian Federation.

During the interactive sessions, teams developed their projects and presented them to experts, who selected the best initiatives and recommended them for implementation in 2019.

On October 19, specialists of Kubanenergo PJSC host the energy charge intellectual game for the participants of the educational session "Young Power Engineer School." The thematic shift started in Anapa on the basis of the All-Russian Children's Center "Smena" within the framework of the festival "#Together – is Brighter"

Seventy-five children aged 11-17 years from more than 20 regions of Russia and the near abroad took part in an intellectual game. During the game, teenagers could get to know each other better, solving organizational and intellectual tasks in the field of electric power industry together.

The work of the Youth Council of Kubanenergo PJSC is to develop the professional and creative potential of young people, to create the necessary conditions in the Company for the adaptation of newly recruited specialists, their development and professional growth.

In 2018 The Youth Council of the Society participated in the following events:

- a demonstration dedicated to the Spring and Labor Day (May 1, 2018);
- in the action "Immortal regiment" (May 9, 2018);
- in the relay of the Victory banner – the transfer of the Victory banner for storage at KubSAU (May 12, 2018);
- in the initiative "Drop a Cigarette" dedicated to the World No Tobacco Control Day (May 31, 2018);
- in organizing and conducting a children's holiday dedicated to the Children's Day;
- in the preparation and conduct of corporate fishing, football competitions, rope pulling (June 22, 2018);
- in the WorldSkills Championship (August 6-10, 2018);
- in the International Youth Competition of Social Anti-Corruption Advertising "Together Against Corruption!" (July 2 – November 12, 2018);
- in the ceremony of laying wreaths and flowers to the memorial "Soldiers-Liberators" (May 9, 2018);
- in the action "World Day of Action of Trade Unions" For Decent Work!" – discussion of decent work standards in the field of wages (meeting of young specialists of the enterprise) (October 24, 2018);
- in open days together with students of educational organizations;
- in a New Year's matinee for children of workers, in the presentation of gifts to children from Father Frost and Snow Maiden.

KEY PERFORMANCE INDICATORS (KPIS)

Achievement of the priority development goals of the Company is assessed by the system of key performance indicators (KPI) applied in the Company.

The system of key performance indicators of the General Director of the Company is established on the basis of:

- cl. 47 art. 15 of the Company's Charter,
- decisions of the Board of Directors dated 04.04.2017 (minutes dated 05.04.2017, No. 270/2017) on item No. 2 "Approval of the Methodology for calculating the KPI performance of the General Director of Kubanenergo PJSC, for use from 2017",
- decisions of the Board of Directors of the Company dated 30.07.2018 (minutes No. 315/2018 dated 30.07.2018) on item No. 1 "On approval of target values of quarterly key performance indicators of the general director of Kubanenergo PJSC for 2018 and decisions of the Board of Directors of the Company dated 28.12.2018 (minutes dated 29.12.2018 No. 328/2018) on issue No. 1 "On approval of target values of annual key performance indicators of the general director of Kubanenergo PJSC for 2018".

The following composition and target values of key performance indicators were established by the said decisions of the Company's Board of Directors in 2018.

QUARTERLY INDICATORS

THE COMPOSITION OF INDICATORS	THE RESULTS ACHIEVED IN 2017	TARGET VALUES IN 2018	THE RESULTS ACHIEVED IN 2018
Consolidated operating profit (EBITDA)	I quarter – 36.1 II quarter – 13.5 III quarter – 2.4 IV quarter – 5.4	For the first quarter, first half and nine months of the reporting year $\geq 0\%$; for year $\geq 3\%$	I quarter – 49.4 II quarter – 43.4
Consolidated Net Debt/ EBITDA	I quarter – 3.0 II quarter – 2.7 III quarter – 2.9 IV quarter – 2.8	≤ 3.0	I quarter – 2.8 II quarter – 2.7
The execution of the plan of measures to reduce the receivables of subsidiaries and affiliates	I quarter – 99.5 II quarter – 104.1 III quarter – 106.9 IV quarter – 140.5	$\geq 100.0\%$	I quarter – 182.9 II quarter – 109.8
No increase in the onset of major accidents	I quarter – 0 II quarter – 0 III quarter – 0 IV quarter – 0	No growth	I quarter – 1 II quarter – 0
No increase in the number of victims of accidents	I quarter – 0.0000 II quarter – 0.0000 III quarter – 0.3529 IV quarter – 0.1172	No growth	I quarter – 0.0000 II quarter – 0.0000

