

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

PAO Rosseti is a public holding company, with 88.04% of the charter capital owned by the government. It was incorporated in line with Edict of the Russian President⁴⁵ to enhance efficiency and development of the Russian grid sector and coordinate management of the grids through subsidiaries and affiliate. PAO Rosseti has controlling stakes in 14 regional grid companies* (PAO Rosseti Kuban, PAO Rosseti Lenenergo, PAO Rosseti Moscow Region, PAO Rosseti Volga, PAO Rosseti North West, PAO Rosseti North Caucasus, PAO Rosseti Siberia, OAO IDGC of Urals, PAO Rosseti Center, PAO Rosseti Center and Volga, PAO Rosseti South, PAO TRK, AO Rosseti Tyumen, AO Yantarenergo) and 1 backbone grid company (PAO FGC UES). 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, under the Rosseti Group's Development Strategy until 2030⁴⁶, 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's 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 will not 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.

In response to Russian Government Decree⁴⁷ PAO Rosseti shall ensure distribution by the Group's companies of at least 50% of the net income from the IFRS financial statements as dividends, taking into account net income adjustments, stipulated by the abovementioned decree.

* OAO IDGC of Urals' brand name is Rosseti Ural.
PAO TRK's brand name is Rosseti Tomsk.
AO Yantarenergo's brand name is Rosseti Yantar.
PAO FSK UES' brand name is Rosseti FSK UES.