

# Corporate Governance System

## Corporate Governance Model

A well-functioning corporate governance framework is essential to the Company's successful growth as it maintains the appropriate balance of interests between creditors, investors, shareholders and employees. PJSC Rosseti is one of the largest Russian public companies in terms of the scale of its operations.

The number of shareholders of the Company at the end of the reporting period exceeded 928,000 persons. The total number of private shareholders as of 31 December 2023 is 925,700 persons. Compared to the beginning of the reporting year, the share in the Company's authorised capital owned by individuals increased from 5.7% to 6.31%.

Due to the substantial number of private shareholders, the Company bears a great deal of responsibility for seeing to it that their rights are respected. For this reason, the Company gives this task particular attention.

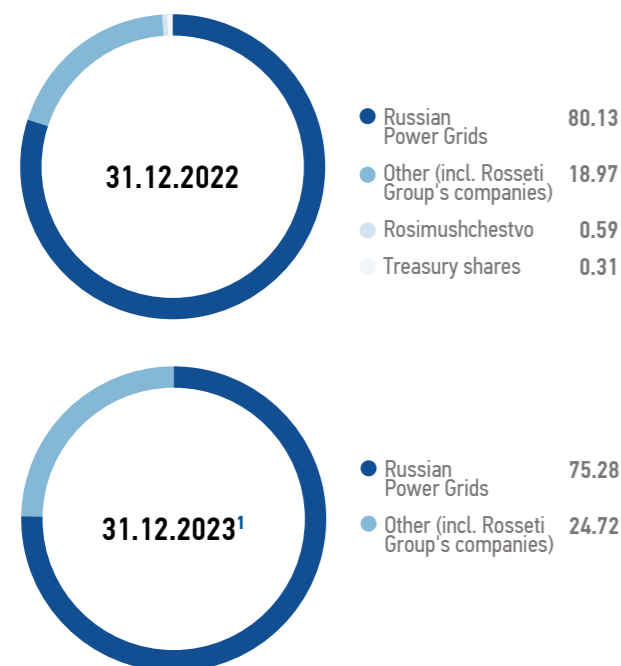
The corporate governance model of PJSC Rosseti is a system of relationships between shareholders, the Board of Directors of the Company, executive bodies of the Company, local communities in the areas of the Company's operations and other stakeholders, which ensures operations and areas for development, management and control, rules and procedures for corporate decision-making in the Company and in the Rosseti Group as a whole.

### Corporate governance objectives:

-  Growth of shareholder value, market capitalisation and investment attractiveness of the Company
-  Profit earning based on the results of the Company's activities
-  Stable and predictable development of the Company and implementation of its strategy
-  Efficient management of the assets of the Company and its subsidiaries
-  Improvement of the management and motivation system, management and employee succession practices

The practice of corporate governance in the Company is based on the principles of corporate governance enshrined in the Corporate Governance Code of the Bank of Russia, as well as the provisions of the Corporate Governance Code of the Company<sup>2</sup>.

### Company's equity holding structure, %



<sup>1</sup> Including additionally issued shares.

<sup>2</sup> Minutes of the Company's Board of Directors No. 556 dated 22 November 2021.



### Transparency

The Company ensures timely disclosure of complete and reliable information about all significant facts relating to its activities, performance track record (including its social and environmental performance), ownership and governance structure of the Company, as well as free access to such information for shareholders and other stakeholders.

The economy and financial market of Russia remained under unprecedented sanctions pressure in 2023. In the extraordinary environment, the Company made every effort to maintain the basic proven mechanisms of corporate relations and corporate governance practices in terms of information disclosure.



### Accountability

In accordance with the law of the Russian Federation, the Corporate Governance Code of the Bank of Russia and international corporate governance standards, the Board of Directors of the Company is accountable to the General Meeting of Shareholders of the Company.



### Fairness

The Company undertakes to ensure equal and fair treatment of all shareholders, protect their rights and provide all shareholders with the opportunity of providing them effective protection should their rights be violated.



