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by the Board of Directors of  
ROSSETI Northern Caucasus, PJSC  
April 23, 2021  
(protocol of April 26, 2021 No. 459)

Approved at the Annual  
General Meeting of Shareholders of  
ROSSETI Northern Caucasus, PJSC  
on May 31, 2021  
(protocol of June 2, 2021 No. 24)

# **Annual Report 2020**

## **ROSSETI Northern Caucasus, PJSC**

**Acting Director General**  
**R.A. Levchenko**

## About the Annual Report

We hereby present to you the Annual Report by ROSSETI Northern Caucasus, PJSC (IDGC of the Northern Caucasus, PJSC, until March 24, 2020; hereinafter can be referred to as "IDGC of the Northern Caucasus", "Company", "Organization", "IDGC of the Northern Caucasus, JSC" or "ROSSETI Northern Caucasus, PJSC") for 2020. This Annual Report is primarily intended for our current and potential investors and targeted at them. The Annual Report is written in accordance with Russian law regarding the securities market. However, we believe that the stable development of the Organization is also significantly impacted by other stakeholder groups such as: government authorities (federal and regional), region's population, consumers and customers, Company's staff, suppliers, mass media. In this regard, we decided it was impossible to be limited to what the Russian law requires of us therefore the Annual Report also includes additional information based on the recommendations of Corporate Governance Code approved by the decision of the Board of Directors on March 21, 2014 and recommended for application in the letter issued by the Bank of Russia on April 10, 2014 No. 06-52/2463 (hereinafter "Bank of Russia Corporate Governance Code") and based on best practice.

It seems to us that only those **aspects of the Annual Report** can be considered **essential** that describe value creation for the stakeholder groups and only those factors that can have a significant impact on the result of such process, namely the business model and its place in the industry, the strategy, macroeconomic factors of development, assessment of the quality of corporate governance, management's statement on the economic and financial state of the Company, risk assessment of the Company's activities.

While writing the Annual Report we **tried to take into account all requests for information that we know of that were made by interested parties. There haven't been any public hearings on the Annual Report** because in our opinion it could have posed an unnecessary risk for the controllable costs of the Company. In the short term, we intend to maintain the existing practice. We are open for communication with interested parties on the contents of our reporting and we are ready to improve it in order for the Annual Report to become an effective tool for attracting investment and strengthening the Organization's business reputation.

This Annual Report has some considerable differences from some of the previous reports. Thus, the 2013 and 2014 reports were largely based on the performance indicators of Dagenergoset, JSC, a subsidiary of ROSSETI Northern Caucasus, PJSC, (based on the principles of consolidated bookkeeping), they were also partially (for the period up to May 1, 2013) based on the performance indicators of the organization that was utilizing the electric grid in the Republic of Ingushetia. This Annual Report, similarly to the 2016-2019 reports, contains performance indicators of ROSSETI Northern Caucasus, PJSC (the Company's branches). **The extent of this Report's coverage** can noticeably affect its comparability with the Company's previous reports and/or reports made by other similar organizations. Reliability of the data provided in this Annual Report has been confirmed by the Audit Commission of the Company (by the resolution of the Audit Commission of ROSSETI Northern Caucasus, PJSC approved on April 15, 2021 Minutes dd April 15, 2021 No. 2/2020).

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## **Introduction by the Chairman of the Board of Directors**

Dear shareholders, partners, colleagues!

During the reporting year the management bodies of ROSSETI Northern Caucasus, PJSC continued to purposefully carry out the task of long-term provision of reliable, high-quality and affordable power supply to consumers of the North Caucasian Federal District at the stage of power distribution through arranging an effective infrastructure. Our goals for 2020 had an emphasis on financial stabilization of ROSSETI Northern Caucasus Group, reduction of power losses in distribution networks, increase of consumer payment discipline, maintenance and improvement of our progressive corporate governance practice.

ROSSETI Northern Caucasus, PJSC is following a Development Plan approved by the Board of Directors of ROSSETI Northern Caucasus, PJSC on February 11, 2019 (Minutes dd February 14, 2019 No. 342) which involves PJSC ROSSETI's financial support to the Company including support through the Company's phased capitalization within the additional issue of shares. The successful implementation of the Development Plan will help to complete the power grid complex development objectives of the Russian Federation approved by the Instruction of the Government of the Russian Federation No. 511-r dd April 3, 2013.

As a part of implementation of the Development Plan in 2020 the Company performed the procedure for additional issue of the Company's shares. On March 20, 2020 the Bank of Russia registered an additional issue of ordinary shares (registration number 1-01-34747-E), the number of shares of the additional issue is 6,565,560,627. The price of placement of a single additional share of ROSSETI Northern Caucasus, PJSC was determined by the Board of Directors on March 11, 2020 (Minutes No. 413 dd March 13, 2020).

The analysis of the corporate governance practice of ROSSETI Northern Caucasus, PJSC is conducted with the help of a rating agency. After the analysis of the corporate governance practice of the Company is conducted the rating agency assigns an appropriate rating. The corporate governance practice of ROSSETI Northern Caucasus, PJSC was rated for the first time back in 2009. Within the annual monitoring of the Company's corporate governance the rating had been growing until 2014 confirming that the course of development of the corporate governance practice had been chosen correctly. In 2014 the rating agency Expert RA (RAEX) assigned to ROSSETI Northern Caucasus, PJSC the highest corporate governance quality rating A++.gq. This assessment implies that according to the rating agency's methods the management quality system facilitates protection of and respect for the stakeholder's rights to the highest degree. Since 2015 (as well as in the reporting year of 2020), ROSSETI Northern Caucasus, PJSC has been retaining the highest rating of the corporate governance quality by way of confirmation by the Expert RA (RAEX) rating agency.

The implementation of the information policy by the Company is carried out by the executive bodies, herewith, the Board of Directors monitors the compliance with information policy. Being fully aware of its integral part in ensuring transparency of the Company's operations, the Board of Directors ratified a revised version of the Regulations on the Information Policy of the Company in 2018, subject to which an English version of the website was launched providing general information about the Company's operations. Since 2019, the Director General of the Company annually submits a report on the Company's compliance with the information policy to the Board of Directors. The rating agency Expert RA (RAEX) in the course of assessing the governance quality in ROSSETI Northern Caucasus, PJSC in 2020 pointed out the Company's

positive factors concerning the "high level of information transparency of the website" rating of the Company both in Russian and in English.

ROSSETI Northern Caucasus, PJSC, pays special attention to the matters dealing with organization of the risks management and internal control system as well as the internal audit. Internal Audit and Control Directorate is administratively subordinate to the Director General and functionally subordinate to the Board of Directors through its Audit Committee. During the reporting year of 2020 the Board of Directors of ROSSETI Northern Caucasus, PJSC, was regularly looking into the matters concerning organization of the risks management and internal control system as well as the internal audit.

Besides ROSSETI Northern Caucasus, PJSC, pays great attention to issues of labor and environment protection and social programs implementation. One of the important areas of the Company's activity is maintenance and development of personnel reserve, creation of a closely-knit, socially protected, creative and economically motivated staff, improvement of labor and leisure conditions, improvement of safety of working conditions in accordance with the industry-leading standards.

In the future, ROSSETI Northern Caucasus, PJSC, its governing and management bodies intend to continue their focused work on improving the corporate governance practice which will help the Company to reach the status of a modern, highly efficient and attractive to investors company.

Sincerely yours,  
Igor Vladimirovich Feoktistov

## Introduction by the Acting Director General

Dear shareholders, partners, colleagues!

As we review the activities of ROSSETI Northern Caucasus, PJSC, in 2020 I would like to emphasize every employee's personal input and care towards ensuring the Company's ability to operate with due stability, and notable contribution of the Board of Directors towards systematic problem solving of relevant issues within the industry.