ANNUAL PERFORMANCE

THE COMPOSITION OF INDICATORS	THE RESULTS ACHIEVED IN 2017	TARGET VALUES IN 2018
Consolidated net cash flow	-2,765.2 million rubles.	≥ (-2,319) million rubles
Reduction in specific operating expenses (costs)	3.1	≥ 2.0%
Increasing the power load of power grid equipment	Done	Done
Level of power loss	12.06	≤ 11.50%
Reduction of unit investment costs	0.93	≤ 1.00
Improving the productivity	3.17	≥ 2.00%
The effectiveness of innovation	153	≥ 90%
Implementation of the schedule of the facilities commissioning	93	≥ 90%
Compliance with the terms of technological connection	1.0	≤ 1.1
Achieving the level of reliability of services provided	0.08	≤ 1.00

The actual values of indicators for the third and fourth quarters and indicators for the year, with respect for timing and procedure for preparing reports, which is the source of information for their calculation, were not summarized and not approved by the Board of Directors of the Company at the time of the formation of the annual report. The KPIs have been met in the Q1, Q2 of the reporting year.

Comparison of the values of 2018 with the values of 2017 are presented in the tables.

The system of key performance indicators applied in the Company is interconnected with the size of the variable part of the management remuneration – specific weight in the amount of premium paid is set for each of the indicators. Quarterly and annual bonuses are subject to the relevant KPIs.

LABOR PROTECTION AND INDUSTRIAL SAFETY

OCCUPATIONAL SAFETY AND HEALTH

The main principle of the Company's activity in the field of labor protection – is the recognition and ensuring the priority of the life and health of employees in relation to the results of the Company's production operations.

Kubanenergo PJSC constantly works to improve working conditions, prevent industrial and external injuries in accordance with the requirements of the current legislation of the Russian Federation.

Regulation for safety management system operating in the Company in order to establish a unified system of organizing the management of labor in the Company and ensuring safe and normal working conditions for workers at all stages of production, monitoring compliance with labor protection requirements at all levels of management. Standard for arrangement of the Integrated Management System STO 00104604-ISM 007-2015, complying with the requirements of GOST 12.0.230-2007, international standard OHSAS 18001, interstate standards for labor protection management systems, as well as the requirements of the labor legislation of the Russian Federation.

Ensuring safe conditions and labor protection at Kubanenergo PJSC and their compliance with the established requirements is the responsibility of the Company's management. The requirements of the legislation of the Russian Federation regarding the duties of the employer in the field of labor protection of employees of the Company are fulfilled in full.

The Company constantly monitors employees' compliance with the requirements of labor protection rules when organizing and performing work in electrical installations. Behavioral audit – monitoring the process of organizing a safe performance of work is carried out directly in the workplace. According to the results of the control, measures are being developed to eliminate and prevent violations, including psychocorrectional exercises. Labor protection days are held on a monthly basis, which allows a large number of the Company's employees to be involved in the process of self-control and mutual control, as well as to increase the level of knowledge and experience of employees in the field of labor protection and safety.

In the reporting year, the Company carried out labor protection measures developed in accordance with the requirements of the order of the Ministry of Health and Social Development of Russia dated 01.03.2012, No. 181n "On approval of the Model List of measures annually implemented by the employer to improve working conditions and reduce occupational risk levels".

Monthly video conference conferences were held with the participation of first deputy directors – chief engineers and heads of subdivisions of the Company's branches to coordinate the work of the Kubanenergo PJSC branches in the area of occupational health and safety.

Classes for the functioning of the labor protection system and the timely identification of potential threats and risks to the health and life of employees were conducted in the business games mode, with the involvement of specialists in psycho-physiological ensuring the reliability of professional activities in the Company's branches.

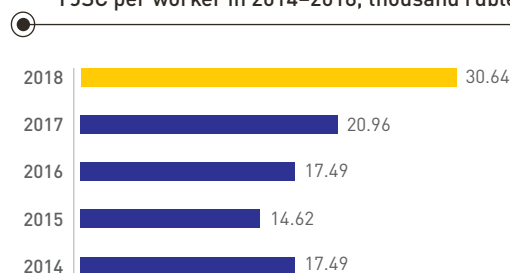
Targeted inspections of branches of the Company's Armavirskiy and Slavyanskiy electric networks, together with a comprehensive audit of the branch Sochinskiy Electric Networks was carried out as a part of the functioning of the internal technical control system in 2018. Targeted inspections of structural subdivisions took place in all branches of the Company during the year, which helps to reveal and eliminate violations in due time.

In 2018, there was one accident in the Company, in 2017 there were three.

