

## Procurement








When dealing with suppliers and contractors, PJSC Rosseti adheres to the following principles: fair competition, equitable access to procurement, and publicity and transparency in the procurement process.

### Principles and main objectives of procurement activities

The Company conducts procurement activities in accordance with the requirements of Federal Law No. 223-FZ dated 18 July 2011 "On Procurement of Goods, Work and Services by Certain Types of Legal Entities", Federal Law No. 135-FZ dated 26 July 2006 "On Protection of Competition", and the Uniform Procurement Standard of PJSC Rosseti<sup>1</sup>.

In 2023, most subsidiaries of PJSC Rosseti joined the new version of the Uniform Procurement Standard of PJSC Rosseti in accordance with Article 2 of the Procurement Law (223-FZ).

#### Main procurement principles followed by PJSC Rosseti

	<b>Information transparency of procurement</b>	Ensuring transparency of procurement activities in accordance with the requirements of the legislation of the Russian Federation and to the extent necessary to make a decision to participate in procurement procedures
	<b>Equal treatment, fairness and non-discrimination of procurement participants</b>	Ensuring non-discriminatory access of suppliers (responsible parties, contractors) to the procurement of goods, works, services is a priority; suppliers (responsible parties, contractors) are selected primarily through competitive procurement process, unless otherwise provided for by law, on the basis of equal competitive opportunities, in the absence of discrimination and unreasonable restrictions in relation to procurement participants, in accordance with reasonable requirements to potential participants of procurement procedures and procured goods, works, services, taking into account, if necessary, the life cycle of products, preventing cases of unreasonable conclusion of contracts with a single supplier (responsible party, contractor)
	<b>Target efficiency and economic efficiency</b>	Formation of the customer's need with consideration to sufficient and necessary amount of financing, justification of the cost, which defines the economic and other required efficiency of the procurement
	<b>Measurable requirements to procurement parties</b>	Formation of procurement documentation and notification, with allowances made for the criteria, procedure for selection and evaluation of bids, which determine the possibility of making an unambiguous decision by the procurement commission, allowing no double interpretation, at the stage when a supplier is determined
	<b>Transparency and manageability</b>	Transparency and manageability of procurement activities involve planning, accounting, monitoring, control and audit at all its stages
	<b>Responsibility</b>	Professionalism and competence of employees involved in procurement activities imply personal responsibility of officials for effective organisation of procurement procedures and for decisions taken by them
	<b>Legality</b>	Compliance with the laws governing the arrangement of procurement activities, as well as anti-corruption legislation, including the Anti-Corruption Procurement Standard

<sup>1</sup> Approved by the decision of the Board of Directors (Minutes No. 604 dated 30 December 2022).

The main objective of procurement activities is to ensure maximum procurement efficiency and obtain the best possible result at the lowest possible cost. In order to achieve this goal, the Company mainly follows a competitive approach in purchasing goods, works and services required for the implementation of the investment programme, maintenance and repair programme and target programmes.

As part of its procurement activities, the Company is also guided by judicial and law enforcement practices, the experience of major customers in the field of government and corporate procurement, the practice of reviewing complaints from participants in procurement procedures by the FAS of Russia and its territorial departments, the Civil Code of the Russian Federation, and a number of resolutions of the Government of the Russian Federation; the complete list is given in Appendix 1.