In the reporting year we faced new challenges — both production-related and social. We had to overcome complicated conditions of a struggle to prevent the spread of coronavirus in order to carry out a set of projects of utmost importance aimed at increasing reliability of power supply to people in all the regions of the Company's operation.

One of the important events that happened in 2020 in regards to the Company's production is the decision made by the Ministry of Energy of the Russian Federation concerning transfer of responsibility for guaranteed power supply in North Ossetia and Dagestan to ROSSETI Northern Caucasus, PJSC. The Company took responsibility for power supply in two regions of the North Caucasian Federal District and started providing power to approximately 4 million people and about 300,000 consumers in the form of legal entities in a timely manner.

Every day, following the restrictions of the existing conditions while also being aware of their personal responsibility for ensuring continuous and effective operation of such a vital industry, every power engineer, dare I say, showcased their professional heroism for the sake of their fellow citizens by providing high-quality power supply to the appropriate areas. In a time of pandemic, the Company's power engineers didn't allow a single large-scale and long-lasting power supply disruption. At the same time there was a high priority to provide power to socially important facilities which include hospitals treating COVID-19 patients, with utmost stability. Thanks to personal contribution of every staff member of ROSSETI Northern Caucasus, we can report notable impact of power production of the Company in 2020.

In 2020, Gorod, the first digital 110 kV substation in the North Caucasian Federal District, was launched. Alexander Novak, Minister of Energy of the Russian Federation, Ramzan Kadyrov, head of the Chechen Republic, and Pavel Livinskiy, Director General of ROSSETI, PJSC, (currently Director of the Department of Energy of the Russian Government) participated in the ceremonial launch of this power facility which is important to this macro-region.

We started a large-scale programme aimed at reducing losses in the republics of the North Caucasus. We also received all-around support of this programme by regional authorities through constructive dialogue in order to implement this project in an effective manner. We have to install approximately 575,000 units of the intelligent accounting equipment in the republics of the North Caucasian Federal District, reconstruct more than 8 km of dilapidated network. The project is intended to continue through 2024, however, taking into account its importance for consumers of electric power, we are working as hard as we can in order to complete the programme by the end of 2021.

Besides, we upgraded our motor transport and specialized equipment in regions of their location. It will improve safety of our staff and allow specialists of branches and managed power companies to reduce the time of restoration work when power outages occur, as well as to quickly and efficiently perform all the necessary measures at power grid facilities of the North Caucasian Federal District.

2020 has been declared the Year of Memory and Glory to commemorate the 75th anniversary of the Victory in the Great Patriotic War. ROSSETI Northern Caucasus, PJSC, successfully implemented a number of very important social and communicative projects to commemorate the 75th anniversary of the Victory in the Great Patriotic War. Among those projects naming key power facilities in every region of the Company's operation after the Great Patriotic War veterans and veterans of power industry.

Participation in social projects of the macro-region remains important for the Company on a par with undertaking production-related tasks.

In front of us we have the year 2021 which has already outlined new challenges in the industry and new opportunities, and we are ready for them. What this means is that new professional achievements are awaiting every single member of our ROSSETI Northern Caucasus family which consists of thousands of people.

And, without a doubt, the Board of Directors is still going to be here to provide essential assistance in dealing with all global challenges.

Sincerely yours,  
Roman Alekseevich Levchenko



## 1. About the Company

### 1.1. Introduction of the Company and its Structure

**ROSSETI Northern Caucasus, PJSC (IDGC of the Northern Caucasus, PJSC, until March 24, 2020)**<sup>1</sup> is an Interregional Distribution Grid Company functioning in the Russian power supply sector. The Company is a natural monopoly, and tariffs for its services are set by regulatory bodies.

**Key Business Activities** — transmission and distribution of electrical energy and technological connection to grid infrastructure.

The Company also buys and sells power and capacity on the wholesale electricity and capacity market, and sells electric power and capacity on the retail market of the Republic of Ingushetia, the Republic of North Osetia-Alania and the Republic of Dagestan.

**Year of incorporation of the legal entity:**

2006

**Industry:**

Electric Power Industry

**Region:**

North Caucasian Federal District, Russian Federation

Part of the Power Holding of ROSSETI, PJSC

**Covers** 1% of the territory and 6.8%<sup>2</sup> of the population of Russia

**Manages** three utility companies and one grid company

**Shares are traded** on the exchange platform of Moscow Exchange

**Owners' structure:** ROSSETI, PJSC (98.76%), other shareholders (1.24%)<sup>3</sup>

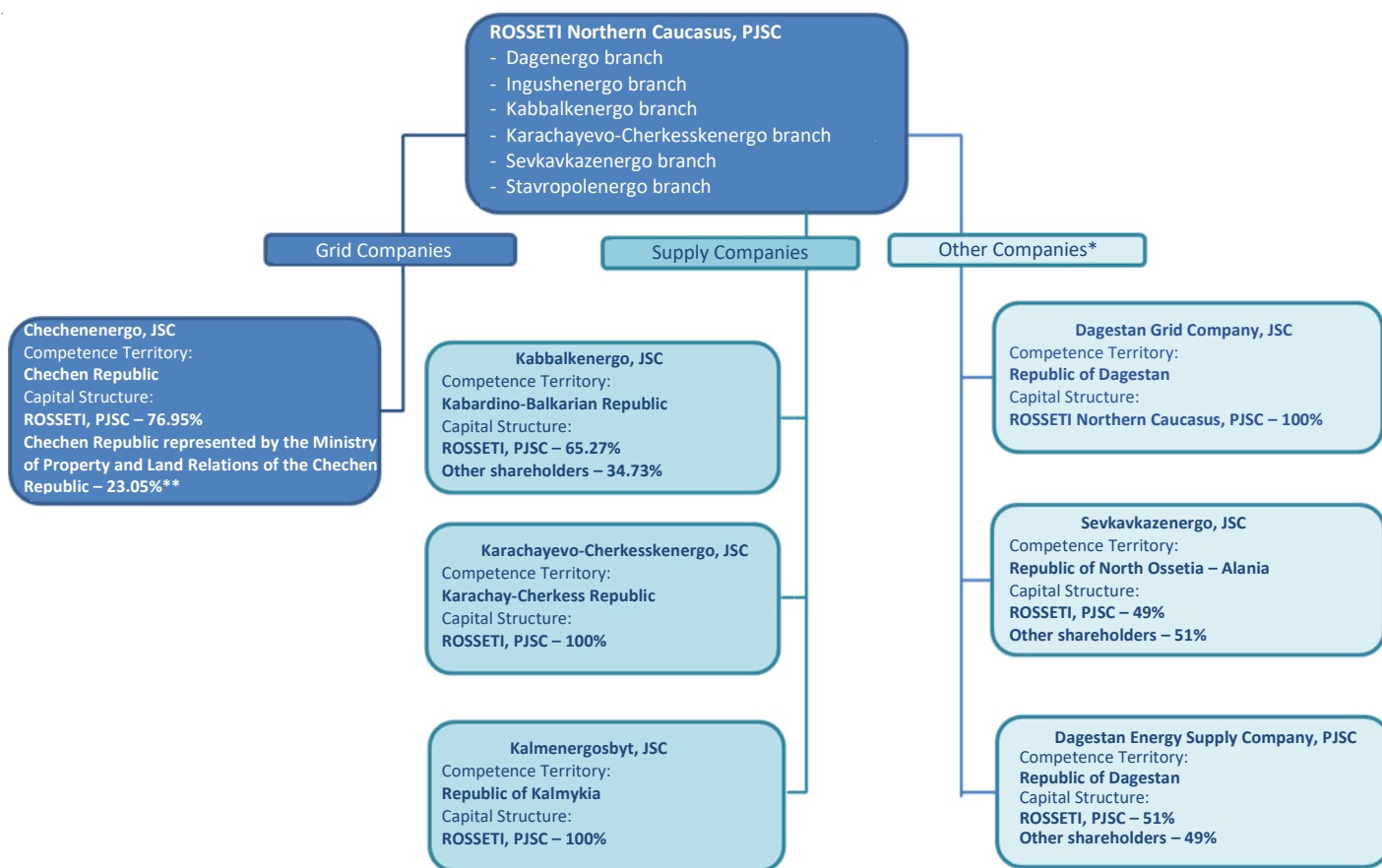
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<sup>1</sup> Additional information on the use of the Company name is set out in the "Limitation of Liability" block.