Occupational diseases of the personnel of Kubanenergo PJSC in 2018 were not identified.

To ensure the preservation of life and health of the Company's employees, in 2018, the necessary protective equipment and devices were acquired to ensure the work safety. The annual application for the purchase of special clothes and shoes was fulfilled in full.

Specific expenses for labor protection at Kubanenergo PJSC per worker in 2014–2018, thousand rubles.



INDUSTRIAL SAFETY

Production control in the area of industrial safety is carried out in accordance with the order of the Company dated 11.01.2019, No. 15 "Concerning the production control over compliance with industrial safety requirements at hazardous production facilities of OJSC Kubanenergo" and the Regulation for production control over compliance with industrial safety requirements at hazardous production facilities of Kubanenergo PJSC dated 27.07.2015, developed in accordance with:

Federal Law dated 21.07.1997, No. 116-Φ3 "Concerning the Industrial Safety of Hazardous Production Facilities";

by order of the Federal Environmental, Industrial and Nuclear Supervision Service No. 533 of 12.11.2013 "On approval of Federal norms and rules in the field of industrial safety "Safety Regulations for hazardous production facilities based on lifting equipment";

Rules of organization and implementation of production control over compliance with industrial safety requirements at a hazardous production facility, approved by the Government of the Russian Federation of 10.03.1999, No. 263 "Concerning the organization and implementation of production control over compliance with industrial safety requirements at a hazardous production facility".

In Kubanenergo PJSC, three hazardous production facilities have been identified; they are registered with the Federal Service for Environmental, Technological and Atomic Supervision (certificate dated 07.04.2015, No. A30-00777). In 2018, hazardous production facilities were operated in accordance with the requirements of regulatory and technical documents.

Only employees who underwent training, pre-examination preparation and knowledge testing of industrial safety rules are allowed to work related to the operation of the Company's hazardous production facilities and technical devices used on them. Training, pre-examination preparation, primary and periodic testing of knowledge of engineering and technical workers is carried out in specialized organizations with relevant permits.

ENVIRONMENTAL PROTECTION AND KEY ENVIRONMENTAL ASPECTS OF THE COMPANY

The Company's environmental policy sets targets for reducing the negative impact on ecological components and ensuring environmental safety at power grid facilities, modernization of equipment and the use of innovative and environmentally friendly technologies for the reconstruction, technical re-equipment and construction of electrical networks, and rational use of natural resources.

In the reporting year, there were accomplished all the environmental policy measures planned for 2018, including:

- There are met the requirements of the Stockholm Convention on Persistent Organic Pollutants: 570 units of equipment containing polychlorinated biphenyls (further referred to as PCB) is decommissioned, replacing it with an environmentally friendly one. 689 units (including 119 units decommissioned in Q4 2017) of dismantled equipment were transferred to a specialized organization. The environmental policy has been tasked with the 100% decommissioning of equipment containing PCBs, with its subsequent transfer to destruction in the period up to 2025. The phased withdrawal of equipment is carried out in accordance with the PCB-containing equipment decommissioning plan for 2018–2023, approved by a decision of the Board of Directors of Kubanenergo PJSC (minutes No. 296/2018 dated 23.01.2018);
- The following requirements of the environmental legislation of the Russian Federation are complied with:
 - / Draft standards for waste generation and the limits for their placement have been developed for the subdivisions of the Adygheiskie, Krasnodarskiye, and Timashevskiy electrical networks with the receipt of relevant permits to regulatory bodies, which establish the standards for permissible environmental impact during economic and other activities,
 - / industrial environmental control was conducted on the sources of pollutant emissions, the boundaries of sanitary protection zones, the discharge of pollutants into a water body in order to comply with the established standards for permissible environmental impact,
 - / projects of sanitary protection zones for 15 energy facilities of the Adygheiskie, Slavyanskiye, Sochinskiye, Timashevskiy, and Yugo-Zapadnye (South-western) electric networks were worked out and agreed with the regulatory authorities to establish a particular area, which is a protective barrier ensuring the level of public safety during operation of the facility,
 - / six people from the number of managers and specialists responsible for making decisions in the field of environmental protection were trained under the program "Ensuring environmental safety at electric grid facilities";
- The following technical measures were taken to reduce the negative impact on the environment:
 - / 31 oil circuit breakers were replaced with vacuum and gas-insulated ones in order to eliminate the risks of oil spills and its penetration into soils, groundwater and atmospheric air,

