

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;

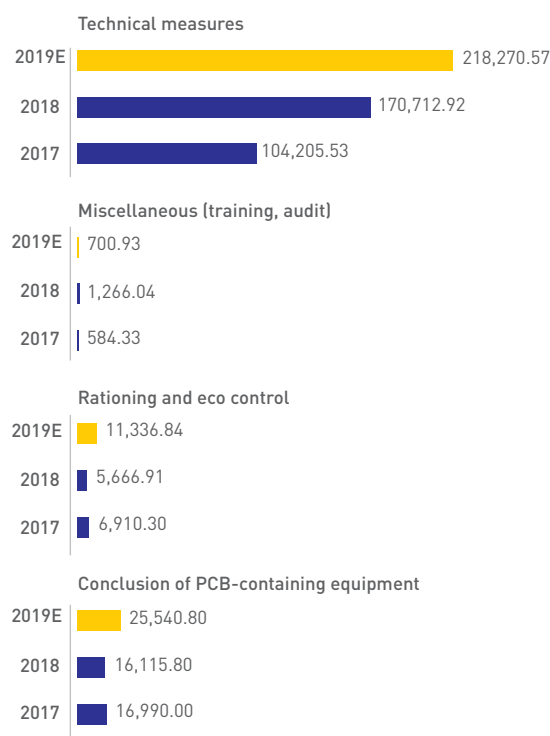
- / 51 oil-filled bushings with solid insulation were replaced;
- / repairs (reconstruction) of emergency drainage systems for oil and oil receivers of transformers were performed at 28 substations in order to prevent environmental pollution;
- / construction/reconstruction of the overhead transmission 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".



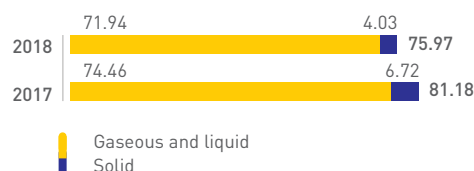
Dynamics of costs for the implementation of environmental policy, thousand rubles



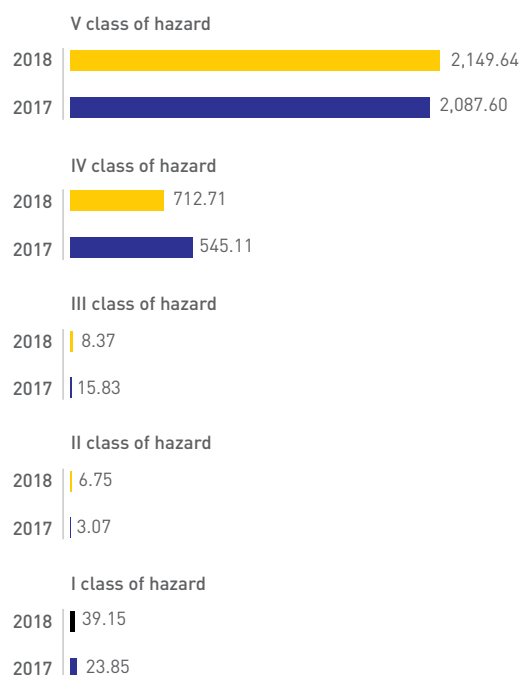
By transferring to consumers the most highly efficient type of energy – electricity, Kubanenergo PJSC harms the components of the environment. The key aspects of the Company's environmental impact are the following:

- 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.