<sup>2</sup> Subject to preliminary estimate of the population size as for January 01, 2020.

<sup>3</sup> Taking into account the shares of the current additional issue placed on March 20, 2020, No. 1-01-34747-E. Herewith, the Notification of the Results of the Additional Issue of the Company Securities was not submitted to the Bank of Russia, as of the end of 2020.

## Organizational Business Structure



*Note:* All the companies are governed by ROSSETI Northern Caucasus, PJSC.

\* Dagestan Grid Company, JSC, stopped its power transmission in June, 2020, followed by start of operation of Dagestenergo, a branch of ROSSETI Northern Caucasus, PJSC. In 2020, ROSSETI Northern Caucasus, PJSC, took responsibility for guaranteed power supply in the Republic of North Ossetia-Alania starting April 1, 2020 (Order of the Ministry of Energy of the Russian Federation (MinEnergO of Russia) No. 236 dd March 24, 2020) and in the Republic of Dagestan starting July 1, 2020 (Order of MinEnergO of Russia No. 494 dd June 25, 2020) in accordance with the requirements of the current legislation of the Russian Federation and as a result of Sevkavkazenergo, JSC, and Dagestan Energy Supply Company, PJSC, losing their status of an entity of the wholesale power and capacity market by decision of the Supervisory Board of the NP Market Council Association.

\*\* Presented structure of the authorized capital of Chechenenergo, JSC, includes actual placement of additional shares of current issue. Herewith, the Report of Additional Issue of Securities of Chechenenergo, JSC, – Ordinary Shares (registration number 1-01-35075-E-003D dd July 20, 2020) has not been registered and placement of shares of this additional issue has not been completed as at the end of 2020.

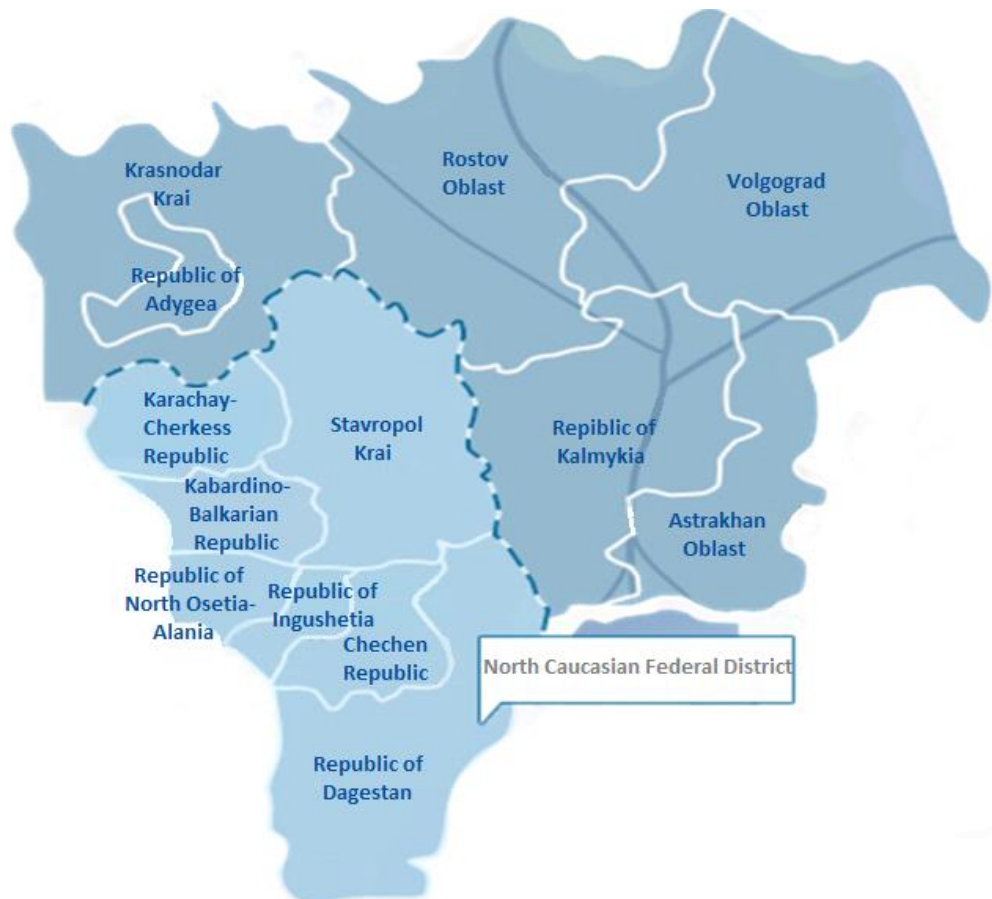
Key changes to the structure and business scale of ROSSETI Northern Caucasus, PJSC:

- since the date of incorporation (August 2006) to March 2008, the Company (when established – SGC, OJSC) has only been dealing with management of regional power companies;
- since September 2006, six North Caucasus power supply companies has been transferred under control of SGC, OJSC (agreements were terminated at the end of 2011);
- at the end of March 2008, as a result of consolidation of grid companies with the Company (and becoming branches of the Company), the Company commenced its power transmission;
- since September 2008, the Company has transferred the power grid assets of the Ingush branch of the republican grid company IngushenergOset, OJSC;

- since April 2010, the Company has leased the power grid assets of Dagenergo branch to its 100% subsidiary Dagenergoset OJSC;
- since May 2013, the Ingush branch (currently know as Ingushenergo branch) has commenced its power transmission activities as a result of expiration of the power grid assets lease agreement between the Company and Ingushenergoset OJSC;
- since July 2015 to June 2020, Dagestan Grid Company, JSC, (100% subsidiary of ROSSETI Northern Caucasus, PJSC) operates as a grid distribution company, power grid assets of the branch Dagenergo has been leased to Dagestan Grid Company, JSC;
- since August 2015, six North Caucasian power supply companies have been transferred under control of ROSSETI Northern Caucasus, PJSC;
- since July 4, 2016, in accordance with the decision of the Arbitration Court of the Chechen Republic on opening of bankruptcy proceedings, the Company has been performing functions of the sole executive body of Nurenergo, OJSC. By the Resolution of the Arbitration Court of the North Caucasian Federal District dd January 26, 2017, the specified decision of the Arbitration Court of the Chechen Republic has been overuled. Since January 26, 2017, the Company has continued to perform functions of the sole executive body of Nurenergo, OJSC. On October 27, 2017, in accordance with the decision of the Arbitration Court of the Chechen Republic, the monitoring procedure against Nurenergo was terminated, and the bankruptcy proceedings were opened against Nurenergo;
- since July 6, 2017, in accordance with the decision of the Arbitration Court of the Republic of Dagestan on holding bankruptcy proceedings regarding Dagenergoset, OJSC, ROSSETI Northern Caucasus, PJSC, has not been performing the functions of the sole executive body of the aforementioned company;
- since May 23, 2018, in accordance with the decision of the Arbitration Court of the Republic of Ingushetia on holding bankruptcy proceedings regarding Ingushenergo, JSC, ROSSETI Northern Caucasus, PJSC, has not been performing the functions of the sole executive body of the aforementioned company.
- on May 8, 2020 the Board of Directors of ROSSETI Northern Caucasus, PJSC, has made a decision about continuous and stable operation of the territorial power grid company in the Republic of Dagestan becoming a high-priority direction for the Company; the Board also approved a Roadmap for operation of the territorial power grid company in the Republic of Dagestan (Minutes No. 421 dd May 12, 2020). Dagestan Grid Company, JSC, stopped operating in June 2020 which was followed by the start of operation of Dagenergo, a branch of ROSSETI Northern Caucasus, PJSC.