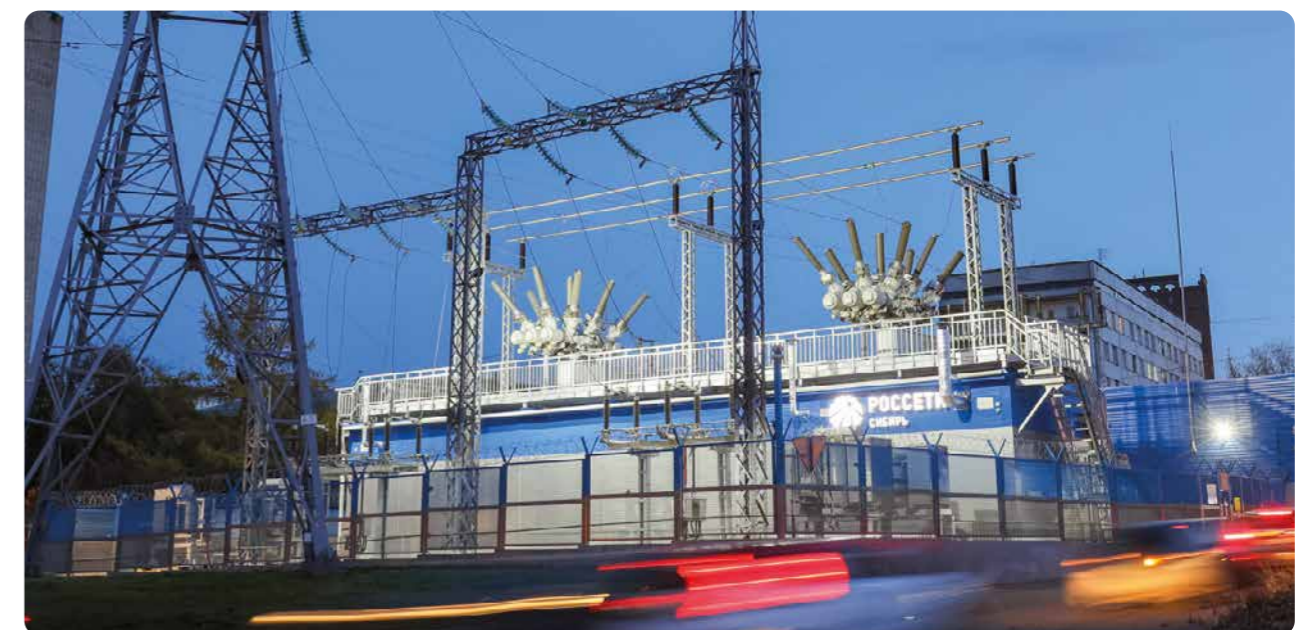
In addition, the Company's procurement activities were affected by changes in procurement legislation that took place in 2023.

Information on all purchases made by the Rosseti Group is posted in the [Unified Information System for Procurement](#), unless otherwise provided for by law.

100%

of all competitive procurements, including those in the 'small volume' procurement section, are made electronically on three platforms approved by the Central Procurement Body of PJSC Rosseti: [RTS-tender](#), [Roseltorg](#) and [RAD](#).

Name of document	Amendments	Effective date
Federal law No. 109-FZ dated 16.04.2022	"On Amendments to the Federal Law "On Procurement of Goods, Works and Services by Certain Types of Legal Entities" and Article 45 of the Federal Law "On Contract System in the Sphere of Procurement of Goods, Works and Services for State and Municipal Needs"	01.04.2023
Resolution of the Government of the Russian Federation No. 1946 dated 31.10.2022	"On Amendments to Certain Acts of the Government of the Russian Federation on the Issues of Procurement of Goods, Works and Services for State and Municipal Needs, Procurement of Goods, Works and Services by Certain Types of Legal Entities"	In the case of special tenders involving only SMEs, customers must include additional information and materials in the register of contracts on the Unified Information System portal 01.04.2023
Resolution of the Government of the Russian Federation No. 2013 dated 03.12.2020	"On the Minimum Share of Purchases of Goods of Russian Origin"	The list of quota products in respect of goods of Russian origin purchased by customers has changed 01.03.2023



