

## Assessment of the Corporate Governance Level

We pay specific attention to the quality of corporate governance and its effectiveness by constantly assessing the level of development of the Company's governance system, as well as by analysing Russian and foreign trends and practices of corporate governance. The efficiency of corporate governance in the Company is assessed on an annual basis. In addition, we engage external consultants to obtain an objective external assessment of our corporate governance practices.

### External Assessments of the Level of Development of Corporate Governance in the Company

The Company engages an external corporate governance consultant as an independent expert on an ongoing basis, which enables tracking the effectiveness of ongoing changes and consistently implementing management system improvement tools, as well as elements of best practices. For several years, external assessment and monitoring of the corporate governance system development has been carried out by the Russian Institute of Directors, which has a dedicated methodology for analysing practices.

Following the completion of the power grid restructuring process in 2023, the Russian Institute of Directors reassessed Rosseti's corporate governance practices across the following four components:

- Shareholders' rights
- Activity of the governance and control bodies
- Information disclosure
- Sustainable development and ESG

During the assessment, the Russian Institute of Directors noted positive features in the practice of corporate governance and identified the areas of the corporate governance and sustainable development practices to be addressed to further improve the rating.

## NCGR 7++

### WELL-DEVELOPED PRACTICE OF CORPORATE GOVERNANCE

In November 2023, the Russian Institute of Directors assigned PJSC Rosseti a rating of 7++ on the National Corporate Governance Rating (NCGR) scale based on the results of the assessment of the quality of corporate governance of PJSC Rosseti, which means that the system of corporate governance is characterised as follows: "The Company complies with the requirements of Russian corporate governance legislation, follows a significant number of recommendations of the Bank of Russia Corporate Governance Code and sustainability standards. The Company has fairly low risks for stakeholders related to the quality of corporate governance and sustainable development management".

Indicator	2019	2020	2021	2022	2023
National Corporate Governance Rating (assessed by the Russian Institute of Directors)	7++	7++	7++	7++	7++

### Positive aspects

- An independent registrar maintains records of rights to the Company's shares; the notice of the General Meeting of Shareholders and the relevant information for the meeting are posted on the Company's website on the Internet, while complying with a number of recommendations of the Russian Corporate Governance Code on providing shareholders with additional materials to prepare for the meeting.
- The Board of Directors of the Company now possesses a broader range of decision-making authority regarding revenue-intensive transactions.
- The Board of Directors includes three independent directors, and a competence matrix for the Company's Board members has been developed.
- Control over revenue-intensive transactions of the Company's controlled organisations is now within the remit of the Company's Board of Directors.
- The Russian Corporate Governance Code's recommendations are strictly adhered to by the Company while evaluating the Board of Directors' performance.
- The Company engages in charitable giving and sponsorship, and it carries out a range of social projects for its staff members and their families, as well as for service users.
- The Company has approved the Sustainable Development Policy, Climate Policy, and a number of internal documents regulating corporate social responsibility policies in relation to key stakeholders.
- PJSC Rosseti takes measures to minimise or compensate for environmental damage.

### Areas for Improvement

- To prepare an internal document defining the Company's policy on interaction with the external auditor.
- Increase the number of in-person meetings of the Committees of the Board of Directors of the Company, if possible.
- To explore referring the issues of defining the development strategy, assessing the results, as well as nominating candidates to the executive bodies of controlled organisations to the purview of the Company's Board of Directors.
- To consider the establishment of a dedicated sustainability committee within the structure of the Company's Board of Directors or the expansion of the remit of the existing committees with relevant issues.

The assessment methodology of the Russian Institute of Directors has **160 criteria** across four components:

1. Shareholders' rights
2. Activity of the governance and control bodies
3. Information disclosure
4. Corporate social responsibility and sustainable development



## Assessment of Corporate Governance Efficiency at PJSC Rosseti

Along with the external assessment, the internal auditor of the Company annually assesses the efficiency of corporate governance in the Company. The assessment procedure follows the Company's Corporate Governance Assessment Methodology based on the Bank of Russia's recommendations for assessing compliance with the Bank of Russia's Corporate Governance Code and the Moscow Exchange's Listing Rules.