## 1.2. Geography of Operation

### Area of Operation — the North Caucasian Federal District (seven federal subjects of the Russian Federation)



## **Area of Responsibility and Regional Policy**

ROSSETI Northern Caucasus, PJSC, operates throughout the North Caucasian Federal District. The district was created by Order of the President of the Russian Federation dd January 19, 2010. The district's territory makes 170.4 thousand sq. km. (1% of the whole Russian territory)

The region has specific social and economic, political and natural characteristics, which may pose threats for formation and operation of economically stable and investment-attractive entities of the power markets. However, we believe that these mentioned features of the district are the Company's opportunities that allow it to acquire a unique experience in solving issues of the power industry. The main conditions for turning threats into opportunities may include persistent pursuing of the strategic benchmark for achievement and maintenance of operating efficiency, as well as responsible and honest management of the Company.

### Factors of investment attractiveness of the region:

- special governmental support measures;
- special institutes of development for the district;
- opportunity to develop tourism of any type;
- transport accessibility;
- great opportunities for industrial complex development;
- unique natural and climatic conditions.

### District geography

The district has borders with:

- by land – with the South Federal District, Abkhazia, Azerbaijan, Georgia and South Ossetia;
- by water – Iran, Kazakhstan and Turkmenistan;
- it is bound by the Caspian Sea in the east, the Greater Caucasus Range and Georgian and Azerbaijani borders in the south, and Russian internal administrative borders in the west and north.

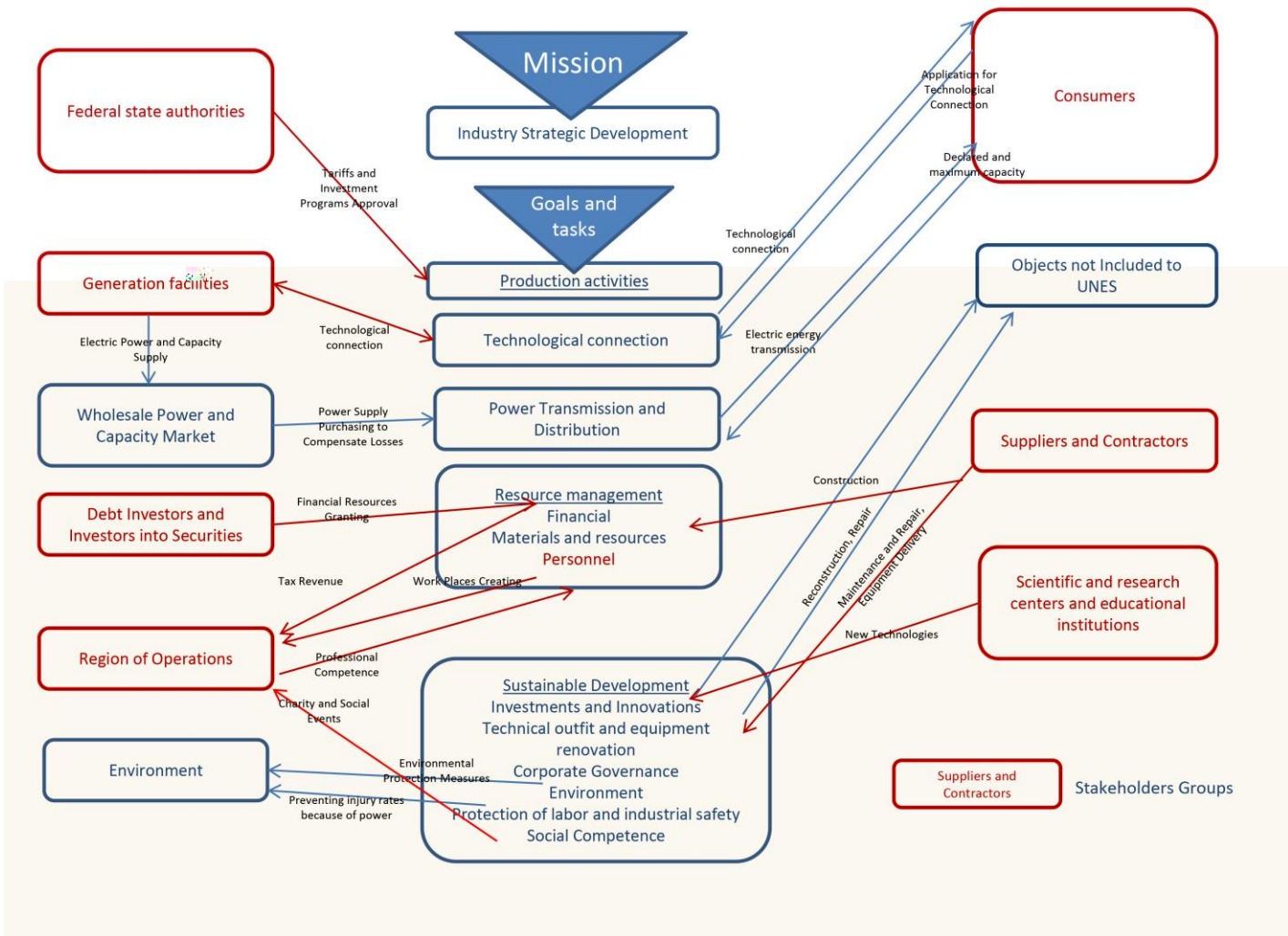
The district enjoys a unique combination of balneological resources – mineral drinking waters, thermal waters and therapeutic muds (about 30% of mineral water resources and over 70% of thermal water resources of Russia are concentrated here). The Greater Caucasus mountain range occupies about 50% of the area of the North Caucasian Federal District.

Constituent entities of the Russian Federation included into the area of responsibility of ROSSETI Northern Caucasus, PJSC, are characterized by rather low level of utilization of the land area. However, the developed infrastructure, including power engineering infrastructure, is necessary for utilization of the area and the city's development. Knowing our responsibility in this area, The Company makes all the effort to build a high-technology, reliable and safe grid infrastructure.

## **1.3. Business Model**

**Our primary goal** is to ensure in the long run the reliable, high-quality and affordable power supply to consumers in the North Caucasian Federal District at the stage of power distribution by organizing the most effective infrastructure.

## Value-Creating Methods of ROSSETI Northern Caucasus, PJSC



Business of ROSSETI Northern Caucasus, PJSC, is arranged in such a manner as to meet the needs of stakeholders to the maximum possible extent.