Methods of procurement

<b>Tender</b>	A tender is the main method of procurement, with or without prequalification, without special procedures (unless otherwise provided for by law, including special tenders)
<b>Auction</b>	Auction can only have one stage, with or without prequalification (unless otherwise provided by the legislation, including special tenders). Auction is held for procurement of competitive products, for which the initiator of the procurement formulated detailed requirements in the form of technical specifications
<b>Request for proposals</b>	Request for proposals may be with or without prequalification (unless otherwise provided by law, including in the case of special tenders). It shall be conducted if at least one of the following conditions is met: 1) initial (maximum) price of the contract does not exceed RUB 10 mln, VAT included 2) tight deadlines — less than 20 calendar days from the date of announcement of the procurement procedure to the start of supplies, works and services
<b>Request for quotation</b>	Request for quotation is applied for purchases of products for which there is a competitive market of manufacturers and for which the initiator of the purchase formulated requirements in the form of technical specifications, subject to simultaneous compliance with the following conditions (unless otherwise provided for by law, including special tenders): 1) initial (maximum) price of the contract does not exceed RUB 7 mln, VAT included 2) the winner will be selected on only one criterion — contract price
<b>Competitive procedure</b>	Competitive procedure with conclusion of agreements with several winners is applied in cases when at the time of procurement the Customer cannot determine the specific volumes and (or) terms of product delivery (performance of works/services). According to the results of competitive procedure, prices are requested from the winners. Competitive procedure have no restrictions on the amount of the initial (maximum) price of the contract
<b>Request for prices based on the results of competitive procedure</b>	Request for prices based on the results of competitive procedure is made only among the winners of competitive procedure without restrictions on the amount of the initial (maximum) price of the contract (lot)
<b>Prequalification</b>	Prequalification, according to the results of which agreements with several winners are concluded, is applied in cases when at the time of procurement the Customer can not determine the specific volumes and (or) terms of delivery of products (performance of work / rendering of services). According to the results of the prequalification, prices are requested from the winners.  Prequalification has no restrictions on the amount of the initial (maximum) price of the contract
<b>Request for prices based on the results of prequalification</b>	Request for prices based on the results of prequalification applies only to the winners of the prequalification without restrictions on the amount of the initial (maximum) price of the contract
<b>Procurement through participation in procedures organised by product sellers</b>	By decision of the Customer's centralised procurement agency, procurement is carried out by way of participation in auctions, tenders or other procedures organised by sellers of products (including on e-platforms)
<b>Price comparison</b>	Price comparison is applied for procurement if the initial (maximum) price of the contract does not exceed RUB 500,000, VAT included, and if the Customer's revenue for the reporting financial year is more than RUB 5 bln, or does not exceed RUB 100,000, VAT included, or if the Customer's revenue for the reporting financial year is less than RUB 5 bln
<b>Procurement from a single supplier (responsible party, contractor)</b>	The decision to select a supplier is made by the Customer's centralised procurement agency or other authorising body within its remit in accordance with the Unified Procurement Standard on the basis of the Customer's market analysis findings.  Types of such procurements: 1) procurement of unique goods (works, services) from a single supplier (responsible party, contractor) 2) procurement from a single supplier (responsible party, contractor) to prevent an emergency or eliminate its consequences

Results of procurement activities in 2023

Based on the results of the 2023 procurement campaign, the Rosseti Group conducted 67,100 procurement procedures totalling RUB 857.0 billion. The volume of competitive procurement procedures totalled RUB 750.4 billion, or 87.6% of the total procurement volume. The economic effect of procurement amounted to RUB 16.0 billion

