

Remuneration of Executive Bodies

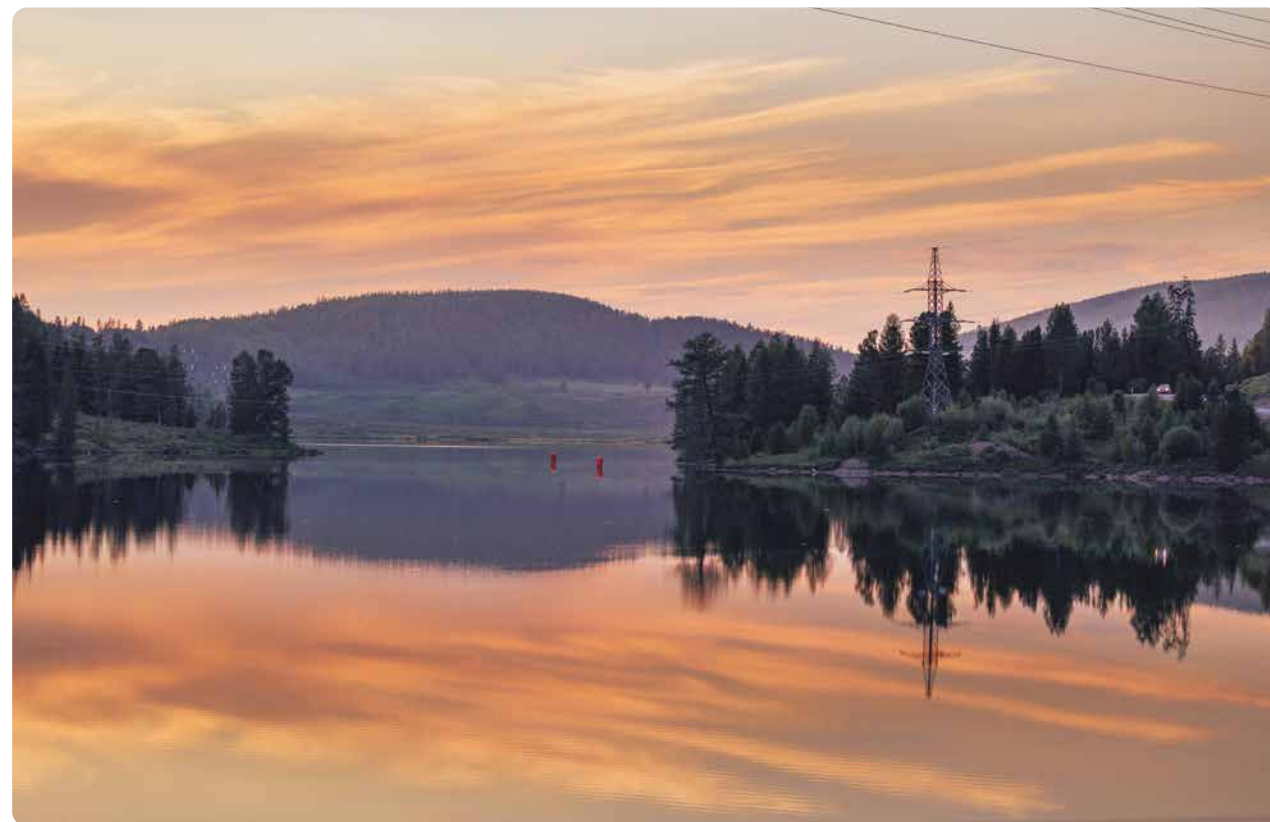
Remuneration in the Reporting Year

Total (aggregated) amount of remuneration to the members of the Management Board and the Chairman of the Management Board, RUB '000

Indicator	Amount
Remuneration for sitting on executive body ¹	–
Salaries	205,734.2
Bonuses	196,831.2
Fees	–
Other types of remuneration	5,631.4
TOTAL	408,196.8
Additionally Amount of accrued insurance premiums	64,688.20

Total remuneration of the Company's executive officers (members of the Management Board, General Director, Deputy General Directors, Chief Accountant) received in 2023

Indicator	RUB '000	Indicator	people
Total remuneration (official salaries, compensatory payments, incentive payments and other payments stipulated by the Regulation on Labour Remuneration)	599,890.8	Number of executive officers of the Company (members of the Management Board, General Director, Deputy General Directors, Chief Accountant)	15



¹ No remuneration has been set for the members of the Management Board. The Deputy General Directors carry out the duties of the Management Board members, and their remuneration is determined by their primary positions.