### Process of Transformation of Resources into Values for the Stakeholders of ROSSETI Northern Caucasus, PJSC

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
State and Region			
Federal state authorities			
Government of the Russian Federation / Ministry of Energy of Russia  <b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC: • Corporate Code of Ethics and Business	Strategic development benchmarks	Mission (determines the mission of the company through the mission of the power grid complex and strategic benchmarks)	Creation of a catalyst for the growth of cities, the population and the economy in general through the construction of power grids

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
<p>Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</p> <ul style="list-style-type: none"> <li>Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in Sections "Strategy and Development Prospects", "Risk Factors and Risk Management System", "Tariff Policy", "Investment Activities and Capital Construction", "Public Relations, Relations with State Authorities and Mass Media Relations"</p>			<p>Maintenance of the social well-being</p>
	<p>Approved investment programs</p>	<p>Determines the key areas of the Company's investment through the approval of investment programs</p>	<p>Ensuring of the operation of the economy and the social sector through the supply of the necessary resource</p> <p>Budget and tax receipts for the development of the economy and the social sector</p>
<p>Federal Antimonopoly Service</p> <p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the sections "Strategy and Development Prospects", "Tariff Policy", "Public Relations, Relations with State Authorities and Mass Media Relations"</p>	<p>Approved tariffs for power transmission and technological connection of consumers</p>	<p>Production activities: technological connection, power transmission and distribution (set parameters of the Company's activities and determine the formation of funding sources by establishing a socially just and economically feasible amount of payment for the Company's services)</p>	<p>Support of the industry competitiveness through the application of a reasonable and economically feasible tariff</p> <p>Ability to effectively regulate tariffs and monitor their use through constructive cooperation</p>
<b>Region</b>			
<p>Regional authorities</p> <p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>Anti-Corruption Policy (see the section of the website of ROSSETI, PJSC, "About the Company/Anti-Corruption Policy");</li> <li>Partnership Program between ROSSETI Northern Caucasus, PJSC, and small and medium-sized enterprises (see the section "Procurement/Roadmap for Cooperation</li> </ul>	<p>Management decisions (assistance in consolidation of power grid assets, improvement of the payment discipline)</p>	<p>Production activities: power transmission and distribution (participate in joint inventory audit of the power grid complex to identify and register abandoned power grid assets, establish joint working groups to assess the effectiveness of territorial grid companies, develop mechanisms for</p>	<p>Budget and tax receipts for the development of the economy and the social sector</p> <p>Maintenance of the social well-being</p>



Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
<p>with SMEs");</p> <ul style="list-style-type: none"> <li>Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the sections "Tariff Policy", "Investment Activities and Capital Construction", "Public Relations, Relations with State Authorities and Mass Media Relations"</p>		consolidation of inefficient companies)	
<p>Generation facilities</p> <p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the sections "Investment Activities and Capital Construction", "Performance Results"</p>	Power Supply and Capacity	Production activities: technological connection, power transmission and distribution (apply for connection of generation facilities)	<p>Provision of consumers with access to large cost-effective generators</p> <p>Reduction in generating capacity reserves, which consumers otherwise would have to maintain to ensure the reliability of power supply</p>
<p>Suppliers and Contractors</p> <p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>Anti-Corruption Policy (see the section of the website of ROSSETI, PJSC, "About the Company/Anti-Corruption Policy");</li> <li>Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the sections "Procurement Activities", "Anti-Corruption Policy"</p>	Equipment; maintenance, repair, construction (materials, competences, saved time and labor resources)	<p>Resource management: logistics.</p> <p>Sustainability: investments and innovations, technical equipment and renovation of equipment, occupational health and safety (ensure the supply of equipment and materials, the performance of works by contract, the proper level of quality of works and materials through the fulfillment of the stated requirements of the customer)</p>	<p>Financial resources for business development</p> <p>Maintenance of the level of employment and adequate standard of living for employees of suppliers and contractors</p> <p>Improvement of competences through the implementation of new projects of the customer</p>



Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
<p>Scientific and research centers and educational institutions</p> <p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>• Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>• Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the sections "Innovative Development in the Field of Energy Saving and Energy Efficiency Improvement", "Human Capital and Social Responsibility"</p>	<p>Advanced technologies, human resources</p>	<p>Resource management – personnel</p> <p>Sustainability: investments and innovations, technical equipment and renovation of equipment (ensure the delivery and introduction of advanced technologies, supply of human resources)</p>	<p>Financial resources</p> <p>Improvement of competences through the development and elaboration of new projects</p> <p>Employment of graduates of educational institutions</p>
<p>General public</p> <p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>• Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>• Anti-Corruption Policy (see the section of the website of ROSSETI, PJSC, "About the Company/Anti-Corruption Policy");</li> <li>• Regulation on the implementation of a unified communication policy of ROSSETI Northern Caucasus, PJSC;</li> <li>• Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the section "Public Relations, Relations with State Authorities and Mass Media Relations"</p>	<p>Independent assessment of activities</p>	<p>Sustainability: occupational health and safety, environmental protection, social competences (carry out constant assessment of the reputation, the importance of projects for the regional economy, level of competence, impact on the environment of the region, social responsibility of business through the public censure or approval)</p>	<p>Ensuring of the power supply reliability Maintenance of the level of employment of the population</p> <p>Charity and sponsorship projects</p> <p>Confidence in the environmental sustainability</p>
<b>Shareholders and investors (debt investors, equity investors)</b>			
<p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>• see the documents in section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>• Regulation on the Credit Policy.</li> </ul>	<p>Money, securities, other things, ownership rights or other rights having a monetary</p>	<p>Production activities: power transmission and distribution</p> <p>(assist in the creation of a center of responsibility for</p>	<p>Interest (for the use of borrowed funds)</p> <p>Income from stock exchange difference</p> <p>Dividends</p>

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
<p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the section "Corporate Governance"</p>	<p>value</p> <p>Innovations and technologies of the corporate governance</p> <p>Competences</p>	<p>reliable power supply to consumers in the region, consolidation of grids through the contribution of power grid assets to the authorized capital)</p> <p>HR management: financial resources</p> <p>(ensure the cash inflow for the implementation of projects through the acquisition of the company's securities and granting of loans to the company)</p> <p>Sustainability: investments and innovations, corporate governance</p> <p>(stimulate the introduction of advanced corporate governance practices in the company through the requirements for the investment object)</p>	<p>Opportunity to sell shares at any time in the liquid securities market</p> <p>Absence of legal risks (violation of legal rights and interests) when investing in shares through a transparent corporate governance mechanism</p>
<b>Customers and clients</b>			
<p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>• Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>• Consumer Service Quality Standard of ROSSETI Northern Caucasus, PJSC;</li> <li>• Unified Procurement Standard of ROSSETI, PJSC, Partnership Program between ROSSETI Northern Caucasus, PJSC, and small and medium-sized enterprises (see the section "Procurement/Roadmap for Cooperation with SMEs");</li> </ul>	<p>Financial resources</p>	<p>Production activities: technological connection, power transmission and distribution (determine the stability of the company's cash flow creating opportunities or obstacles for planning of the activities and development of the region)</p>	<p>Power for the operation of a production facility, business, household</p>

Stakeholder	Provided resources	Area of the business model affected by the stakeholders; description of the impact	Created values
<ul style="list-style-type: none"> <li>• Anti-Corruption Policy (see the section of the website of ROSSETI, PJSC, "About the Company/Anti-Corruption Policy");</li> <li>• Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the sections "Investment Activities and Capital Construction", "Performance Results", "Technological Connection", "Anti-Corruption Policy"</p>			
<b>Personnel</b>			
<p><b>Principles of cooperation</b> are set forth in the bylaws of ROSSETI Northern Caucasus, PJSC:</p> <ul style="list-style-type: none"> <li>• Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws");</li> <li>• Collective agreement;</li> <li>• Anti-Corruption Policy (see the section of the website of ROSSETI, PJSC, "About the Company/Anti-Corruption Policy");</li> <li>• Provisions of ROSSETI, PJSC, about the unified technical policy in the power grid complex.</li> </ul> <p><b>Cooperation with the stakeholder in the reporting year</b> is reflected in the sections "Innovative Development in the Field of Energy Saving and Energy Efficiency Improvement", "Anti-Corruption Policy", "Human Capital and Social Responsibility"</p>	Professional competences, management decisions, ideas	<p>Resource management: personnel.</p> <p>Sustainability: investments and innovations, social competences</p> <p>(ensure the operation of the power grid complex through the attraction of human resources, ensure the development of the power grid complex of the region through the use of new management solutions, the inflow of necessary professional competences)</p>	<p>Ensuring of the employment</p> <p>Adequate salary level</p> <p>Comfortable working conditions</p> <p>Opportunity for self-actualization</p> <p>Improvement of professional competences</p> <p>Maintenance of the adequate standard of living for employees and their families</p>