**857.0** RUB BLN

total amount of procurement procedures

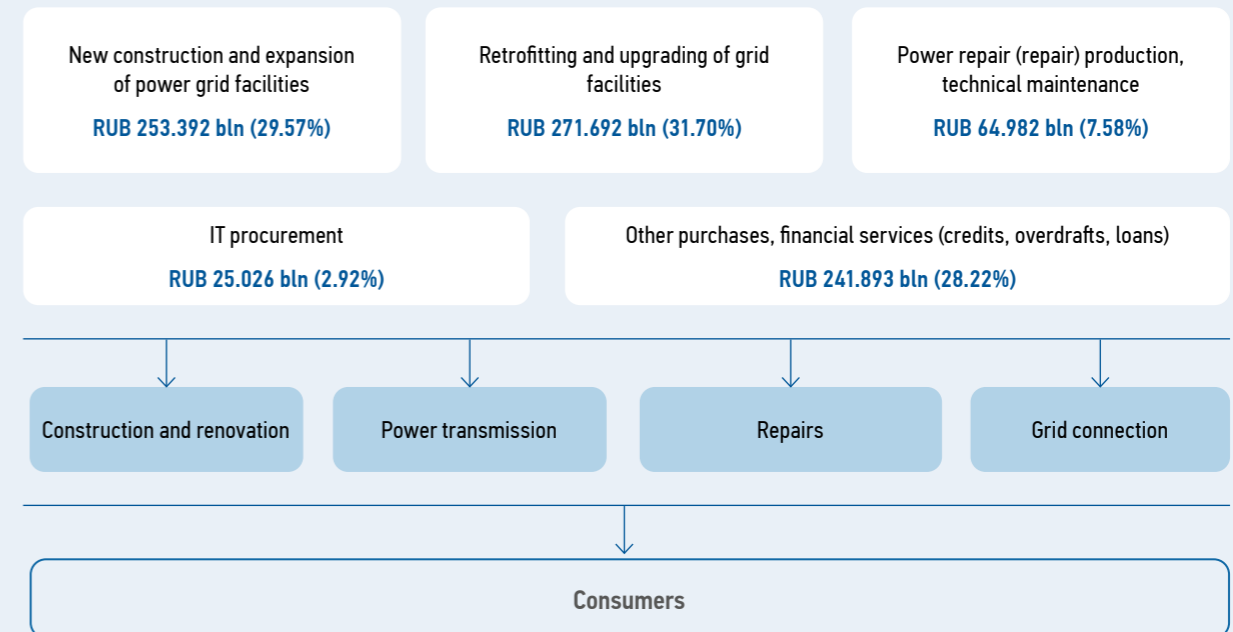
**750.4** RUB BLN

or 87.6% of the total volume — competitive procurement

Procurement structure of the Rosseti Group's companies in 2023

Indicator	Cost of procedures carried out, RUB mln	Number of procedures performed	Share of the total amount of procedures carried out, %
Open tender	407,373.18	7,433	47.54
Request for quotation	4,324.01	3,773	0.50
Request for proposals	65,828.78	4,716	7.68
Open auction	100,379.02	121	11.71
Procurement through participation in procedures organised by product vendors	2,145.02	29	0.25
Request for price/proposal/quotation based on the results of a framework agreement (competitive prequalification, prequalification)	170,322.91	14,361	19.87
Procurement from a single supplier	66,292.23	16,424	7.74
Price comparison	40,319.99	20,277	4.70
<b>Total</b>	<b>856,985.14</b>	<b>67,134</b>	<b>100</b>

Supply chain in light of the Group's core activities Main types of purchased products, works and services in 2023, RUB bln, % of total purchases



## Information on co-operation with SMEs for 2023

In accordance with the legislation of the Russian Federation, a mandatory share of purchases from small and medium enterprises (SME) is included in the procurement plan for goods, works, services, including innovative and high-tech products. Since the start of the regulation<sup>1</sup> that approved quotas for purchases from SMEs, the Company has regularly



— What kind of relations is built between the Rosseti Group's companies and representatives of small and medium-sized enterprises (SMEs)? Were there any recent shifts in the priorities of their relations?

— There have been no fundamental changes. As before, we see SMEs as having great potential for import substitution and technological innovation. Over the past five years, the Rosseti Group's purchases from this category of suppliers exceeded RUB 1.3 trillion. We are set to bolster our co-operation.