Controls and Risk Management



Dear Shareholders!

In 2023, following the completed restructuring of the Company, we successfully merged the risk management system and the internal control system into a single corporate risk management and internal control system — RM&ICS.

The Rosseti Group has a common methodology in place for identifying, assessing, monitoring risks, and developing internal control measures and procedures.

We are committed to boosting customer satisfaction with our Company's services. The corporate RM&ICS, which takes into consideration the economic, social, and geographic features of each region of operation, enables the Group's companies to respond flexibly to changes in internal and external environmental factors.

The RM&ICS's development priorities are focused on timely solution of problems facing the Rosseti Group as well as the proactive detection of unfavourable events and mitigation of any repercussions that could impair the effectiveness of the Company's production operations and financial stability.

Vladimir Makarov,
Director for Internal Control and Risk Management — Head of the Internal Control and Risk Management Department

Internal Control and Risk Management System

Seeing the completion of the Company's restructuring in 2023, active efforts were made to update the methodological framework, and regulations were adopted that govern updated approaches to the organisation and functioning of the Rosseti Group's Risk Management and Internal Control System (RM&ICS).

[The Risk Management and Internal Control Policy](#) of PJSC Rosseti and subsidiaries (the Rosseti Group)¹ was approved in 2023 in order to implement and maintain an effective RM&ICS that complies with generally accepted practices and standards of risk management and internal control, as well as with the requirements of regulators. This policy outlines the goals of the Company's RM&ICS functioning, the primary roles and responsibilities of RM&ICS participants, and forms of RM&ICS efficiency assessment.

In addition, the Risk Management and Internal Control Arrangement Procedure of PJSC Rosseti and subsidiaries (the Rosseti Group)² was approved to stipulate hands-on aspects of the application of the rules set forth in the Risk Management and Internal Control Policy of PJSC Rosseti and its subsidiaries (the Rosseti Group). The control matrices (matrices of risk and control procedures) contain the control procedures for the core and supporting business operations, as well as the management Processes of the company.

The following regulatory documents in the field of risk management and internal control have been in force in the Company since 2023:

- Glossary on risk management and internal control³
- RM&ICS Development Programme⁴
- Preparation guidelines for a report on the organisation, functioning and effectiveness of RM&ICS⁵
- Typical list of risks⁶
- Risk Assessment and Monitoring Methodology⁷
- Risk Appetite Determination Procedure⁸

¹ Resolution of the Board of Directors of the Company dated 17 April 2023 (Minutes No. 616 dated 18 April 2023).

² Company Order No. 203 dated 15 May 2023 (as amended by Order No. 575 dated 12 December 2023).

³ Company Order No. 8 dated 12 January 2023.

⁴ Company Order No. 208 dated 19 May 2023.

⁵ Company Order No. 209 dated 19 May 2023.

⁶ Company Order No. 69 dated 16 February 2023 (as amended by Order No. 479 dated 31 October 2023).

⁷ Company Order No. 516 dated 23 November 2023.

⁸ Company Order No. 423 dated 25 September 2023.

Risk Management and Internal Control System (RM&ICS) is a set of organisational measures, methods, procedures, corporate culture practices and actions taken to achieve an optimal balance between the growth of the Company's value, profitability and risks, to ensure financial stability, efficient conduct of business activities, safeguarding of assets, compliance with legislation, the Articles of Association and internal documents of the Company, timely preparation of reliable reporting.