#### 1.4. Brief History

Milestone Summary	Event Description
Creation of a vertically integrated power company	<p><b>July 1903</b></p> <p><b>Bely Ugol HPP</b></p> <p>Bely Ugol HPP, the first large hydroelectric power plant in Russia (capacity of 700 kW), was launched on the Podkumok River (Stavropol Krai). At the time it had the longest power transmission lines (20 km) with 8 kV voltage.</p>
	<p><b>1913</b></p> <p><b>Pyatigorsk TPP</b></p>

<b>Milestone Summary</b>	<b>Event Description</b>
	<p>This thermal power plant was put into operation in Pyatigorsk. Scientists led by Mr. M. Shatelen looped the thermal power plant with Bely Ugol HPP (the prototype of the Russian Unified Energy System).</p> <p><b>1992</b>  <b>RAO UES of Russia, JSC</b>  A Russian open joint stock company of power engineering and energy connectivity UES of Russia was established.</p>
<b>Anti-crisis management</b>	<p><b>August 1, 2001</b>  <b>KEUK OJSC</b>  KEUK, OJSC, a management company, was registered for the energy systems in North Caucasus (Ingush, Kabardino-Balkarian, Karachay-Cherkess, and North Ossetian energy systems) in Zheleznovodsk (Stavropol Krai).</p> <p><b>March 2005</b>  <b>Reorganization and restructuring project</b>  The Reorganization and Restructuring Project was approved for the AO-Energo managed by KEUK, OJSC.</p> <p><b>September 2006</b>  <b>JSC-Energo management</b>  SGC, OJSC, received the management functions for following joint-stock companies: Kabbalkenergo; Karachaevo-Cherkesskenergo; Kalmenergosbyt; Sevkavkazenergo; Dagestan Energy Supply Company; Nurenergo; Ingushenergo; KEUK; Stavropolenergo; Dagenenergo.</p>
<b>Power engineering reform</b>	<p><b>April 2006 – September 2007</b>  <b>Disaggregation by activity</b>  The grid assets of Kabbalkenergo OJSC; Karachaevo-Cherkesskenergo OJSC; Sevkavkazenergo OJSC; and Ingushenergo OJSC, were transferred as a payment for additional issue of shares of Open Joint Stock Company Caucasian Power Management Organization (KEUK OJSC). Kabbalkenergo, OJSC, Karachaevo-Cherkesskenergo, OJSC, Sevkavkazenergo, OJSC, and Ingushenergo, OJSC, became energy supply companies, and four network branches were created within the structure of KEUK, OJSC.</p> <p><b>August 4, 2006</b>  <b>SGC OJSC</b>  State registration of SGC, OJSC, was executed (by the decision of the only founder – RAO UES of Russia, OJSC).</p> <p><b>August 1, 2007</b>  <b>IDGC of the Northern Caucasus</b>  SGC OJSC was renamed as Open Joint Stock Company Interregional Distribution Grid Company of North Caucasus.</p>

Milestone Summary	Event Description
	<p><b>December 25, 2007 – April 1, 2008</b>  <b>Consolidation</b>  Reorganization of the Company was completed by taking over Dagenergo, OJSC; KEUK, OJSC; and Stavropolenergo, OJSC. The Company became a unified operating distribution grid company located in the North Caucasus.</p> <p><b>July 1, 2008</b>  <b>IDGC Holding, OJSC (currently ROSSETI, PJSC)</b>  IDGC Holding, OJSC, was formed by separation from the reorganized RAO UES of Russia, OJSC. It provides corporate governance for operating IDGCs. The title to a block of shares of the Company was transferred to IDGC Holding, OJSC.</p>
<p><b>Work on the investment appeal and the management structure</b></p>	<p><b>June 2008</b>  <b>Entering capital markets</b>  Commencement of trading of shares of the Company in MICEX and RTS.</p> <p><b>November 30, 2010</b>  <b>Transition to RAB</b>  The Federal Tariff Service approved the transition of five branches of ROSSETI Northern Caucasus, PJSC, to RAB tariff regulation starting January 1, 2011.</p> <p><b>January 27, 2010 – February 8, 2011</b>  <b>Dagenergoset, JSC</b>  A subsidiary – a grid company Dagenergoset, OJSC – was established and transferred under control of the Company.</p> <p><b>March 23, 2011</b>  <b>Energoservice OJSC</b>  A subsidiary, energy service company Energoservice, OJSC, was established to increase the power efficiency of grid companies in the region.</p> <p><b>December 15, 2011</b>  <b>Split-off of energy supply companies</b>  The Company had its agreements on delegation of authority of a sole executive body of power supply companies terminated.</p> <p><b>July 2, 2015</b>  IDGC of the Northern Caucasus OJSC was renamed to IDGC of the Northern Caucasus PJSC.</p> <p><b>August 21, 2015</b>  <b>Management of energy supply companies</b>  Six power supply companies were transferred again under control of ROSSETI Northern Caucasus, PJSC.</p>

### 1.5. Key indicators and important events of the reporting year

#### Revenue according to Russian Accounting Standards, million rubles

2020	26,863.4	2020 variation vs 2019 <b>46.3%</b>
2019	18,361.8	
2018	17,040.5	

#### Net loss according to Russian Accounting Standards, million rubles

2020	-11,228.1	2020 variation vs 2019 <b>-18.7%</b>
2019	-9,455.9	
2018	-2,270.3	

#### Revenue according to IFRS, million rubles

2020	27,719.8	2020 variation vs 2019 <b>+30.3%</b>
2019	21,274.2	
2018	19,766.6	

#### Net profit (loss) according to IFRS, million rubles

2020	-11,534.9	2020 variation vs 2019 <b>6,301.7 million rubles</b>
2019	-17,836.6	
2018	-7,832.2	

#### Key Corporate Events of 2020

**March 12**, V. Ivanov, Director General of ROSSETI Northern Caucasus, PJSC, and V. Vladimirov, Governor of Stavropol Krai, signed an Agreement on cooperation in the field of development of the power grid complex through 2027 in the presence of the Plenipotentiary Representative of the President of the Russian Federation in the North Caucasian Federal District Y.Y. Chaika.

**March 20**, the Bank of Russia registered additional issue of ordinary shares of ROSSETI Northern Caucasus, PJSC, registration number 1-01-34747-E. The Company directed the funds raised as a part of additional issue of shares towards implementation of measures of the Development Plan of ROSSETI Northern Caucasus Group.

In **March**, Memorandum of Stabilization of Relations was signed by ROSSETI, PJSC, ROSSETI Northern Caucasus, PJSC (including companies controlled by it), Tyvaenergosbyt, JSC, and wholesale market participants — sellers of electric energy and power (lenders).

**March 24**, amendments of the Charter of the Company associated with the change of name of IDGC of the Northern Caucasus, PJSC, to ROSSETI Northern Caucasus, PJSC, were registered.

Since **April 1**, ROSSETI Northern Caucasus, PJSC, has taken responsibility for guaranteed power supply in the Republic of North Ossetia-Alania (Order of MinEnergo of Russia No. 236 dd March 24, 2020) in accordance with the requirements of the current legislation and as a result of Sevkvkazenergo, JSC, losing its status of an entity of the wholesale power and capacity market by decision of the Supervisory Board of the NP Market Council Association.

**May 8**, the Board of Directors of ROSSETI Northern Caucasus, PJSC, has made a decision about continuous and stable operation of the territorial power grid company in the Republic of Dagestan becoming a high-priority direction for the Company; the Board also approved a Roadmap for operation of the territorial power grid company in the Republic of Dagestan (Minutes No. 421 dd May 12, 2020). Dagestan Grid Company, JSC, stopped operating in June 2020 which was followed by the start of operation of Dageenergo, a branch of ROSSETI Northern Caucasus, PJSC.