### Responsibility

The Company recognises and ensures the rights of shareholders and all stakeholders as set out in the law of the Russian Federation.



### Sustainable Development

Achievement of the Company's strategic goals is based on the principles of sustainable development and is aimed at observing the rights and interests of both the Company's shareholders and other stakeholders. The key goals of the Company in the field of sustainable development are as follows: ensuring reliable, high-quality and affordable power supply for a comfortable life of people and free growth of the Russian economy, development of the UNPG; technological and innovative development; increasing the opportunities for professional growth of employees in the implementation of management activities aimed at reducing the negative and expanding the positive social and environmental impact.



### Company's corporate governance priorities

- Respect and guarantees for rights and legitimate interests of shareholders, investors as well as stakeholders of the Company
- Information and financial transparency of the Company's activities
- Predictable dividend policy of the Company that considers fair the reasonable expectations of investors
- Efficient and professional Board of Directors accountable to the shareholders of the Company, and its active involvement in strategic planning, management and control of business processes
- Consistency and collegiality in decision-making
- Zero tolerance to corruption and fraud
- High standards of business ethics and compliance
- Minimisation and settlement of corporate conflicts
- Effective risk management
- Well-developed corporate culture and corporate social responsibility practice
- Stronger emphasis on using ESG principles
- Prompt response to the challenges of the external environment
- Consideration of the opinions of minority shareholders of the Company and companies of the Rosseti Group in the course of corporate governance
- Continuous improvement of corporate governance framework

The Company's compliance with the principles and priorities of corporate governance in all areas of its activities enables achievement of the goals of corporate governance, primarily ensuring the growth of shareholder value and investment attractiveness of the Company and the Rosseti Group as a whole.

By timely introducing the necessary changes into corporate governance practices and ensuring high efficiency of management decisions, the Company adheres to the requirements of the law, the Listing Rules



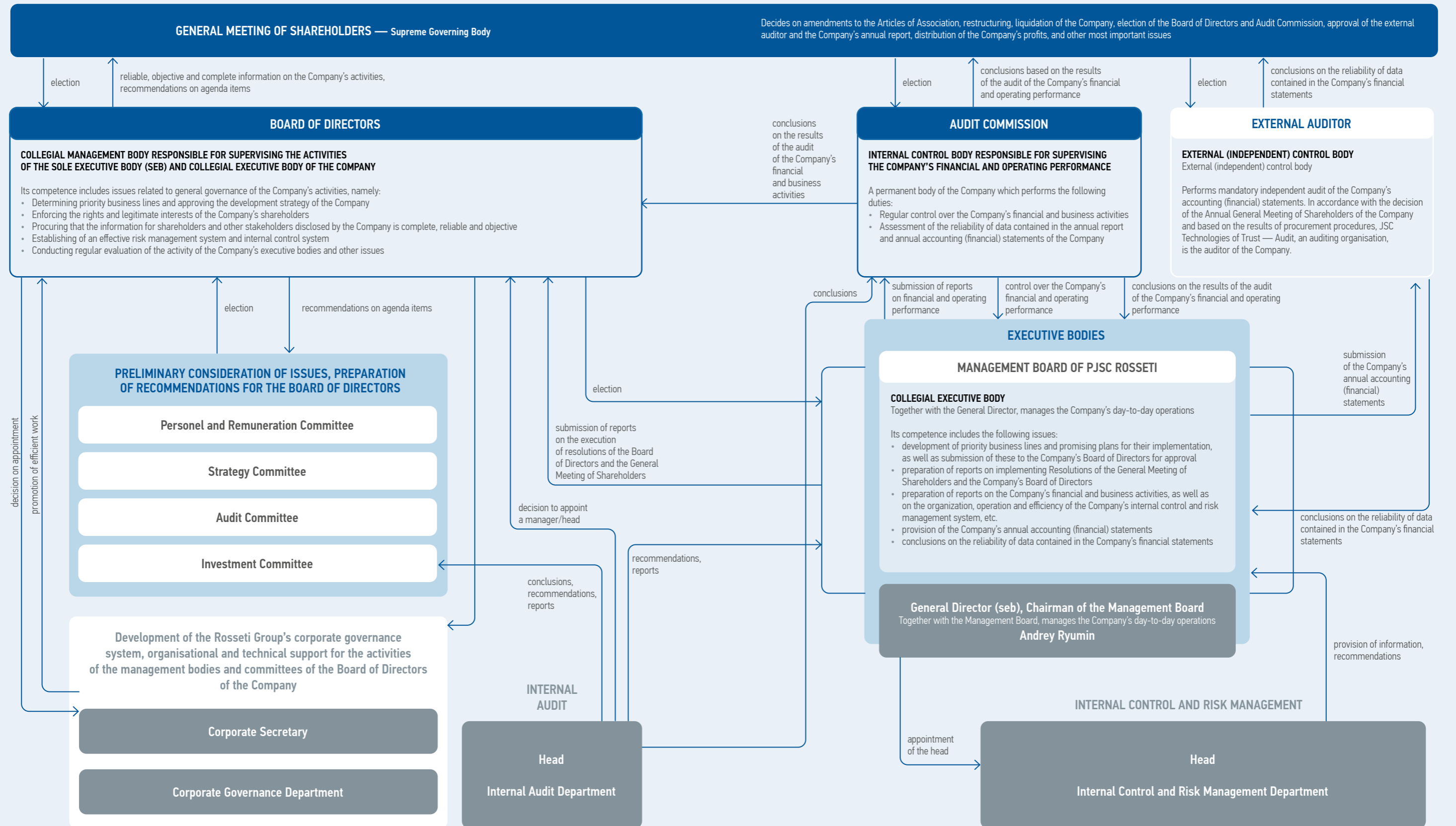
### Key areas of corporate governance policy