The purpose of the RM&ICS is to provide reasonable assurance that the Rosseti Group will achieve the goals of Rosseti Group's development strategy, namely ensuring reliable, high-quality, and affordable power supply to consumers, as well as the operational business goals of PJSC Rosseti and its subsidiaries.

The RM&ICS is an integral part of the strategic planning and decision-making system at PJSC Rosseti and its subsidiaries at all governance levels.

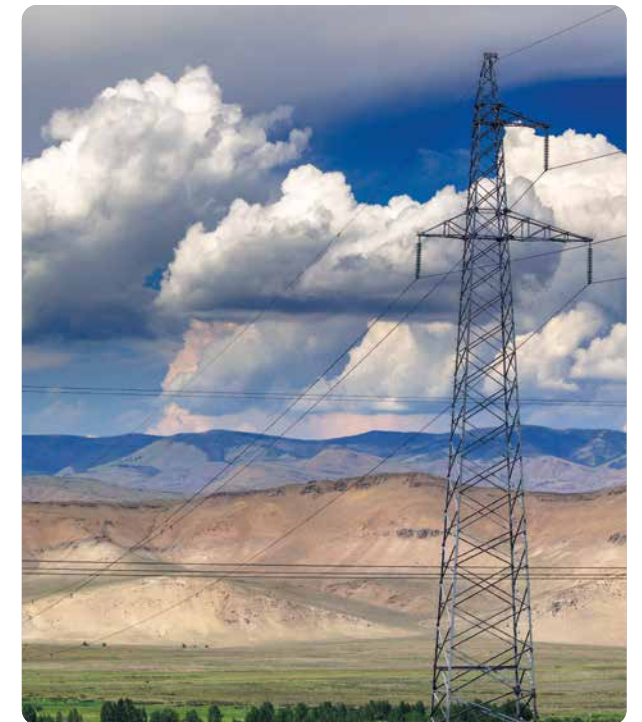
Risk Management imply coordinated actions to risk-based steering, control and management of the Company.

Internal Control is a process carried out by the Company's Board of Directors, the Company's Audit Commission, the Company's executive bodies and employees at all levels of management to obtain reasonable assurance that the Company provides:

