

Message from the Chairman of the Board of Directors

Dear colleagues!

The year 2023 proved to be prosperous for the Russian power sector as new facilities were actively constructed and existing benchmarks for electricity generation and consumption were surpassed. This demonstrates the nation's increasing business activity and progressive social and economic development, for which the sector is laying the groundwork.

The Rosseti Group, which is in charge of the Unified National Power Grid and its distribution infrastructure, is essential to maintaining the steady operation of Russia's energy system. In total, this includes more than 2.5 million kilometres of power transmission lines and 581,000 substations.

State-level tasks

Rosseti is one of the front-line companies tasked with carrying out the strategic objectives established by the Russian Federation President¹. These include the implementation of national projects, the comprehensive development of Siberia and the Far East, and the expansion of transport systems aimed to diversify supplies and ramp up Russia's export potential. All this is impossible without a reliable power supply.

Building power facilities to electrify and expand the capacity of the Eastern Railway Range, namely the BAM and Trans-Siberian Railway, has been the focus area of activity in recent years. Rosseti completed the first stage of the macro-project, with all measures implemented within the timeframe stipulated by the Comprehensive Plan for the Modernisation and Expansion of Backbone Infrastructure approved² by the Russian Government.

Solving this task is important not only for the transport sector and railway development but also for the residents of Kuzbass, Khakassia, Krasnoyarsk Territory, Irkutsk Region, Buryatia, Transbaikalia, Khabarovsk Territory and Primorye. The already-commissioned facilities boosted the reliability of energy systems in these regions and opened up additional opportunities for industrial growth and the creation of tens of thousands of jobs.

The Company gives special consideration to using Russian technology solutions in the implementation of all development initiatives, including the Eastern Range's energy connectivity

project. Since 2014, overall import dependence of the fuel and energy complex has decreased from 67% to 38%. However, the Rosseti Group is ahead of the curve: the share of foreign products in its purchases has been consistently below 10% over the past few years.

The Company cooperates with leading Russian manufacturers and designs its own innovative solutions. Import substitution of equipment and technologies in the grid sector contributes to more sustainable operation of the energy industry. Furthermore, it makes a big difference in bolstering Russia's technical sovereignty.

Key decisions

The Rosseti Group continued its work in other areas as well. Among the key ones are the development of regional power supply schemes, connections to consumers' grids, and the commissioning of new and renovated power supply centres in various parts of the country, including the largest metropolitan cities such as Moscow and St. Petersburg. An extensive effort to increase overall reliability was undertaken, along with the restoration of the energy complex the uninterrupted power supply to border areas.

In 2023, the Investment Programme reached a record of RUB 536.9 billion, which is more than 20% higher than in the previous period. In this regard, it was crucial that the Russian Federation's President³ decided to fund the Eastern Railway Range's electrification projects in order to keep the debt load within reasonable bounds. These measures, coupled with the efforts of the Board of Directors and management to improve efficiency, and the well-established Internal Control System and Risk Management System, enabled the Company to achieve robust financial outcomes.

It is also necessary to mention the industry-related documents and decisions of the reporting period. They will serve as the foundation for formulating the Rosseti Group's investment programme for the next investment cycle, which will begin in 2025. In particular, a new system for the prospective development of the electric power industry was launched, and the Scheme and Programme for the Development of Russia's Electric Power Systems until 2029 was approved, including projects in the 110 kV and higher grid.

Effective management

Successful operation of the Company is possible only through constructive interaction of all governance bodies and observance of the balance of interests of stakeholders. The reporting year witnessed the important steps taken to further improve the corporate governance system.

Following the restructuring, the Rosseti Group put a transparent corporate structure in place, with a single decision-making centre. Completion of the procedures required updating internal regulatory documents. Uniform standards of operation, management and organisation of business processes are being introduced at subsidiaries.

Independent experts, such as the Russian Institute of Directors, have historically given the Company's corporate governance a high rating. In 2023, the RID confirmed PJSC Rosseti's NCGR rating of 7++, which indicates that a company follows a significant number of recommendations of the Bank of Russia's Corporate Governance Code.

Another important aspect is related to the implementation of best sustainability practices in the business operations. Rosseti is one of the strategically important organisations of the Russian

economy, a major employer and taxpayer. The grid complex's operations also have a big influence on a lot of other facets of public life.

In 2023, the Analytical Credit Rating Agency upgraded the Company's ESG rating to ESG-2 (ESG-B), which corresponds to a very high assessment in the environment, social responsibility and governance areas and means that ESG issues are given more weight.

In the modern world, the efficiency and dependability of a nation's energy infrastructure are critical to its development. The Rosseti Group faces large-scale tasks, but it also has the necessary tools to address them. I am positive that the Company will continue to enhance its work and move forward with confidence.

Alexander Novak

Deputy Prime Minister of the Russian Federation, Chairman of the Board of Directors of PJSC Rosseti



¹ Decree of the President of the Russian Federation No. 204 dated 7 May 2018.

² Executive Order of the Government of the Russian Federation No. 2101-r dated 30 September 2018.

³ List of instructions of the President of the Russian Federation based on the results of the meeting with members of the Government of the Russian Federation held on 19 April 2023.