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# CORPORATE GOVERNANCE REPORT



# THE MEMO OF THE CONTROLLING STOCKHOLDER (PAO ROSSETI) WITH REGARD TO THE CONTROLLED GRID COMPANIES

## GOALS OF STOCKHOLDING AND PLANS WITH REGARD TO THE CONTROLLING STAKES

Public Joint-Stock Company Federal Grid Company – Rosseti (PAO Rosseti) is a public joint-stock company, with 76.9936% of the charter capital owned by the government\*.

PAO Rosseti has controlling stakes in 19 regional grid companies: PAO Rosseti Lenenergo, PAO Rosseti Moscow Region, PAO Rosseti Volga, PAO Rosseti North West, PAO Rosseti North Caucasus, PAO Rosseti Siberia, PAO Rosseti Ural, PAO Rosseti Center, PAO Rosseti Center and Volga, PAO Rosseti South, PAO Rosseti Tomsk, AO Rosseti Kuban\*\*, AO Rosseti Tyumen, AO Rosseti Yantar, AO Rosseti Sibir Tyvaenergo, AO Chechenenergo, AO RES, AO Energetik, AO Elektromagistral.

PAO Rosseti considers its controlling stakes strategic and does not plan to divest from the assets.

## PRIMARY OBJECTIVES REGARDING MANAGEMENT OF THE ASSETS

The key objective of PAO Rosseti with regard to the management of the subsidiaries is innovation-based development of the grids to the extent that meets the needs of consumers and Russian economy.

### PAO Rosseti has outlined the following strategic priorities for the Group's development:

- provision of reliable, high-quality and easy-of-access electricity supply as well as enforcement of Russia' energy security
- promotion of enhanced efficiency of the core business, incl. due to implementation of cutting-edge digital technologies and innovations
- development of new business lines (non-regulated and consumer services) through digital transformation to ensure sustainability of the Company to industry changes
- implementation of sustainable development principles

## CORPORATE GOVERNANCE PRINCIPLES

PAO Rosseti administers the group in compliance with the single corporate standards focused on the efficiency of business processes, quality control, minimization of all types of corporate risks. PAO Rosseti, as a controlling shareholder, fully understands the importance of improving corporate governance in the Group, strives to foster transparency and to implement recommendations of the Corporate Governance Code into business practices. Following the best corporate governance practices, PAO Rosseti ensures that the boards of directors of the Group's

listed companies have as much independent directors as required to comply with the listing rules and corporate governance principles. To ensure independence and neutrality of the boards of directors of the Group's companies, the number of independent directors in the boards of directors is slated not to be lower than the present number. Rosseti's representatives also take part in annual general meetings of stockholders of the Group's companies to build a dialog with minority stockholders regarding business prospects. PAO Rosseti guarantees compliance of the Group's

operations with market-based principles. PAO Rosseti, as a controlling stockholder, supports initiatives of the Group's companies on protection of rights and interests of minority stockholders. The dividend policy of the Rosseti Group is based on strict respect for rights of shareholders, stipulated by the Russian laws, and is focused on the enhancement of investment attractiveness of the Group's listed companies. The size of dividends recommended for payout is set by the Board of Directors of the Group's companies with respect to financial results, incl. IFRS.

## CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code<sup>69</sup> interprets corporate governance as a notion embracing relationships between executive bodies of a joint-stock company, its Board of Directors, shareholders and other stakeholders. Corporate governance is a tool for identifying firm's goals and ways to achieve these goals as well as for fostering efficient oversight of firm's operations for shareholders and other stakeholders.

Core goals of corporate governance are: i) crafting of an effective system for protection and efficient disposal of shareholder's resources; ii) reduction of risks which investors are unable to evaluate and unwilling to accept and management of which by investors in the long run shall inevitably result in reduction of firm's investment prospects and share prices.

\* Taking into account outstanding shares of additional issue (1-01-65018-D-109D dated 21.08.2023)

\*\* Abbreviated company name prior to 24.01.2025 – PAO Rosseti Kuban