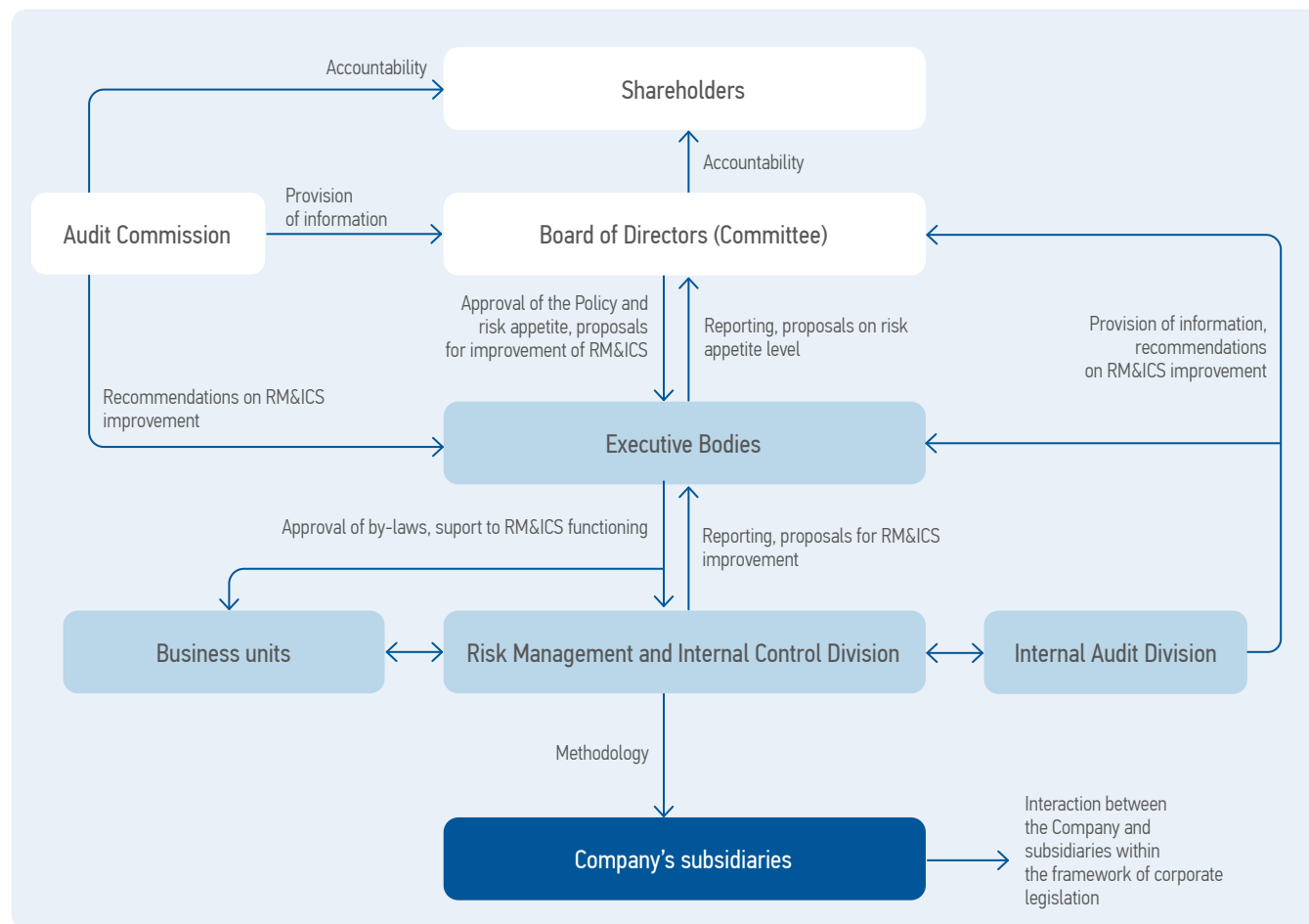
- Efficiency and effectiveness of its activities, including achievement of financial and operational indicators, and safeguarding of assets
- Reliability, completeness and timeliness of accounting (financial) accounts and other types of reporting
- Compliance with applicable laws and regulations, as well as the Company's internal regulatory documents

The highest level of risk that may be taken on and still be supported by the Rosseti Group in order to accomplish the objectives of the Company and its subsidiaries is known as risk appetite. Company Order No. 423 dated 25 September 2023 approved the Risk Appetite Determination Procedure of PJSC Rosseti and its Subsidiaries (the Rosseti Group), which establishes principles and approaches to determining and reviewing the preferred risk (risk appetite) of the Company and its Subsidiaries.

The risk appetite of the Rosseti Group was approved by the resolution of the Board of Directors (Minutes No. 626 dated 4 August 2023).



Relationship between the RM&ICS Participants



Risk Appetite Targets



The Rosseti Group ensures reliable and high-quality power supply



The Rosseti Group strives to reduce (minimise) its negative environmental impact



The Rosseti Group ensures implementation of the obligations under the Occupational Health and Safety Policy, development and improvement of the occupational health and safety management system and safety culture



The Rosseti Group ensures that shareholder rights are respected



The Rosseti Group ensures the development and increased availability of power grid infrastructure



The Rosseti Group does not tolerate violations of the requirements established by the laws of the Russian Federation



The Rosseti Group strives to reduce electricity losses during transmission and distribution



The Rosseti Group strives to ensure technological and innovative development by making and integrating scientific developments



The Rosseti Group strives to maintain a stable financial position



The Rosseti Group ensures the development of the power grid complex's human resources potential and maintains a consistently high staffing level

Assessment of RM&ICS Efficiency

The Company's internal auditor assesses the efficiency of the Risk Management and Internal Control (RM&ICS), including its compliance with the target state and maturity level, in order to make sure that it continues to meet objectively changing requirements and conditions.