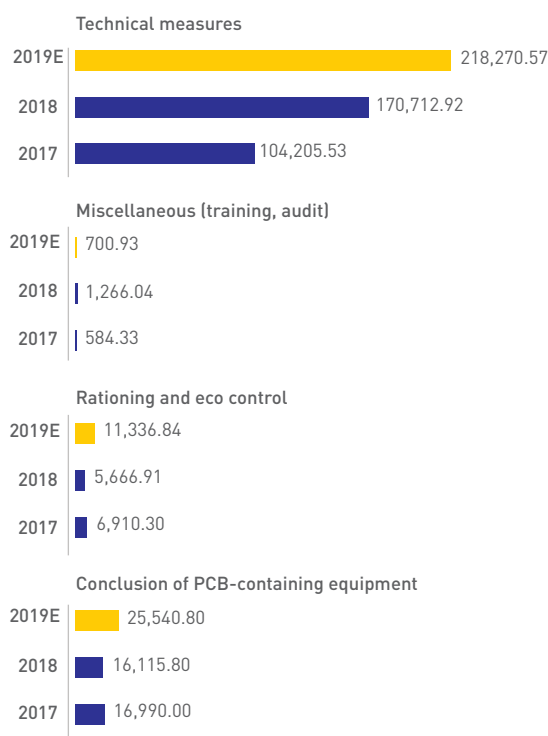
- / 51 oil-filled bushings with solid insulation were replaced,
- / repairs (reconstruction) of emergency drainage systems for oil and oil receivers of transformers were performed at 28 substations in order to prevent environmental pollution,
- / construction/reconstruction of the overhead transmission line with a length of 274 km was performed using self-supporting insulated wires, including for the conservation of biodiversity,
- / 216 bird protection devices have been mounted to preserve biodiversity and prevent the loss of wildlife resources during production processes,
- / the secondary use of transformer oil (regeneration) in the amount of 20 tons (~ 10% of the purchased oil per year) is provided to reduce the use of natural resources,
- / 935 metering and control devices installed to reduce the level of electricity losses during its transmission, including reducing the amount of indirect energy emissions of greenhouse gases;
- voluntary environmental responsibility mechanisms are kept up to date.

The environmental management system of Kubanenergo PJSC was implemented, evaluated and certified as meeting the requirements of the international ISO 14001: 2004 standard "Environmental Management System" since March 2009, which allows the Company to effectively manage environmental risks, prevent and reduce negative environmental impacts, increasing your image.

In 2018, according to the results of the recertification audit conducted by auditors of SGS Vostok East, JSC, the Company successfully confirmed its compliance with the new version of the international standard ISO 14001:2015 "Environmental Management System".



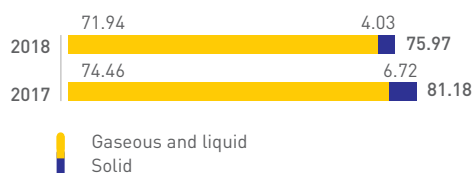
Dynamics of costs for the implementation of environmental policy, thousand rubles



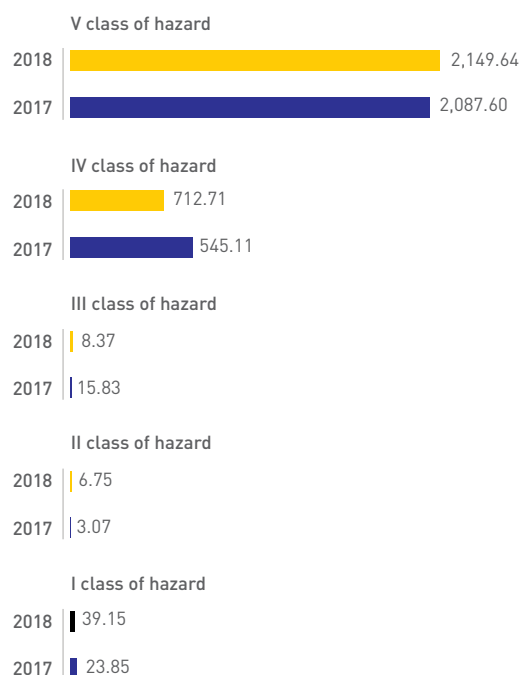
By transferring to consumers the most highly efficient type of energy – electricity, Kubanenergo PJSC harms the components of the environment. The key aspects of the Company's environmental impact are the following:

- operation of vehicles, machines (milling, drilling, woodworking, turning, grinding), welding and painting work, chemical analysis of transformer oils, storage of transformer oil. Gross emissions of pollutants entering the air decreased by 6% compared with 2017.
- the generation of waste, which is carried out in the process of the Company's operational and economic activities, and their subsequent treatment (transfer to specialized organizations for their further processing, disposal, disposal, disposal).

