

OAo IDGC of Urals' mission: Provision of reliable electricity supply and hassle-free technological connection of consumers to the electric networks in the Sverdlovsk, Perm and Chelyabinsk regions through the lens of energy efficiency, environmental, industrial and professional safety priorities.

The Company's goals for 2017 are set after evaluation of their accomplishment potentiality, key operating risks and risks of primary and minor business operations, to comply with:

**1. Strategic priorities from Chapter 4 (Para. 1-4) of the Strategy<sup>1</sup>:**

1) Provision of long-term reliable high-quality electricity supply:

- Connection of new consumers in a manner, required by the law;
- Maintenance of grid infrastructure in good working order;
- Alignment of revamping and greenfield construction plans with development plans of the regions serviced by the Company;
- Implementation of revamping and greenfield construction provisions of the Rosseti's Technical Policy;
- Use of advanced machinery and equipment, breakthrough technologies and materials in maintenance and repair programs;
- Generation of the Company's perspective development plans in consort with the Strategy.

2) Provision of reliable and safe performance of the grid complex:

- Enforcement of equipment's compliance with regulatory technical documentation and bylaws of the Company;
- Use of modern monitoring systems and testing devices to keep track of network equipment;
- Use of advanced systems, able to localize fault places and re-channel power supply through alternate routes;
- Implementation of long-term target programs enhancing equipment performance as a part of the production and investment programs;
- Achievement of the reliability level set by the regional energy commissions;
- Plateauing of bulk power supply failure.

3) Deployment of the most efficient grid infrastructure, compliant with global standards:

- Adaptation of innovative equipment and materials;
- Minimization of commercial network losses as smart metering systems are rolled out;
- Minimization of technical network losses due to optimized network configuration and deployment of energy efficient equipment and materials;
- Enforcement of global ISO 9001, ISO 14 001, OHSAS 18 001, ISO 50 0001 standards on quality, safety and environment.

4) Energy tariffs, affordable for the Russian economy and fostering investment prospects.

**2. Numbers from the Company's revised business plan for 2017 and business plan for 2018-2021.**

**3. C-Level KPI system of the Company.**

**4. Requirements of RK ISM-MRSK-01-2015 Guidelines on the Integrated Management System of OAO IDGC of Urals.**

# MISSION AND STRATEGIC GOALS

The goals should:

- Be focused on satisfying customers' requirements and lead to improvement of performance on the whole;
- Be measurable during a given time period;
- Comply with OAO IDGC of Urals policy and be set on basis of performance priorities covered by the policy;
- Comply with "ongoing improvement" principle;
- Be achievable but still challenging and tense;
- Have set deadlines, incl. for goal-achieving actions;
- Be agreed by all stakeholders.

**The Company has set the goals for FY2017, listed below:**

1. Prevention of industrial injuries, minimization of injuries suffered by outsiders.
2. Enforcement of reliability and quality of service indicators set by the regional regulators.
3. Connection of consumers, ready to be connected to the Company's networks, in a timely manner.
4. 100% automation of maintenance and repair scheduling process (for all equipment categories).
5. Reduction of actual per-unit investment costs for high-priority capital construction (refurbishment) facilities to be fully launched in 2017, compared with the target figures.
6. 3%YoY cuts of operating expenses, adjusted for equipment quantity.
7. Achievement of the GRR that includes all economically justified expenses.
8. At least 95% accomplishment of the investment-program-facility launch index.
9. Enforcement of energy efficiency by:
  - Securing in-process energy consumption at a maximum of 7.96% of total supply;
  - Cutting consumption for economic needs by 5% against FY2016 base numbers.
10. Active staff turnover should not exceed 7%.
11. There should be no dead stock of materials or equipment at the year-end, provided that promptness of delivery is ensured.
12. Completion of the average ratio "Filed/Accepted proposals for technical improvement and efficiency proposals in branches and production departments".
13. 20%+ reduction of violations related to petroleum products spills on Company's industrial sites against FY2016 numbers.

Our end-of-the-year progress in goal achievement is as follows:

- Reliability and quality of service targets achieved;
- Share of late connection contracts reduced by 2.39%;
- In-process energy consumption is 7.65% ( $\leq 7.96\%$ ) of total supply;
- A RUB 539.108 million (or -3.4%YoY) cut of the operating expenses, adjusted for equipment quantity.

To achieve the strategic goals for 2018 and beyond we intend to:

- Prevent industrial injuries, enforce minimization of injuries suffered by outsiders;
- Enforce reliability and quality of service indicators;
- Reach 100% automation of maintenance and repair scheduling process (for all equipment categories);
- Cut operating costs 3%YoY, adjusted for equipment quantity;
- Achieve the GRR that includes all economically justified expenses;
- Accomplish the investment-program-facility launch index by at least 95%;
- Promote energy efficiency by securing in-process energy consumption and cutting consumption for economic needs.

The Company's priority implementation benchmarks are build-up of a united grid area on the territory of service by consolidating municipal grids, large-scale grids upgrade, achievement of high-level energy saving, adoption of energy-efficient technologies, build-up of smart electricity distribution system, establishment of efficient asset management and optimal environment for reliable and safe energy supply.