- Introduction of uniform management standards at the Rosseti Group
- Higher operational efficiency, better management system of the Company and of Rosseti Group, and improved quality of business processes
- Professional interaction with investors, employees and partners of the Company
- Improved information transparency of the Company, better internal control and audit mechanisms
- Introduction of corporate governance elements that facilitate objective and high-quality disclosure of non-financial information by the Company

of the PJSC Moscow Exchange and corporate governance standards recognised in Russian and international practice. The Company conducts a systematic evaluation of corporate governance and presents its findings for consideration to the Board of Directors of the Company (its dedicated committee).

For more details on the essential components of the Company's corporate governance system, please see PJSC Rosseti's Articles of Association and internal documents available at <https://www.rosseti.ru> in Home / Company / Articles of Association and Internal Documents section.

Corporate Governance Structure<sup>1</sup>



<sup>1</sup> As of 31 December 2023.

## Specific Features of the PJSC Rosseti's Corporate Governance Model

The Russian Federation represented by Rosimushchestvo is the major (controlling) shareholder and owner of 75.28%<sup>1</sup> of PJSC Rosseti's ordinary shares. The status of a company with state participation requires a number of governance features, including ones below:

- PJSC Rosseti manages the power grid complex of Russia. The main goal of the Company's activities is defined as ensuring the reliability of the operation of the power grid complex and uninterrupted power supply to consumers. PJSC Rosseti also coordinates the activities of power grid companies, the Rosseti Group, including those in the field of tariffs, technical policy, investment planning, financial and economic activities, as well as in the field of anti-corruption policy.
- PJSC Rosseti is included in the List of strategic joint stock companies<sup>2</sup>. The status of a strategic joint stock company implies a special procedure for the management and control of the Company by the President, the Government and the federal executive authorities of the Russian Federation.
- PJSC Rosseti is included in a special list of joint stock companies for which the Russian Government<sup>3</sup> determines the position on the most important issues (including the entry of items on the agenda of the General Meeting of Shareholders, nomination of candidates for election to management and control bodies, voting on items on the agenda of the General Meeting of Shareholders, etc.), as well as approves directives to representatives of the interests of the Russian Federation on the Boards of Directors.
- PJSC Rosseti undertakes to ensure the fulfilment of certain instructions and tasks initiated by the Russian Federation in its subsidiaries as well.