Gross emissions of harmful substances into the air, tons



Total waste generated, tons



Considering that the priority direction of the state policy in the field of waste management at present is precisely their disposal, which makes it possible to make the full use of all components of the waste, in 2018, the Company transferred 18% more waste to specialized organizations for disposal than in 2017.

ORGANIZATION OF INTERACTION WITH CONSUMERS OF SERVICES

The primary function of Kubanenergo PJSC subdivisions that interact with consumers of services is to ensure prompt and easy resolution of issues of technological connection, electricity transmission, electricity metering, and additional services for citizens and legal entities on the territory of the Company's operational responsibility.

To ensure a high level of quality of services rendered by the Company, 12 customer service centers, and 41 points on work with consumers in the areas of electrical networks successfully operate.

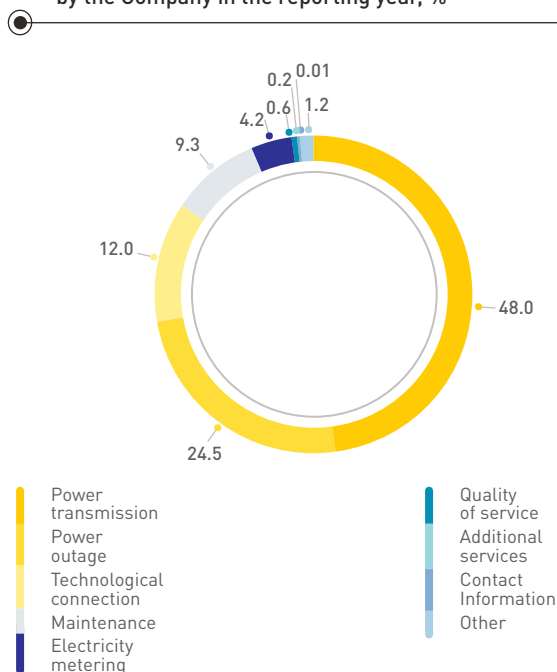
For the purposes of correspondence services for consumers of services, Kubanenergo PJSC has organized round-the-clock work of a call center with a single federal number 8-800-100-15-52. The operators of the call center promptly inform the population of the Krasnodar Territory and the Republic of Adygea in the issues of power supply and the time of emergency restoration work and scheduled repairs. Besides, operators of call center receive messages from consumers about the facts of electricity theft and provide advice on technological connection and other services of the Company.



For 2018, over 500 thousand consumers applied to the call center of Kubanenergo PJSC.

In the reporting year, Kubanenergo PJSC received 6,158 complaints from consumers of services, which is 1.2% less than in 2017 (including 2,113 valid complaints, which is 22% less than in 2017).

Structure of complaints of consumers of services received by the Company in the reporting year, %



Complaints of consumers of services have been reviewed; measures have been taken to eliminate causes of complaints.

In 2018, 80,544 applications for the provision of additional services by the Company were received by Kubanenergo PJSC, 65,993 of which were executed. Compared to 2017, the number of requests for the provision of additional services increased by 10%, and the revenue from their execution – by 80%.

Kubanenergo PJSC also provides online customer service on its website www.kubanenergo.ru in the section "Consumers / Customer Service System" by:

- receiving applications for the provision of services and requests through the client's personal account,
- receiving calls from consumers through interactive feedback (Internet reception),
- providing information to consumers in the "Question-Answer" subsection.

In 2018, Kubanenergo PJSC received 2,815 calls sent via interactive client services, including 1,627 applications for technological connection, of which 273 were sent through the Grid Service Portal on the official website of PJSC Rosseti, which is 119 applications (77%) more than in 2017.

To improve the quality of customer service in 2018, the functionality of a personal account on the Company's website was expanded in terms of technological connection and customer service, with the possibility of applying technological connection by redistributing maximum power.

In order to raise the awareness of the applicants, the Company conducted:

- 22 seminar-meetings with the participation of business representatives and executive authorities of the constituent entity of the Russian Federation,
- 11 public meetings with current and potential applicants on informing about the procedure for access to the electric grid infrastructure, including the possibility of filing applications for technological connection in electronic form.

These events brought together 373 participants, which is 3.5 times more than in 2017.

Public meetings are also scheduled for 2019.