**May 29**, the annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, was held (new members of the Board of Directors and the Revision Commission were elected, the Auditor was approved, the decision was made not to pay the dividends, new revision of the Regulation on the Board of Directors of the Company was approved).

Since **July 1**, ROSSETI Northern Caucasus, PJSC, took responsibility for guaranteed power supply in the Republic of Dagestan (Order of MinEnergo of Russia No. 494 dd June 25, 2020) in accordance with the requirements of the current legislation of the Russian Federation and as a result of Dagestan Energy Supply Company, PJSC, losing its status of an entity of the wholesale power and capacity market by decision of the Supervisory Board of the NP Market Council Association.

**July 30, September 30, October 15, December 30**, the Board of Directors of ROSSETI, PJSC, approved amendments of the Development Plan of ROSSETI Northern Caucasus Group involving targeted financial support to ROSSETI Northern Caucasus, PJSC, for construction of power grid facilities, implementation of energy loss programme, reduction in debt burden, and taking other measures.

**October 27**, the rating agency Expert RA (RAEX) confirmed the governance quality rating A++.gq (the highest possible governance quality rating) of ROSSETI Northern Caucasus, PJSC. This rating means that the management quality system to the highest possible extent contributes to respect for and protection of the stakeholders' rights.

**November 23**, an extraordinary General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, took place (decisions were made concerning early termination of powers of the Board of Directors and the Revision Commission's members and election of the new members).

## **2. Strategic Report**

### **2.1. Market Review**

ROSSETI Northern Caucasus, PJSC, is an electric power company. Electric power industry of Russia is an industry of Russian energy sector which produces, transmits, distributes and supplies electric power to a consumer.

The power grid system of the Russian Federation consists of RAO UES of Russia (seven Unified Energy Systems (UES): UES of Center, Middle Volga, Ural, Northwest, South, Siberia, and East) and territorially isolated power grid systems (Chukotka Autonomous Okrug, Kamchatka

Krai, Sakhalin Oblast, Magadan Oblast, Norilsk-Taimyr and Nikolaev power districts, energy systems of the northern part of the Republic of Sakha (Yakutia)).

Power consumption in the UES of Russia in 2020 amounted to 1,033,718.4 million kWh, which is lower than the actual amount of 2019 by 25,643.2 million kWh (-2.4%) (under similar temperature conditions of the last year the decrease is 2.1%). A decrease amounted to 21,840.3 million kWh (-2.1%) in comparison to actual power consumption in 2018.

In 2020, a decrease of annual power consumption in the UES of Russia due to the influence of the temperature factor is estimated at 3.3 billion kWh (-0.3%) with an increase in the average annual temperature of the energy system by 1°C compared to the last year. The most significant impact of temperature on changes in the dynamic of power consumption could be observed during Q1 2020 when variations of average monthly temperatures reached their peak. During Q1 2020, the dynamic of power consumption in the UES of Russia had a decrease of 0.7% compared to the same period of time in 2019 under comparable temperature conditions excluding impact of a leap year.

A significant decrease of power consumption in April 2020 was observed as a result of restrictive measures that were implemented due to the spread of the coronavirus disease COVID-19.

Since May 2020, a more substantial decrease of power consumption has been recorded in the UES of Russia resulting from the following factors having simultaneous effect: ongoing restrictions of operation of enterprises and organizations under the conditions of self-isolation and a significant decrease of power consumption by oil production and transportation companies under the OPEC+ agreement, as well as a decrease of domestic fuel consumption.

Despite the fact that the restrictive measures are still partially in effect and despite existing limitations of the oil industry as a result of the OPEC+ agreement being in effect, the dynamic of power consumption in the UES of Russia in December 2020 corresponds to its amount in 2019 under comparable temperature conditions.

Interregional Dispatching Office of the South, a branch of SO UES, JSC, controls operation of 13 power grid system of the UES of South located in 15 federal subjects of the Russian Federation: republics of Adygea, Dagestan, Ingushetia, Kabardino-Balkaria, Kalmykia, Karachay-Cherkessia, Crimea, North Ossetia-Alania, Chechnya, Krasnodar Krai, Stavropol Krai, Astrakhan Oblast, Rostov Oblast, Volgograd Oblast, and a city of Sevastopol.

Power consumption in UES of South in 2020 amounted to 100,675.9 million kWh, which is 0.6% less than the amount consumed in 2019. In 2020, the UES of South power plants produced 102,861.4 million kWh of electric power, which is 0.2% less than power production in 2019.

**Data on Actual Values of Annual Power Consumption Within the Constituent Entities of the North Caucasian Federal District Belonging to the Area of Operation of ROSSETI Northern Caucasus, PJSC, in 2020 in Comparison to Actual Values of Annual Power Consumption in 2019**

Constituent Entity of the Russian Federation	Power consumption, million kWh				
	2019	2020	2020 variation (+/-) vs 2019	% vs 2019	% vs 2019 excluding February 29, 2020
the Republic of Dagestan	6,652.0	6,888.1	236.2	3.6	3.2
the Republic of Ingushetia	807.1	827.2	20.1	2.5	2.2



the Kabardino-Balkarian Republic	1,676.9	1,718.6	41.7	2.5	2.2
the Karachay-Cherkess Republic	1,382.3	1,423.9	41.7	3.0	2.7
the Republic of North Ossetia-Alania	1,720.6	1,704.0	-16.6	-1.0	-1.3
Stavropol Krai	10,354.8	10,237.5	-117.3	-1.1	-1.4

Data obtained from the following websites: MinEnergo of Russia <https://minenergo.gov.ru>, SO UES, JSC [www.soups.ru](http://www.soups.ru).

## 2.2. Macroeconomic Trends of the Reporting Year

In 2020, a decrease of GDP amounted to -3.1% based on initial estimate by the Federal State Statistics Service. Nominal GDP reached 106,606.6 billion rubles in 2020. Its actual volume index compared to 2019 was 96.9%, the GDP deflator was 100.7%.

The 3.1% decrease of GDP in 2020 was caused by implementation of restrictive measures aimed at prevention of the spread of the coronavirus disease and related to a decline in global demand for energy resources.

Value added noticeably decreased in different industries that provide services for the population: hotels and restaurants (-24.1%), cultural and sport-related establishments (-11.4%), transport companies (-10.3%), organizations providing other services to the population (-6.8%).

The adverse conditions of export and lowered prices of energy resources have resulted in the decrease of actual volume index of value added (-10.2%) and the deflator index of value added (-17.6%) in the extractive industry. Oil products' price changes became one of the reasons for the decrease of the deflator index of gross value added of manufacturing facilities (-0.3%).

An increase of demand for financial services resulted in an increase of value added in finance and insurance (+7.9%).

An increase of utility rates affected the growth of the deflator indexes of gross value added of companies that provide electric power, heating (+3.9%), water supply, waste and water disposal (+6.2%).

An increase of the deflator index of value added in comparison to last year observed in health-care (+11.9%), education (+5.5%), and other fields of the public administration sector, is related to the average wage growth of people working in these industries.

Source: Federal State Statistics Service <https://rosstat.gov.ru>.

In the end of 2020, industrial production continued to recover — up to -2.5% YoY in Q4 2020 compared to -4.8% YoY in Q3 2020 and -6.7% YoY in Q2 2020. December 2020, the industrial production almost reached last year values (-0.2% YoY compared to -1.5% YoY in November) with the help of high values of manufacturing. Overall, values of indicators of the industrial production (-2.9%) turned out higher in 2020 than they were predicted.