### Assessment of the Corporate Governance Performance is aimed at:

- Providing the Board of Directors, the Audit Committee of the Board of Directors, the Management Board, the General Director of the Company with independent information on the state of corporate governance in the Company
- Making recommendations to improve the level of corporate governance in the Company

### Corporate governance assessment includes the following focus areas:

- Monitoring the compliance with the ethical principles and corporate values of the Company
- Verifying the procedure for setting the goals of the Company and tracking their achievement
- Checking the level of regulatory support and information interaction procedures (including those related to risk management and internal control) at all levels of the Company's governance, including interaction with stakeholders
- Verifying that shareholder rights are safeguarded and that stakeholder relations are effective
- Assessing the procedures for disclosure of information on the Company's activities

### In order to evaluate the Company's corporate governance for 2022–2023 corporate year, the following six crucial components were examined:

- Shareholders' rights
- Board of Directors
- Executive management
- Transparency and disclosures
- Risk management, internal control and internal audit
- Corporate social responsibility, business ethics and compliance

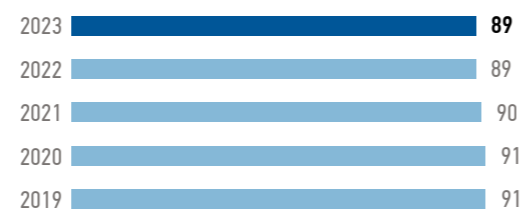
Due to the suspension of certain provisions of Federal Law No. 208-FZ "On Joint Stock Companies" dated 26 December 1995, the assessment of corporate governance at PJSC Rosseti omitted the following issues:

- When are the results of the votes on items on the agenda of the general meeting of shareholders summarised and announced?

- Are the Company's shareholders given the opportunity during General Meetings to ask questions to the sole executive body, chief accountant, members of the Audit Commission, Chairman or other member of the Audit Committee of the Board of Directors, as well as the Company's auditors regarding their reports and, accordingly, to receive answers to the questions asked?
- Are the candidates nominated for election to the company's Board of Directors and Audit Commission present at the respective general meeting of shareholders?

Based on the results of the compliance analysis of the current state of corporate governance elements for 2022–2023, it was established that corporate governance in the Company complies with well-developed practice. The overall score based on the results of the analysis was 89% out of a maximum 100%. There were no changes compared to the corporate governance assessment for the 2021–2022 corporate year (the score remained at 89%).

### Performance assessment results in corporate governance (compliance level), %



For the 2022–2023 corporate year, there was an increase in the score for the 'Board of Directors' component — from 73% (good practice) to 74% (good practice).

In general, the results of the assessment demonstrate the effectiveness of the measures implemented in the Company to develop the corporate governance system. At the same time, there is an area for improvements for the components / elements as follows:

- Board of Directors (74%)
- Executive management (85%)
- Transparency and disclosures (99%)

For certain issues (a significant part of those assessed as 'non-compliant'), the potential for growth depends mainly on the position of the controlling party —the Russian Federation and other external factors that the Company has no power to influence.



### Assessment of corporate governance at PJSC Rosseti by components

Components	Score for 2021/2022 corporate year		Score for 2022/2023 corporate year	
	number of points	compliance level	number of points	compliance level
I. Shareholders' rights	71	100% Best Practice	71	100% Best Practice
II. Board of Directors	135	73% Good Practice	137	74% Good Practice
III. Executive management	34	85% Well-Developed Practice	34	85% Well-Developed Practice
IV. Transparency and disclosures	133	99% Best Practice	133	99% Best Practice
V. Risk management, internal control and internal audit	63	100% Best Practice	63	100% Best Practice
VI. Corporate social responsibility, business ethics and compliance	31	100% Best Practice	31	100% Best Practice
<b>Total score</b>	<b>467</b>	<b>89% Well-Developed Practice</b>	<b>469</b>	<b>89% Well-Developed Practice</b>

Based on the results of the assessment of corporate governance in the Company at the end of 2022–2023, the internal auditor's contains the following recommendations:

- To ensure keeping up with the Well-Developed Practice level of corporate governance
- To consider reapplying to federal executive authorities with proposals to amend the methodological recommendations on corporate governance assessment approved by Rosimushchestvo in order to eliminate the factors affecting the discrepancies identified in the Report in terms of corporate governance elements, taking into account

the specifics and restrictions established by the Decrees of the President of the Russian Federation and other statutory regulations

The report of the internal auditor of PJSC Rosseti on the assessment of the efficiency of corporate governance at PJSC Rosseti based on the results of the 2022–2023 corporate year was approved by the decision of the Board of Directors of PJSC Rosseti dated 28 December 2023 (Minutes No. 640 dated 28 December 2023).

## Assessment of Corporate Governance Efficiency at the Rosseti Group of companies

In the reporting year, PJSC Rosseti's internal auditor also assessed corporate governance at the Rosseti Group's companies for the 2022–2023 corporate year.