RELATIONS WITH THE PUBLIC, PUBLIC AUTHORITIES AND CONGRESS AND EXHIBITION ACTIVITIES

COMMUNICATION WITH PUBLIC AUTHORITIES AND PUBLIC ORGANIZATIONS

The priority task of Kubanenergo PJSC in the area of interaction with government and public relations is to build integrated information channels with target audiences and implement a unified communication policy of PJSC Rosseti.

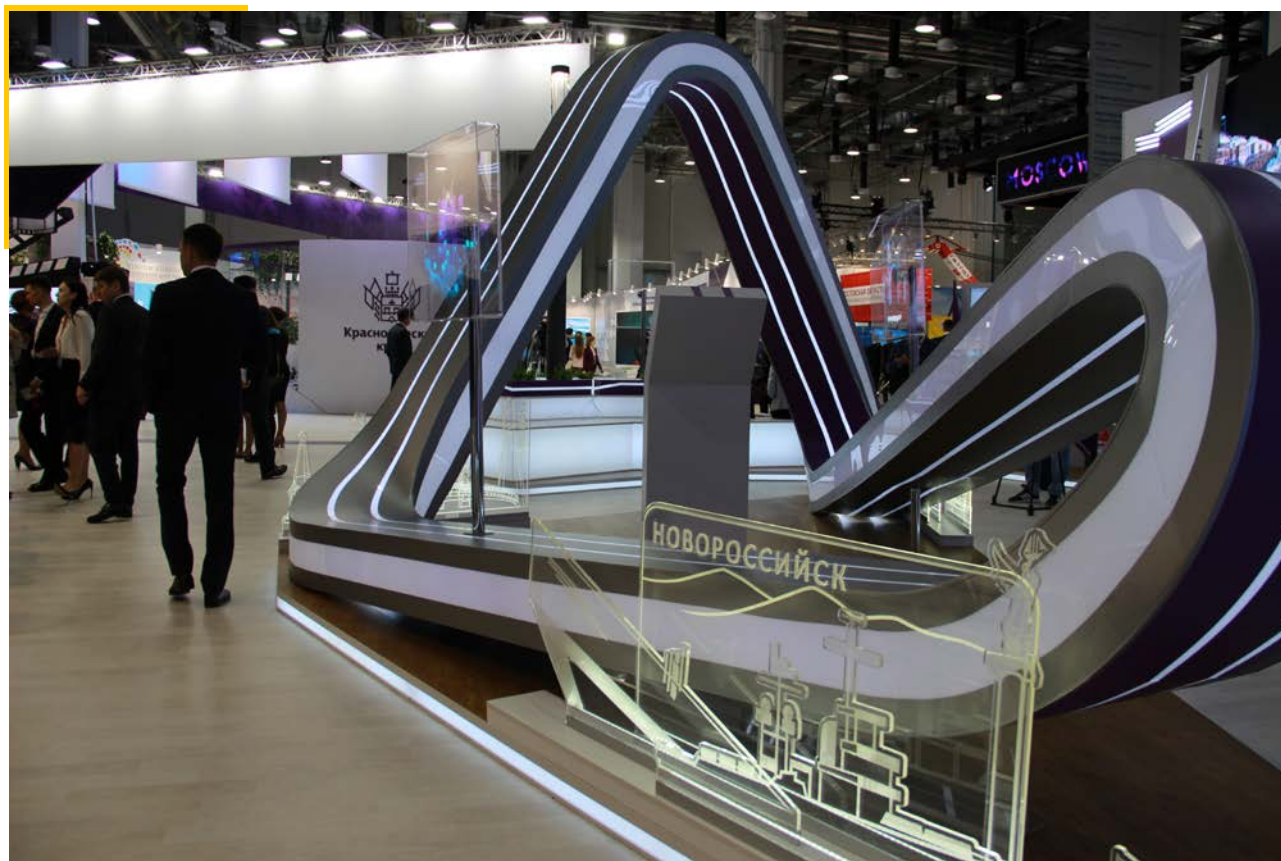
In the reporting year, Kubanenergo PJSC was actively present in the public space of the region. Information support of the participation of the senior management of Kubanenergo PJSC was provided in events with the participation of the Ministry of Energy of Russia and PJSC Rosseti, including:

