

# Message from the Chairman of the Board of Directors

## Dear colleagues!

Effective corporate governance is one of the key factors in ensuring that a company remains stable and continues to develop. Being the parent entity of the Group, which consists of 45 of the Company's subsidiaries and affiliates, and one of Russia's largest public joint stock companies, PJSC Rosseti has more reason to take this seriously.

Enhancing the corporate governance framework was a top priority for the Board of Directors in 2023. As part of the restructuring, a decision was made to standardise the internal regulatory documents of PJSC Rosseti and its subsidiaries. The Quality Policy, Risk Management and Internal Control Policy, Internal Audit Policy, Anti-Corruption Policy and Information Policy were all revised and approved.

In keeping with the Bank of Russia's recommendations, the Board of Directors also had the significant responsibility of implementing advanced ESG principles into the Company's operations<sup>1</sup>. This allows for the prompt identification of risks associated with unfavourable events as well as the exploration of fresh opportunities that may be employed in the planning and execution of Rosseti Group's operations. The Sustainable Development Policy and the Climate Policy, which are foundational documents in this field, were approved in 2023.

Moreover, apart from giving strategic counsel to the Company, the Board of Directors has historically decided on financial, economic and investment activities, as well as HR policy, and evaluated the achievement of set benchmarks in key development areas. There were a total of 36 meetings with 156 items of business on the agenda.

### Alexander Novak

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

Committees under the Board of Directors made sure that all schedules were followed and that several factors pertaining to the restructuring decisions made by shareholders were considered while making changes to the management structure.

It is worth noting that the Russian Institute of Directors (RID) conducted an independent assessment of PJSC Rosseti's corporate governance system in December 2023. The four components that the experts examined were disclosure, sustainability, ESG, governance and control bodies, and shareholder rights. They also considered the recent restructuring. Consequently, the Company was granted an NCGR grade of 7++, indicating that it adheres to a notable number of sustainability guidelines and recommendations outlined in the Russian Corporate Governance Code.



<sup>1</sup> Bank of Russia's Information Letter No. IN-06-28/96 dated 16 December 2021 "On Recommendations on the Consideration of ESG Factors and Sustainability Issues by the Board of Directors of a Public Joint Stock Company".

# Controlling Shareholder's Memorandum

## Basis and Purpose of Shareholding

In addition to overseeing the implementation of technical and financial policies as well as investment planning, PJSC Rosseti, which is in charge of the transmission and distribution grids, coordinates the activities of the grid operators in the Russian Federation.

PJSC Rosseti is tasked with overseeing and managing strategic operations in addition to resolving institutional issues that affect the whole sector. This task is stipulated by the current Strategy for the Development of the Power Grid Complex of the Russian Federation approved by Executive Order No. 511-r of the Government of the Russian Federation dated 3 April 2013.

Putting forward an effective policy in the controlled sector of the economy is made feasible by the state's preponderant position (75.2780% of outstanding shares<sup>1</sup>) in the share capital structure of PJSC Rosseti.

### Key Assets-Related Objectives:

- Guaranteed energy security at the level of the constituent entities of the Russian Federation and the country as a whole
- Reliable, high-quality and affordable energy supply to consumers
- Development of power grid infrastructure for sustainable social and economic growth of the Russian Federation
- Creation of conditions for transition to environmentally friendly and resource-saving energy, stimulation of rational environmental management and energy efficiency
- Formation of long-term economically justified tariffs for power transmission services that ensure efficient functioning of the power grid complex and economic development
- Higher efficiency and effectiveness of all levels of management of the power grid complex
- Boosting of the power grid sector's capacity for science and innovation and promotion of associated sectors
- Maximum use of equipment manufactured in the Russian Federation
- Attractive return on capital for all investors

## Target benchmarks for corporate governance

Being the controlling shareholder of PJSC Rosseti, the Russian Federation, acknowledges the significance of enhancing the corporate governance of the Company. It endeavours to maintain transparency and openness in its operations and incorporate the recommendations of the Bank of Russia's Corporate Governance Code along with the highest international standards in its business practices.

Every year, the Russian Federation — represented by Rosimushchestvo (Federal Agency for State Property Management) — takes part in the Rosseti Board of Directors' nomination process for independent directors. The primary goals are to establish the framework for corporate governance while taking into account cutting-edge standards and principles, as well as to improve Rosseti's investment appeal and capitalisation growth. The number of independent directors complies with the listing rules. There is no intention to go below the present number.

Participating in annual shareholder meetings, representatives of Rosimushchestvo allow minority shareholders to raise direct questions about PJSC Rosseti's development potential.

The Russian Federation, being a controlling shareholder, backs the efforts of Rosseti to safeguard the rights and interests of minority shareholders and improve its investment case.

The dividend policy of PJSC Rosseti is founded on the rigorous observance of shareholders' rights as outlined by Russian Federation laws. It is centred on the Company's concurrent strategic development, enhancement of its investment appeal and growth in market capitalisation. The decision of the General Meeting of Shareholders of PJSC Rosseti on the payment of dividends shall be made in line with the recommendations of the Board of Directors of PJSC Rosseti on the basis of its financial results of the Company, including those derived from the consolidated IFRS financial statements.

<sup>1</sup> Including the outstanding shares of the additional issue of securities (state issue number 1-01-65018-D-109D dated 21 August 2023).