### Key Documents Regulating Corporate Governance in PJSC Rosseti

- Corporate Governance Code of the Bank of Russia
- Company's Articles of Association
- Company's Corporate Governance Code
- Regulations on the Management and Control Bodies of the Company (on the General Meeting of Shareholders, on the Board of Directors, on the Management Board and on the Audit Commission)
- Regulations on Remuneration and Compensation paid to Members of the Board of Directors of the Company and the Audit Commission of the Company
- Regulations on Committees under the Board of Directors:
  - Regulations on the Audit Committee of the Board of Directors
  - Regulations on the Personnel and Remuneration Committee of the Board of Directors
  - Regulations on the Strategy Committee of the Board of Directors
  - Regulations on the Investment Committee of the Board of Directors
- Regulations on the Remuneration and Compensation paid to Members of the Committees under the Board of Directors of the Company
- Regulations on the Dividend Policy
- Regulations on the Corporate Secretary
- Regulations on the Performance Evaluation of the Board of Directors
- Anti-Corruption Policy of PJSC Rosseti and subsidiaries of PJSC Rosseti
- Internal Audit Policy
- Risk Management and Internal Control Policy of PJSC Rosseti and its subsidiaries (Rosseti Group)
- Code of Corporate Ethics and Conduct of Employees
- Regulations on the Information Policy
- Regulations on Insider Information Protection

Internal documents regulating corporate governance in PJSC Rosseti, as well as data on the approval of these documents by the Company's governance bodies, are available on the Company's website