We are constantly working to make procurement procedures more attractive for SMEs, and are putting our own partnership programme in practice, which has more than a hundred participants. In 2023, we established a coordination council for cooperation in the electric

exceeded their plan. As part of the core and investment activities of Rosseti, the planned share of purchases from SMEs is at least 20%.

**269.295** RUB BLN

volume of contracts with SMEs

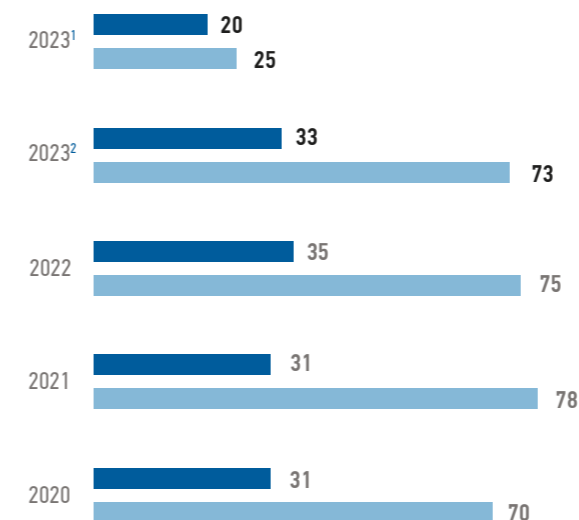
power industry with OPORA RUSSIA. We anticipate that its work will strengthen interaction with SMEs and create an additional platform for information support for entrepreneurs. In particular, we intend to hold joint events to explain legislative regulations, various aspects of industry regulation and procurement activities.

In addition, the Company has an advisory body, the SME Council, which includes representatives of development institutions, industry organisations and associations. Under the SME national project, continuous efforts are made together with JSC SME Corporation to support SMEs. Issues related to ensuring timely payment of fulfilled contractual obligations, consideration of disputable issues related to participation in procurement procedures are promptly resolved.

In accordance with the law "On the Development of Small and Medium Enterprises" and the corporate programme for the development of suppliers, contractors among SMEs approved in 2023, the Company signed agreements with five SME organisations to carry out the activities envisaged by individual development roadmaps. Their ultimate goal is to accelerate the Programme participants — potential and existing suppliers of electrical equipment.

**Marat Khanafiev,**  
**Deputy General Director for Procurement**

## Share of purchases by the Rosseti Group's companies from SMEs, %



- For direct purchases from SMEs based on the results of SME-only tenders
- Total share of SME purchases including subcontracting

Over the past three years, despite the challenging economic conditions brought on by sanctions and restrictive measures imposed by unfriendly countries, Rosseti has maintained its quota of purchases from SMEs within the targets set by the Russian Government: 20% for special tenders and 25% for the total volume of purchases from SMEs.

The Company also approved a list of goods, works and services that are purchased only from SMEs. This list is updated every year to raise the percentage of SME purchases. As of the end of 2023, it contained 137 items.

To enhance the efficiency of PJSC Rosseti's procurement, the Company has an advisory body, the SME Council<sup>3</sup>. Its tasks include regular interaction with development institutions, organisations, and industry associations to support SMEs and increase the share of purchases from SMEs.

The SME Council includes representatives of PJSC Rosseti, the Chamber of Commerce and Industry of the Russian Federation, the Skolkovo Foundation, the Association of Energy Construction Enterprises, the Directorate for Conformity Assessment and Monitoring of JSC SME Corporation, the Innovation Committee of the National Association of Public Procurement Institutes, the Solovyov Institute of Purchasing and Sales Management, and the Institute of Procurement and Sales Management of NRU HSE, and the Power Engineering Committee of OPORA RUSSIA, an all-Russian public organisation of small and medium enterprises.



In addition, the Company reaches out to suppliers, contractors and providers who have joined the Partnership Programme between PJSC Rosseti and SMEs<sup>4</sup>. By the end of 2023, 118 organisations joined the Programme, and their register is available on the Company's website.