The assessment of corporate governance at the Rosseti Group's companies based on the results of the 2022–2023 corporate year covered PJSC Rosseti and its 14 subsidiaries:

- PJSC Rosseti Kuban
- PJSC Rosseti Lenenergo
- PJSC Rosseti Moscow Region
- PJSC Rosseti Volga
- PJSC Rosseti North-West
- PJSC Rosseti Siberia
- PJSC Rosseti Northern Caucasus
- PJSC Rosseti Ural
- PJSC Rosseti Centre
- PJSC Rosseti Centre and Volga Region
- PJSC South
- PJSC TDC
- JSC Rosseti Tyumen
- JSC Rosseti Yantar

The assessment was based on the Methodology for Assessing Corporate Governance in Subsidiaries of PJSC Rosseti for six key components approved by the Company's Order No. 116 dated 11 April 2019:

- Shareholders' rights
- Board of Directors
- Executive management
- Transparency and disclosures
- Risk management, internal control and internal audit
- Corporate social responsibility, business ethics and compliance

The corporate governance scores of subsidiaries for the 2022–2023 corporate year range from 81% (PJSC Rosseti Ural, PJSC TDC) to 91.6% (PJSC Rosseti Lenenergo).

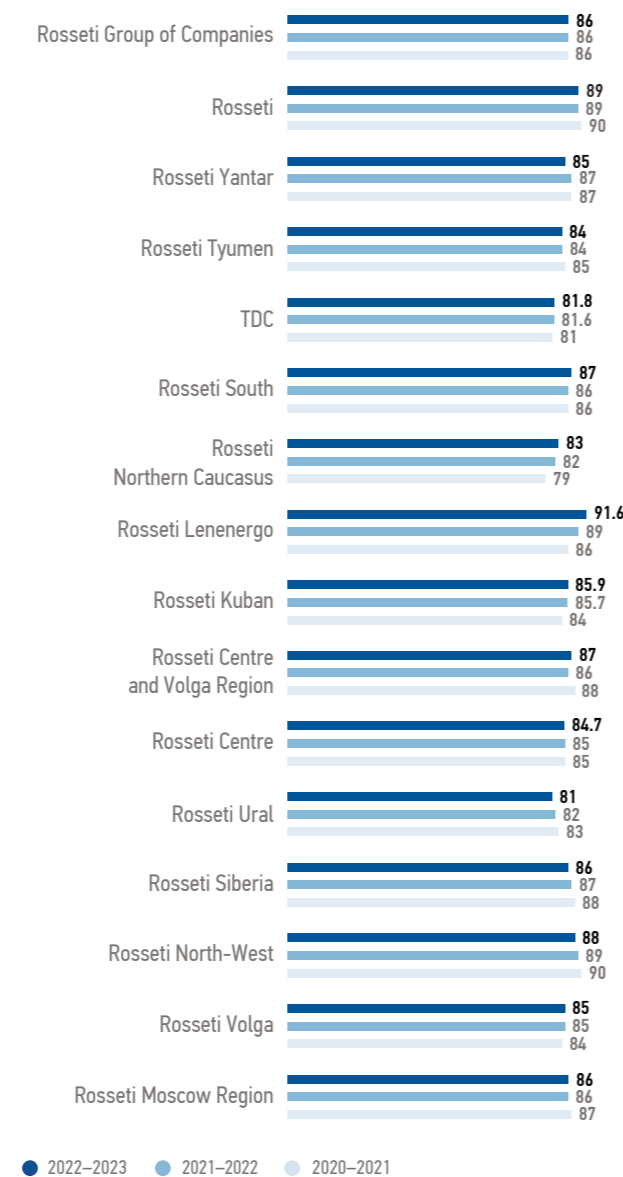
The overall corporate governance score for the Rosseti Group of companies for the 2022–2023 corporate year was 86%, which corresponds to the Well-Developed Practice corporate governance level. Compared to the 2021–2022 corporate year, the score remains unchanged.

Five of the Rosseti Group's companies (33%) have corporate governance scores above the Group average: PJSC Rosseti (89%), PJSC Rosseti Lenenergo (91.6%), PJSC Rosseti

North-West (88%), PJSC Rosseti Centre and Volga Region (87%), and PJSC Rosseti South (87%). The level of corporate governance assessment in the rest of the Group's companies ranges from 81% to 86%.

The corporate governance assessment for the 2022–2023 corporate year in all Group's companies corresponds to the Well-Developed Practice level.