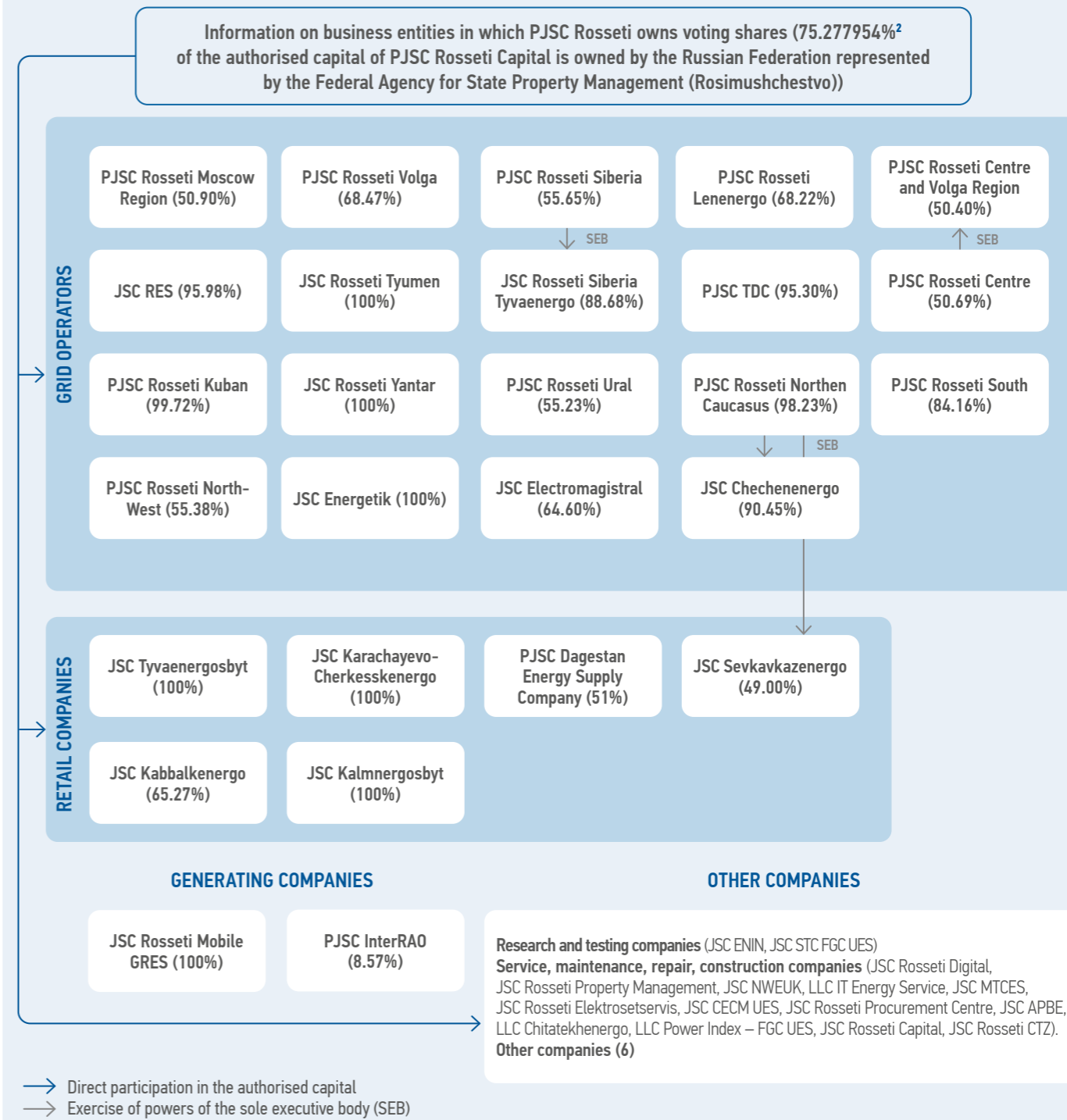


## Management of the Group's Companies

As of 31 December 2023, PJSC Rosseti has 46 regional branches, including 7 branches of "Main Power Grids" (MPG), 1 branch of the Centre for Technical Supervision, 37 branches of "Main Power Grid Enterprise" (MPGE) and "Bely Rust" Specialised Production Base.

As of 31 December 2023, PJSC Rosseti participates in 48 business companies that operate in various sectors, including those that ensure the functioning of the power grid complex.

### Structure of the Rosseti Group<sup>1</sup>



<sup>1</sup> Structure as of 31 December 2023, including outstanding shares of additional issue 1-01-65018-D-109D.

<sup>2</sup> Approved by Decree of the President of the Russian Federation No. 1009 dated 4 August 2004.

<sup>3</sup> Executive Order of the Government of the Russian Federation No. 91-r dated 23 January 2003.

<sup>1</sup> As at 31 December 2023.

<sup>2</sup> Taking into account placed shares of additional issue registered on 21 August 2023, state registration number 1-01-65018-D-109D.



PJSC Rosseti manages the Group's companies in accordance with uniform corporate standards aimed at ensuring the efficiency of business processes, controlling their quality, and minimising risks.

The primary means of engagement is guaranteed by corporate procedures, decision-making as the sole shareholder with regard to 100% owned subsidiaries, the exercise of shareholder rights with regard to other Group's companies, notably through representation on boards of directors and board committees.

These tools make it possible to control the actions of governance bodies on all key issues, the list of which is specified in the Articles of Association of PJSC Rosseti and its subsidiaries.

We also maintain an open dialogue with minority shareholders of the Group's companies. Interaction within the framework of the General Meetings of Shareholders and the work of the Boards of Directors, whose members and chairmen are senior managers of PJSC Rosseti, plays an important role.

**Maria Tikhonova,**  
Deputy Director General for Corporate Governance

— 2023 marked the completion of a large-scale restructuring of PJSC Rosseti. The total number of subsidiaries and other entities wherein the Company participated as of the end of 2023 increased to 48. What are the key mechanisms used to manage the Group's companies?

— The interests of the merged companies and the Company's shareholders were taken into consideration during the preparation and implementation of the restructuring process, and their expectations and suggestions were meticulously accommodated. The Company kept up a high standard of corporate governance throughout the restructuring.

Furthermore, we expeditiously incorporated our corporate standards into the operations of three new companies that joined the Rosseti Group as part of an additional issue.