- meetings with the participation of the Deputy Minister of Energy of the Russian Federation A.V. Cherezov were conducted in Taman on the issue of supplying the transport infrastructure of the Taman Peninsula and taking measures to build the substation "Port" 220 kV in November and December 2018;
- working visits of P. A. Livinsky, General Director of PJSC Rosseti:
 - / in January 2018 in Sochi with a visit to the 110/10/6 kV Substation "Vereshchaginskaya" and "Bocharov Ruchei," the Educational Center for Gifted Children "Sirius";
 - / in July 2018 in Sochi with a visit to the largest catering centers of the resort city: 110 kV Substation "Pasichna", "Kudepsta", "Adler";
 - / on January 2019, concerning the issue of completing the construction of a new power center – Substation 220 kV, named "Port" and overhead transmission lines 220-110-35-10 kV in the Krasnodar Territory for a meeting in Taman;
- working visit of the Deputy General Director – Chief Engineer of PJSC Rosseti A.V. Mayorov to Sochi in February 2019 with a visit to Yuzhnaya 110/10/6 kV Substation to check the readiness to provide power supply for infrastructure facilities involved in the Russian investment forum;

- awarding the management and employees of the Company in August 2018 with certificates of appreciation and thanks on behalf of the leadership of the Republic of Dagestan and PJSC Rosseti for participation in the All-Russian exercises in the Republic of Dagestan.

Conducted PR campaigns:

- on information support of the realization of the Company's investment and repair programs, preparation, and completion of the autumn-winter period,
- on the prevention of non-contractual and unaccounted energy consumption,
- to prevent cases of electrical injuries with third parties at the facilities of the electric grid complex,
- to clarify the procedures for technological connection to the Company's power grids (including meetings with representatives of small and medium-sized businesses), expand the range of additional services, implement energy service contracts for installing remote power metering instruments to consumers of the Company as a part of activities to reduce electricity losses,
- on informing consumers of the Krasnodar Territory and the Republic of Adygea about the facts of illegal replacement of electricity metering devices by third parties,
- on information support of the exercises of Kubanenergo PJSC on the organization of interaction in the period of mass outages of power grid facilities under the influence of natural hazards.



SOCIAL COMMUNICATIONS

In 2018 the Company continued performing a number of targeted communication programs as a part of strengthening its image as a socially responsible Company.

Measures to prevent injuries and deaths of children and adolescents at the power facilities of the electric grid complex of Kubanenergo PJSC in the reporting year covered about 600 secondary educational institutions of the Krasnodar Territory and the Republic of Adygea. Over 1,000 lectures and lessons on electrical safety were held, in which about 35 thousand students from the region took part.

To prevent children's electrical injuries, creative contests, thematic excursions, and open doors were held. A series of thematic classes during the summer school holidays as a part of the annual social action "Safe Energy – for Happy Summer!" was held in summer children's health and school camps in all districts of the Kuban, including the Black Sea and Azov coasts of the Krasnodar Territory. In total, about 220 outreach events were held, including thematic lessons, meetings, and excursions for students of general educational institutions. The Company's website has an information platform "Prevention of Electrical Injury," where methodological materials are posted for conducting thematic discussions on the prevention of children's electrical safety to help teachers.

On June 1-2, 2018, within the framework of the thematic shift of PJSC Rosseti at the All-Russian Children's Center Orlyonok, the Company's specialists organized Tesla Show, held a workshop on electrical safety, talked about energy efficiency technologies, and also conducted a mental game "Power charge". More than 300 teenagers from all regions of Russia became participants in the events.

During the summer school holidays in the framework of the festival "#Together – is Brighter," the Society held an intellectual game "Energy charge" for the participants of the educational session "School of Young Energy" at the All-Russian Children's Center "Smena" in Anapa.

In August 2018, the Company's specialists conducted an on-site electrical safety lesson for children at the Orlyonok All-Russian Children's Center at PS Lazurnaya. Power engineers told the students about the rules of electrical safety and peculiarities of work in the energy sector.

In September 2018, within the framework of the "#Together – is Brighter" festival, the Company's specialists conducted a city electrical safety lesson at the interactive platform "Kubanenergo – Excellent Power Engineering" in Krasnodar.

The partners of Kubanenergo PJSC in the realization of a program for the prevention of children's electrical injuries within the framework of the concluded cooperation agreements are the ministries of education, science and youth policy of the Krasnodar Territory and the Republic of Adygea, the regional departments of the Emergencies Ministry of Russia in the Krasnodar Territory and the Republic of Adygea.



COMMUNICATION WITH THE MEDIA

In order to increase brand awareness, form a positive reputation and image of Kubanenergo PJSC, increase the audience of information influence, the Company in 2018 worked closely with leading regional and industry media.

Public media events with the participation of the Company's management were aimed at shaping its positive and holistic image, strengthening business reputation, and increasing public capital in the Company's market value structure.

In 2018, about 600 reports on the Company's activities were published in the print media of the Krasnodar Territory and the Republic of Adygea.