### Assessment of Corporate Governance at the Rosseti Group of companies, %



### Summary score of corporate governance by the Rosseti Group of companies, %



The following factors contributed to the decline in scores for the components in individual subsidiaries, which in turn caused the slight decrease in the summary score for such components as 'Board of Directors', 'Executive Management', and 'Corporate Social Responsibility, Business Ethics, and Compliance' at the Rosseti Group:

- Boards of Directors of subsidiaries include persons who are members of the Boards of Directors of more than five public companies
- Meetings of the Boards of Directors of subsidiaries and Board Committees of subsidiaries are held in person at least once a quarter
- number of Board meetings of subsidiaries to review the assessment of executive management performance (including KPI analyses) are reduced
- Not all members of the Audit Committees of the Boards of Directors of subsidiaries and the Human Resources and Remuneration Committees of the Boards of Directors of subsidiaries are independent directors
- Personnel and Remuneration Committees of the Board of Directors of subsidiaries is chaired by Chairmen of the Boards of Directors of subsidiaries
- The work agendas of the Boards of Directors of subsidiaries for the 2022–2023 corporate year were not approved
- The target KPI values for 2023 were not approved by the Boards of Directors of subsidiaries as of the date of the assessment

The internal auditors of subsidiaries highlighted the following as the main systemic recommendations for improving the efficiency of corporate governance at the Rosseti Group:

- To ensure that an effective level of corporate governance is maintained
- To consider remedying non-compliance with the corporate governance principles identified in the assessment

The Rosseti Group of companies strive to improve the level of corporate governance and make continuous efforts to eliminate internal auditors' observations by corrective actions.

PJSC Rosseti intends to take measures to further improve (update) the methodology for assessing corporate governance at the Rosseti Group.

The report of the internal auditor of PJSC Rosseti on the assessment of the efficiency of corporate governance at the Rosseti Group of companies based on the results of the 2022–2023 corporate year was approved by the decision of the Board of Directors of PJSC Rosseti dated 28 December 2023 (Minutes No. 640 dated 28 December 2023).

## Compliance with the Recommendations and Principles of the Corporate Governance Code of the Bank of Russia at PJSC Rosseti

The Company consistently implements plans to improve its corporate governance practices with due regard to the recommendations of the Corporate Governance Code of the Bank of Russia, changes in the regulatory environment and initiatives of the professional community.

In view of the sanctions risks, in accordance with the right granted by Decrees of the Government of the Russian Federation No. 351 dated 12 March 2022 and No. 1102 dated 4 July 2023, starting from 2022, the Company decided to close (refuse to disclose) 'sensitive' information. In this regard, the number of principles and recommendations of the Corporate Governance Code of the Bank of Russia fully complied with by the Company has decreased compared to previous periods.

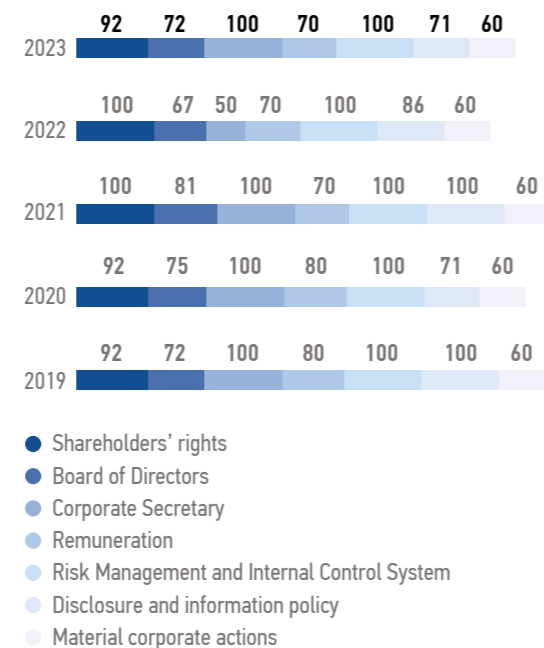
In 2023, these risks were mitigated to some extent, allowing the Company to return to the practice of disclosing information on the Company's Corporate Secretary, which was not disclosed in 2022, and to man the Audit Committee and the Personnel and Remuneration Committee of the Board of Directors of the Company consisting solely with independent directors.