PJSC Rosseti holds annual meetings with major suppliers with an aim to improve cooperation. In particular, in 2023, five suppliers of electrical equipment were selected as part of the SME Development Programme<sup>5</sup>.

As part of the small and medium enterprise and support for individual entrepreneurial initiatives national project, Rosseti makes systematic efforts to support SMEs, including in cooperation with JSC SME Corporation<sup>6</sup>:

- To promptly resolve issues of timely payment under contracts
- To review disputable issues related to participation in procurement procedures of customers
- To send presentation materials and proposals of SMEs to the relevant structural units of the technical customer

The effectiveness of such cooperation is evidenced by the stable participation of SMEs in procurement, as well as in the implementation of development and partnership programmes between SMEs and the Rosseti Group.

<sup>1</sup> Resolution of the Government of the Russian Federation No. 1352 dated 11 December 2014.

<sup>1</sup> Mandatory SME procurement shares set by the Government Decree for 2023.

<sup>2</sup> Actual data.

<sup>3</sup> Order of PJSC Rosseti No. 93 dated 25 February 2014.

<sup>4</sup> Order of PJSC Rosseti No. 92 dated 25 February 2014.

<sup>5</sup> Order of PJSC Rosseti No. 255 dated 23 June 2023.

<sup>6</sup> Agreement No. S-180 dated 16 June 2016 between PJSC Rosseti and JSC SME Corporation.

## Import substitution

One of PJSC Rosseti's priority tasks is to ensure the technological sovereignty of the power grid sector of the Russian Federation and maintain reliability, and technological and information security.

In light of the risks of sanctions and cyberattacks, the Unified Technical Policy focuses on the use of electrical equipment, systems, devices, components and software from domestic manufacturers and developers, as well as localised equipment from foreign manufacturers.

PJSC Rosseti's import substitution process is aligned with the Corporate Import Substitution Plan of PJSC Rosseti<sup>1</sup>. The Corporate Import Substitution Plan was developed in accordance with the methodological recommendations for the preparation of corporate import substitution plans by state corporations, state companies, joint stock companies with the Russian Federation holding over 50% stake in their authorised capital, and organisations implementing investment projects included in the register of investment projects in accordance with the decision of the Government Commission on Import Substitution<sup>2</sup>.

Goals and objectives of PJSC Rosseti's Corporate Import Substitution Plan:

- To ensure the technological security of the power grid sector of the Russian Federation
- To reduce dependence on foreign products, equipment and technical devices
- To reduce dependence on the services/works of foreign companies and the use of foreign software

The main expected result of the Corporate Import Substitution Plan is an increase in the share of domestic electrical equipment in the total volume of purchases made by PJSC Rosseti.

### Measures to support Russian manufacturers

Cooperation with equipment manufacturers covers both the stage of development of new products, and the stage of testing and piloting of electrical equipment at the facilities of PJSC Rosseti and its subsidiaries. Meetings, equipment certification, interaction within CIGRE, etc. are other tools of communication with manufacturers. Scientific and technical institutes and associations are involved, including for the implementation of the equipment import substitution policy. PJSC Rosseti and JSC SVEL Group

signed a cooperation agreement in 2023 to localise, promote and develop production of on-load tap-changers in the Russian Federation<sup>3</sup>.

In order to reduce the risks of import dependence on foreign equipment, components, and materials, the Rosseti Group additionally introduced requirements for import substitution and localisation of components in the Russian Federation in 2023 as part of product quality verification (certification). Currently, the reliability of supply chains for equipment, components and materials, the potential for their after-sale servicing in Russia, and the level of localisation are analysed on a mandatory basis.

In 2023, along with the equipment certification system, a set of criteria was developed for industrial products to classify them as products manufactured in the territory of the Russian Federation. This set of criteria was approved in the form of an organisational standard of PJSC Rosseti "Requirements for Determining the Country of Origin of Products Purchased for the Production Needs of the Rosseti Group. Package of documentation. Standard Requirements" and is aimed at encouraging deeper localisation of products in the Russian Federation.

