

MEMORANDUM OF THE CONTROLLING SHAREHOLDER – ROSSETI, PJSC ON CONTROLLED POWER GRID COMPANIES

PURPOSE OF OWNERSHIP AND PLANS FOR CONTROLLED SHAREHOLDINGS

Rosseti, PJSC is a public holding company with a state stake of 88.04% in the authorised capital. The Company was established under Presidential Decree No. 1567 dated 22 November 2012 to improve the efficiency and development of the power grid complex of the Russian Federation and to coordinate works on the management of this complex through subsidiaries and affiliates (S&As).

PJSC Rosseti owns controlling stakes in 14 key distribution grid companies^{1, 2} and main power grid company PJSC FGC UES.

Rosseti, PJSC considers these controlled shareholdings to be strategic assets which are not planned to be disposed of.

KEY ASSETS-RELATED OBJECTIVES

The key objective of Rosseti in managing these subsidiaries, according to the Development Strategy of Rosseti Group until 2030 approved by the Board of Directors of Rosseti (Minutes No. 388 dated 26 December 2019), is to develop the electric grid sector based on advanced innovative technologies to meet the needs of consumers and the Russian economy.

Rosseti, PJSC defined the strategic development priorities for the companies of the Group:

- Ensuring a reliable, high quality and affordable electricity supply and contributing to the energy security of the Russian Federation
- Ensuring further improvements in the efficiency of the core business, including through digitalisation and innovation
- Developing new business areas (non-tariff services and consumer services) through the digital transformation to ensure the Company's resilience to changes in the sector
- Implementing the sustainable development principles

¹ PJSC Rosseti Kuban, PJSC Rosseti Lenenergo, PJSC Rosseti Moscow Region, PJSC Rosseti Volga, PJSC Rosseti North-West, PJSC Rosseti Northern Caucasus, PJSC Rosseti Siberia, OJSC IDGC of Urals, PJSC Rosseti Centre, PJSC Rosseti Centre and Volga region, PJSC Rosseti South, PJSC TDC, JSC Rosseti Tyumen, and JSC Yantarenergo.

² OJSC IDGC of Urals renders services under Rosseti Urals brand. PJSC TDC renders services under Rosseti Tomsk brand. JSC Yantarenergo renders services under Rosseti Yantar brand. PJSC FGC UES renders services under Rosseti FGC UES brand.

PRINCIPLES OF CORPORATE GOVERNANCE AT ROSSETI, PJSC

PJSC Rosseti manages the companies of the Group in accordance with unified corporate standards aimed at ensuring the efficiency of business processes and quality control. As a controlling shareholder, Rosseti is fully aware of the importance of improving corporate governance in Group's companies and is committed to ensuring openness and transparency of their activities and to implementing the recommendations of the Corporate Governance Code in their business practices.

While following best corporate governance practices, Rosseti makes sure that every year the number of independent directors on the boards of directors of Group's publicly traded companies is sufficient to comply with listing rules and corporate governance principles. To ensure the independence and objectivity of the boards of directors of Group's companies, Rosseti plans to maintain the number of independent directors on the boards at least at the current level.

Rosseti's representatives also participate in the annual general meetings of shareholders of Group's companies in order to build a dialogue with minority shareholders on the Company's development prospects.

Rosseti, PJSC guarantees compliance with market principles in the conduct of financial and business activities of Group's companies and supports their initiatives to protect the rights and interests of minority shareholders.

Pursuant to Order of the Government of the Russian Federation No. 1094-r dated 29 May 2017, Rosseti undertakes to ensure that at least 50% of net profit determined according to financial statements, including consolidated profits prepared under international financial reporting standards, is allocated to dividend payments on shares of Group's companies, subject to the net profit adjustment stipulated in the above order of the Government of the Russian Federation.