The Company's internal auditor annually assesses the RM&ICS of the Company and the Group of companies and its compliance with the target state and maturity level. Six maturity levels are in place in the Company.

The report of PJSC Rosseti's internal auditor on the results of the assessment of the effectiveness of the internal control system (ICS) and risk management system (RMS) at the Rosseti Group for 2022 was reviewed by the Audit Committee on 30 August 2023 (Minutes No. 161 dated 30 August 2023) and approved by the Board of Directors on 3 November 2023 (Minutes No. 631 dated 7 November 2023), taking into account the Committee's recommendations.

The summarised assessment of ICS and RMS efficiency for the Rosseti Group at the end of 2022 was 5.1 points and 4.8 points, respectively, out of a possible 6 points, which, according to the applicable assessment scale, makes it possible to assess the ICS and RMS maturity level as "optimal" at the current stage.

The internal auditor's report on the results of the assessment of the Rosseti Group's RM&ICS efficiency for 2023 will also be submitted to the Audit Committee for review and to the Company's Board of Directors for approval.



Improvement of the RM&ICS

The Company sees to it that the RM&ICS is continuously developed and improved, keeping in mind the requirement to handle new tasks and adjustments to the internal and external situations affecting the Group's operation.

Key measures to improve the IRM&ICS taken in 2023:

- Set of regulatory and methodological documents in the field of risk management and internal control was developed / updated
- Preferred risk (risk appetite) of the Rosseti Group was updated
- The following training events were held for employees of the Rosseti Group on the organisation and operation of the risk management and internal control system:
 - Knowledge Days (four training sessions)
 - Conferences on pressing issues and development strategy of the risk management and internal control system

Plans for improvement of the RM&ICS in 2024

- To exercise additional control with the participation of the Department of Internal Control and Risk Management in collegial bodies
- To carry out risk-oriented control activities: when reviewing materials submitted for approval by collegial bodies; when analysing information on audits carried out by external control (supervision) bodies; when assessing the targeted and timely expenditure of financial support to subsidiaries
- To implement unified standards and principles for controlling the financial stability of counterparties of the Rosseti's Group of companies. To take part in risk management in liquidation and bankruptcy proceedings
- To promote risk awareness, to conduct training events on the organisation and operation of the RM&ICS

Audit Commission

The Audit Commission is a permanent body that oversees the financial and business activities of PJSC Rosseti and its governing bodies. Audit Commission is elected annually by the General Meeting of Shareholders.

The activities of the Audit Commission are regulated by the Articles of Association and the Regulations on the Audit Commission of the Company¹.

Expertise of the Audit Commission:

- Confirmation of reliability of the data contained in the annual report, annual accounting (financial) statements of the Company
- Analysis of the Company's financial condition, identification of reserves to improve the Company's financial condition and development of recommendations for the Company's governing bodies
- Organisation and implementation of inspection (audit) of financial and economic activities of the Company

Key matters reviewed by the Audit Commission in 2023

Area of responsibility	Action taken	Outcome
<ul style="list-style-type: none"> • Control over financial and economic activities, elimination of identified deficiencies based on the findings of inspections • An audit of financial and economic activities for 2022 was carried out • No substantial violations were revealed • Assessment of reliability of the data in the Annual Report and annual financial statements 	<ul style="list-style-type: none"> • Annual Report and annual accounting (financial) statements of the Company for 2022 were reviewed • No misstatements of data that could materially affect the said statements were identified • Reporting on violations of the procedure for keeping accounting records, presenting financial statements, and the procedure for carrying out financial and economic activities • The issues of organisation and maintenance of accounting records, preparation of accounting (financial) statements were reviewed 	<ul style="list-style-type: none"> • No errors and misstatements that had a significant impact on the reliability of the accounting (financial) statements as of 31 December 2022 were identified • Control over the legitimacy of financial and business transactions • The related-party transactions report for 2022 was reviewed • No law violations were identified

¹ Approved by the resolution of the Extraordinary General Meeting of Shareholders of the Company on 14 September 2022 (Minutes No. 27 dated 15 September 2022).