In addition, PJSC Rosseti is a customer corporation under the Grant Programme for growing technology companies that produce equipment for the Group's needs<sup>4</sup>, under which domestic manufacturers develop import-substituting high-tech products that have no counterparts in Russia.

In 2023, PJSC Rosseti backed three projects of domestic equipment manufacturers:

- LLC PLS Technology with the project on development and organisation of full-scale production of TOPAZ SW industrial network switches (RR and RF design)
- LLC PromEnergo with the project on smart electricity metering devices capable of diagnosing the location of short-circuit faults in medium-voltage grids
- LLC ENELT Production Company with the project on production of charging and rectifying devices for operational DC systems with increased efficiency

It is worth noting that in 2023, PJSC Rosseti approved the Innovative Development Program for SMEs for their potential participation in the procurement of goods for the purpose of developing innovative products and further entering offset arrangements, which will also help ensure technological sovereignty.

The 2024 plans involve further implementation of projects and activities associated with import substitution of products.

### Transition to Russian software

One of the key challenges facing the Rosseti Group is to ensure technological sovereignty and transition to the predominant use of domestic software.

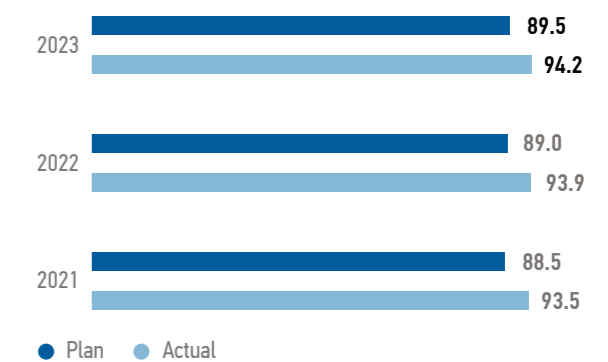
The Company developed a software import substitution plan and created internal typical standards and policies for equipment and software, with due consideration of various scenarios of use in the Company. Forming a long-term order for domestic IT infrastructure equipment is currently underway. In-house testing centres for software solutions are being established.

The Rosseti Group is building an open IT infrastructure that will accelerate software import substitution, reduce the time required to deploy digital solutions, reuse best practices and promote the reliability, security and fault tolerance of IT services.

### Software import substitution targets for 2024

KPI	Plan 2024 <sup>1</sup>
Share of expenditures on the purchase of Russian software	80.00%
Investments in domestic IT solutions	RUB 10.68 bln

### Share of equipment and materials purchased from Russian manufacturers in the total volume of purchases, %



### Significant software import substitution projects of the Rosseti Group completed by the end of 2023

- Introduction of domestic geoinformation systems GIS Panorama and SIGMA SUS (grid control system)
- Implementation of a unified automated 1C Enterprise-based treasury management system for the Rosseti Group
- Creation of a unified technical connection portal for the Rosseti Group based on the domestic P1.Platform
- Implementation of SK-11 automated operational and process management systems
- Implementation of systems designed to automate processes related to the transport and sale of energy resources based on the domestic Omni-US solution
- Implementation of fiscal electricity metering systems based on the domestic solution called Pyramid-Seti
- Creation of an electronic document management system based on the domestic Documino solution

<sup>1</sup> Order of PJSC Rosseti No. 466 dated 24 October 2023.

<sup>2</sup> Approved by Order No. 219R-AU of the MED dated 11 August 2016.

<sup>3</sup> Agreement dated 24 October 2023.

<sup>4</sup> Pursuant to Resolution of the Government of the Russian Federation No. 392 dated 17 March 2022.

<sup>1</sup> In accordance with the approved Strategy for Digital Transformation of Rosseti Group until 2030.