Meanwhile, pursuant to Decrees of the Government of the Russian Federation No. 1102 dated 4 July 2023 and No. 1587 dated 28 September 2023, in order to minimise the risks of negative effect from unfriendly actions of foreign states and organisations, in 2023 the Company decided not to disclose information on controlled organisations of significant importance for it, and therefore the assessment of compliance with the relevant recommendation of the Corporate Governance Code of the Bank of Russia was changed from 'complied with' to 'partially complied with'. The Company will return to full disclosure of information in the event that the relevant risks cease to exist.

Thus, the number of principles and recommendations of the Bank of Russia Corporate Governance Code fully complied with by the Company increased from 60 in 2022 to 61 in 2023 (the share of fully complied principles increased, respectively, from 78% to 79%).

Herewith, the Company fully complies with the principles of Chapter IV "Corporate Secretary of the Company" and Chapter V "Risk Management and Internal Control System".

**Compliance with the Recommendations of the Corporate Governance Code of the Bank of Russia<sup>1</sup>, %**



**Compliance with the Recommendations and Principles of the Corporate Governance Code of the Bank of Russia**

Data on the compliance with the recommendations and principles of the Corporate Governance Code	Full Compliance			Partial compliance			Non-compliance			Not applicable		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Shareholder rights and equality of conditions for shareholders in exercising their rights	13	13	12	-	-	1	-	-	-	-	-	-
Board of Directors of the Company	29	24 <sup>2</sup>	26	7	12	10	-	-	-	-	-	-
Corporate Secretary of the Company	2	1 <sup>2</sup>	2	-	1	-	-	-	-	-	-	-
Remuneration system for members of the Board of Directors, executive bodies and other key executives of the Company	7	7	7	1	1	1	-	-	-	2	2	2
Internal Control and Risk Management System	6	6	6	-	-	-	-	-	-	-	-	-
Disclosure of information about the Company, information policy of the Company	7	6	5	-	1	2	-	-	-	-	-	-
Material corporate actions	3	3	3	2	2	2	-	-	-	-	-	-

<sup>1</sup> Information on fully complied recommendations of the Corporate Governance Code of the Bank of Russia excludes partially complied recommendations.

<sup>2</sup> The decrease was due to the Company's decision to refuse to disclose 'sensitive' information.

# General Meeting of Shareholders

The General Meeting of Shareholders of the Company (hereinafter — the Meeting) is the top governance body of the Company, which ensures the exercise of shareholders' rights to manage the Company, and makes decisions on the most important, key, strategic matters of its activity.

The Regulations on the General Meeting of Shareholders of the Company determine the procedure for holding it and the main organisational matters related to the arrangement of the Meetings. Shareholders are given the opportunity to ask questions on the agenda of the Meeting through the Secretary of the Meeting. Questions may be addressed to members of the governance and control bodies, the chief accountant and auditor of the Company, who are required to be invited to the Meeting. For other questions received from shareholders during the Meeting, the Company provides a response within 30 days from the date of the Meeting.

The Company's shareholders have access to a forum and a dedicated email address that allow them to submit questions about the Meeting.

In order to improve the validity of decisions made by the Meeting, the Regulations on the General Meeting of Shareholders of the Company define a list of additional documents that the Company undertakes to provide to shareholders. The materials provided include the position

[The Regulations on the General Meeting of Shareholders of the Company were approved by the resolution of the Extraordinary General Meeting of Shareholders of the Company held on 14 September 2022 \(Minutes No. 27 dated 15 September 2022\).](#)



of the Board of Directors regarding the agenda of the Meeting, extra data about candidates for governance and control bodies, comparative tables of amendments made to the Articles of Association and internal documents of the Company. All materials are posted on the Company's website in Russian and, if necessary, in English, no later than 30 days before the Meeting.

## Organisation of General Meetings of Shareholders

The General Meeting of Shareholders is one of the key events in the Company's activities. The Company takes a responsible approach to the organisation of the Meeting, striving to ensure the maximum possible comfort and awareness of shareholders in order to improve the quality of decisions made and take into account the interests of various groups of shareholders. When organising the Meeting, additional measures are taken in the interests of shareholders and investors:

- Ensuring that representatives of key groups of stakeholders participate in the Meeting, including representatives of the media, in order to provide such persons with an opportunity to obtain information on all matters of interest (taking into account the requirements to hold meetings in absentia)

- Ensuring completeness and informational value of materials, including recommendations of the Board of Directors of the Company, complete information about candidates for governance bodies, detailed reports and demonstration materials
- Placing and storing the information for several years in the public domain on the Company's website
- Holding Meetings in convenient locations in Moscow with unhindered access for all shareholders
- Using online services to engage in the meeting and become acquainted with the contents and outcomes of previous meetings