According to the monitoring system SCAN-Interfax in 2018, the total mention ability of Kubanenergo PJSC in the media (number of publications using the name of the Company) amounted to 18,086 messages (print, electronic media, radio, television).

861 news was posted during the reporting period on the Company's corporate website. The information was also published on the pages of the Company's official accounts in social networks and the blogosphere.

The largest segment of informational messages about the Company's activities for the period under review is accounted for by Internet media, while the share of central news agencies is quite high.

Among the most significant events of the Company, reflected in the federal and regional media:

- prevention of unauthorized consumption of electricity and theft of electrical equipment (over 126 press releases were published on the Company's official corporate website, about 40 television programs were broadcast, 2,840 messages were broadcast on television and radio stations of the Kuban, about 1,600 mentions were in electronic media, about 140 publications on relevant topics were published);
- prevention of children's electrical injuries (1,841 mentions in the media, including over 200 print publications and 3 thousand broadcasts on the regional radio and television channels);
- prevention of illegal replacement of electricity metering devices by third parties in the area of responsibility of Kubanenergo PJSC (appeals to the Company's consumers were published on the official website, about 50 materials were broadcast in regional media, 21 television programs were broadcast on television channels in the Krasnodar Territory and the Republic of Adygea);
- PR-support of socially oriented projects "Workman" (published on the corporate website 65 essays, 44 publications in print media and 158 reprints in online media)

In 2018 The Company continued work on content filling and improvement of the structure of the Kubanenergo PJSC website. The technical modernization of the site is due to the Company's desire to meet the standards for the qualitative presentation of mandatory and voluntarily disclosed information online to ensure maximum transparency.

To develop the corporate culture and traditions of the Company, to form a positive image among the employees, from January 2018 to March 2019, there were issued 12 applications of the Company for the Russian Grid corporate newspaper with publications on production achievements, essays about honored and young workers and veterans of the Company.

During the reporting period – through publications on the official corporate website of the Company and in local media, broadcasting video clips on TV channels in radio broadcasts, as well as in social media and the blogosphere - work was carried out to prevent unauthorized electricity consumption and theft of electrical equipment.

CONGRESS AND EXHIBITION ACTIVITIES

To represent Kubanenergo PJSC at crucial economic, political and sectoral areas of the country, increase its investment attractiveness, build and maintain its image, develop and strengthen international and interregional cooperation, and exchange experience in 2018. The society took part in the following congress and exhibition events.

SEQ NO.	EVENT NAME	EVENT TIME AND LOCATION
1.	Russian Investment Forum – 2018	February 2018, Sochi City
2.	All-Russian Scientific and Technical Conference dedicated to the 25th anniversary of the uninterrupted operation of NPP Bresler	February 2018, Cheboksary)
3.	Conference "Competition Law Specialist"	February 2018, Krasnodar City
4.	V National Scientific and Practical Conference "Internal Control and Audit in Russia"	March 2018, Moscow
5.	International Exhibition and Conference on Occupational Health and Safety in the Fuel and Energy Complex "SAPE 2018"	April 2018, Sochi City
6.	6th All-Russian Conference on Lightning Protection	April 2018, St. Petersburg
7.	St. Petersburg International Economic Forum	May 2018, St. Petersburg
8.	Annual All-Russian Scientific and Technical Conference "Ways to improve the reliability, efficiency and safety of energy production".	June 2018, Gelendzhik, Divnomorskoe village
9.	16th International Forum on Industrial Safety	June 2018, St. Petersburg
10.	Exhibition of achievements of subsidiaries and dependent companies of PJSC Rosseti following the results of 2017 as a part of the Annual General Meeting of Shareholders of PJSC Rosseti	June 2018, Moscow
11.	IV All-Russian Conference "Development and improvement of reliability of operation of distribution electric networks"	July 2018, Moscow
12.	4th International Specialized Exhibition "Substitution of Import"	September 2018, Krasnogorsk
13.	All-Russian Festival for Energy Preservation "#Together – is Brighter"	September 2018, Krasnodar City
14.	International Forum on Energy Efficiency and Energy Development "Russian Energy Week"	October 2018, Moscow
15.	International Forum "Electrical Networks"	December 2018, Moscow
16.	Forum "Integrated urban development: problems and their solutions"	February 2019, Krasnodar City
17.	Russian Investment Forum – 2019	February 2019, Sochi City
18.	The Seventh National Practical Conference "Internal Control and Audit in Russia. Control of VS Efficiency"	February 2019, Moscow