## Improvement of the Corporate Governance System

### Development of the corporate governance system

| 2019  | 2020   | 2021   | 2022   | 2023  |
|---|--|--|--|---|
| <p><b>Improvement of the corporate governance practices</b></p> <p><b>Registering the Company's shares in the bases for calculating "Responsibility and Transparency" and "Sustainable Development Vector" indices</b></p> <ul style="list-style-type: none"> <li>A new version of the Company's Corporate Governance Code was approved</li> <li>A new version of the Company's Regulation on the Information Policy was approved</li> <li>A new version of the Company's Regulation on the Insider Information Protection was approved</li> <li>Ordinary shares of the Company were firstly registered in the bases created by PJSC Moscow</li> <li>Exchange for calculating MOEX-RUIE "Responsibility and Transparency" and "Sustainable Development Vector" indices</li> </ul> | <p><b>Update of the Articles of Association and internal documents</b></p> <p><b>Transferring sole executive body (SEB)'s powers to the managing organisation</b></p> <ul style="list-style-type: none"> <li>The powers of the SEB were transferred to the managing organisation, thus enabling optimisation of administrative expenses and reduction of transaction costs</li> <li>A new version of the Company's Articles of Association was approved</li> <li>A new version of the Regulation on the Procedure for Preparation and Holding of the General Meetings of Shareholders was approved subject to the requirements of the Regulation of the Bank of Russia No. 660-P</li> <li>A new version of the Regulation on the Board of Directors of the Company was approved, determining the election procedure and functions of the senior independent director, as well as stipulating that Board members may participate in meetings via conference or video conference calls</li> <li>A new version of the Regulation on Remuneration and Compensation Payments to the Board of Directors was approved, prohibiting remuneration payments to Board members being employees of the Company</li> </ul> | <p><b>Improvement of the corporate governance practices</b></p> <p><b>Updating policies</b></p> <ul style="list-style-type: none"> <li>Amendments were made to the Regulation on the Investment Committee of the Board of Directors and to the Regulation of the Strategy Committee of the Board of Directors, aiming to reduce the headcount of the Committees</li> <li>The performance of the Board of Directors and its Committees was subject external assessment, involving an independent consultant</li> <li>New versions of the Regulation on the Corporate Secretary and the Regulation on the Risk Management System were approved</li> <li>A new version of the Regulation on the Information Policy was approved, determining the peculiarities of disclosing non-financial information by the Company, as well as the procedure and term for disclosing material information</li> </ul> | <p><b>Update of the Articles of Association and internal documents</b></p> <p><b>Strengthening the role of the Company's Board of Directors</b></p> <ul style="list-style-type: none"> <li>A new version of the Company's Articles of Association was approved, significantly enhancing the role of the Company's Board of Directors in making key decisions</li> <li>A collegial executive body — the Management Board of the Company, was added to the structure of the Company's governance bodies, and the Regulation on the Company's Management Board was approved</li> <li>New versions of internal documents regulating operations of other bodies of the Company were approved, allowing to improve exercising shareholders' rights and to carry on with the integration of recommendations set forth in the Corporate Governance Code of the Bank of Russia into the Company's activities</li> <li>Amendments were made to the Regulation on the Information Policy</li> </ul> | <p><b>Update of the Articles of Association and internal documents that regulate corporate control</b></p> <p><b>Launching a project to optimise the structure of the Rosseti Group</b></p> <ul style="list-style-type: none"> <li>The Risk Management and Internal Control Policy of PJSC Rosseti (the Rosseti Group) was approved to replace the Regulations on the Internal Control System and the Regulations on the Risk Management System in the Company</li> <li>The Policy on Internal Audit of the Company was approved instead of the Regulations on Internal Audit of the Company</li> <li>The Anti-Corruption Policy of the Company and its subsidiaries was approved instead of the Company's Anti-Corruption Policy</li> <li>Launch of a project aimed at consolidating the Rosseti Group's companies engaged in related activities in the provision of services, including telecommunications, design/construction services, as well as consolidating institutes and laboratories</li> </ul> |