In 2020, manufacturing had moderate growth (+0.3%). Q4 2020, production of manufacturing had 1.1% YoY increase compared to 2019 (after a -0.1% YoY decrease in Q3 2020, and -5.2% YoY decrease in Q2 2020), then the highest increase since March was recorded in December which amounted to 4.4% YoY.

The chemical complex (+8.8% in 2020, including pharmaceuticals — +23.0%) and the food industry (+3.1%) were drivers of growth in 2020 as well as previous years. There was also a positive trend in the light industry (+1.1% by the end of 2020) and wood industry (+0.5%).

Besides, under the conditions of declined investment activity and external demand, a negative trend of the manufacturing appeared in the machine-building complex and metallurgical complex. Lowered transport volumes and as a result, lower demand on motor oil under the conditions of restrictions in Russia and worldwide, caused negative values of indicators in the field of oil refining.

The main impact that lowered industrial production during 2020 was made by mineral extraction (-7.0%, overall input in industry production -2.7% YoY out of -2.9%) mainly due to diminishing of oil production under the conditions of the OPEC+ agreement (-8.7% decrease of oil). In December, indicators of the extractive industry remained at a low level (-8.5% YoY compared to -7.5% YoY in November).

By the end of 2020, the annual inflation was 4.9% YoY (compared to 4.4% YoY in November and 3.0% YoY at the end of 2019). Price increase became bigger compared to the last month (up to 0.83% m/m compared to 0.71% m/m in November) after it was typically affected by the seasonal factor at the end of the year, however, excluding the seasonal factor, inflation did decrease slightly.

Food inflation (2.5 pp out of 4.9%) continued to make main input to consumer price increase in December as well as two previous months. Food commodities became 6.7% YoY (5.8% YoY in November, a year earlier — 2.6% YoY increase) more expensive by the end of December, in month-to-month comparison — by 1.5% m/m compared to 1.3% m/m a month earlier.

Worldwide increase of key food commodities' prices and decline in harvest of some crops compared to record-breaking results of 2019 lead to accelerated growth of consumer price of some socially important products, fruit and vegetables.

In order to stabilize prices of socially important products the Government of the Russian Federation implemented measures aimed at creating balance on the related markets: agreements were signed with manufacturers and retail chains; subsidy programmes and some foreign trade measures were implemented.

The implemented measures helped to stabilize price dynamics of the appropriate food products despite the fact that the worldwide prices kept growing. Non-food products (1.7 pp) also made a noticeable impact on the inflation in 2020, price increase accelerated in December in year-to-year comparison up to 4.8% YoY compared to 4.5% YoY in November (3.0% in 2019). The ruble depreciation that was at a moderate level in March-April had a greater impact on inflation dynamics in October-December due to recovery of consumer demand by this time. The fastest acceleration of price increase happened to products that were largely imported (light vehicles, medicine, household chemicals, electrical and household appliances).

In December, the price increase in the services sector remained on a moderate level in year-to-year comparison to 2019 (2.7% YoY, a year earlier — 3.8% YoY) within remaining restrictions.

Source: Ministry of Economic Development of the Russian Federation <https://www.economy.gov.ru/>.

## Regional Development in 2020

The turnover of companies of the North Caucasian Federal District of all types of activities amounted to 3.2 trillion rubles in 2020, or 110.7% of the turnover for the corresponding time period last year.

The industrial production index of economic activity of "Mineral Extraction"; "Manufacturing"; "Electric Power, Heating Supply, Air Conditioning"; "Water supply, Water Disposal, Waste Collection and Utilizations, Elimination of Pollution" amounted to 106.5% compared to 2019.

Producer price index for industrial goods<sup>1</sup> was 105.0%. Agricultural production index was 94.6%<sup>2</sup> compared to 2019.

The relative share of the North Caucasian Federal District in the total agricultural output of all agricultural manufacturers in Russia (agricultural organizations, peasant agriculture (farming), sole proprietor, households of the population) was 8.3% in 2020.

Producer price index for agricultural products<sup>1</sup> was 112.3%.

Total cost of the amount of work put into Building was 450.7 billion rubles in 2020, 104.7% of the cost in 2019. This value of the District represents 4.7% of the total value across Russia.

In 2020, companies and organizations of all forms of ownership provided 3.9 million square meters of total floor area in new built residential and non-residential buildings, housing units, which equates to 97.1%<sup>3</sup> compared to 2019.

Producer price index for construction products<sup>1</sup> was 103.9%.

The wholesale trade turnover of wholesale traders suffered a decrease of 5.3% in 2020 compared to the corresponding time period in 2019 and amounted to 1,607.1 billion rubles. Sale of goods brought 162.4 thousand rubles per capita (the average value per capita across Russia was 228.6 thousand rubles).

In 2020, total commercial services provided to the population brought 394.2 billion rubles, the volume index was 86.1% compared to the corresponding time period of 2019.

Consumer price index<sup>1</sup> was 106.1%, including food products – 108.9%, non-food products – 104.9%, services – 102.2%.

The wholesale trade turnover of wholesale traders in 2020 amounted to 0.8 trillion rubles and decreased in comparison with 2019 by 5.1% in comparable prices.

Foreign trade turnover in January-September 2020 was characterized by a positive trade balance – USD 0.3 B (export – USD 0.9 billion, import – USD 0.6 billion) and amounted to 0.4% of the total Russian foreign trade turnover.

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<sup>1</sup> December 2020 compared to December 2019.

<sup>2</sup> Preliminary data.

<sup>3</sup> Ratios have been calculated in relation to housing units built on land intended for gardening.

In January - September 2020, 358 billion rubles of investments to the fixed capital were used towards development of economics and social sphere of the North Caucasian Federal District which equate to 109.4% in comparison to the respective time period of the previous year.

Investment in the district amounted to 3.0% of total Russian investment. Investment ratio out of own funds are estimated at 32.4%, raised funds – 67.6%, including 28.6% out of the federal budget funds.

The total amount of financial investment in January – September 2020 was 555.2 billion rubles. 95.9% of the amount of financial investment received by the North Caucasian Federal District during the reporting period are short-term financial investments.

In 2020, the consolidated budget of the constituent entities<sup>1</sup> of the North Caucasian Federal District was implemented with a surplus of 3.2 billion rubles. Expenses amounted to 642.3 billion rubles, income amounted to 645.5 billion rubles.

Subject to the data of the Federal Tariff Service (FTS of Russia) in the North Caucasian Federal District, the return of taxes, dues and other binding payments decreased by 1.0% in 2020 compared to the same time period in 2019 and was 227.7 billion rubles. Total debt for taxes, die insurance fees, fines and tax penalties to the budgetary system of the Russian Federation across the district amounted to 118.7 billion rubles as of January 01, 2021.

Overall, across the district, the number of births was 1.5 times higher than the number of deaths; natural increase rate amounted to 4.8‰. Migration outflow was -9.1 thousand people.

According to a 2020 labour-force sample survey, labour force of people aged 15 and above was comprised of 4.5 million people or 59.3% of the total population of the district belonging to the corresponding age range. 625.6 thousand people didn't have a job but were actively looking for one, they accounted for 13.9% of the total labour force (they can be classified as unemployed according to the methodology of the International Labour Organization). By the end of December 2020, 480.1 thousand people, 10.7% of the total labour force, have been registered as unemployed by state employment services.

Population welfare level is first of all determined by money income per capita<sup>2</sup>, which across the North Caucasian Federal District amounted to 24,399 rubles per month (across Russia – 35,361 rubles per month).

In 2020, the average monthly nominal accrued salary of companies' employees was 31,452<sup>2</sup> rubles and was 7.8% higher than it was in 2019, the actual accrued salary increased by 3.7%.

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<sup>1</sup> Based on operational data collected by the Federal Treasury

<sup>2</sup> Preliminary data

Source: Federal State Statistics Service <https://rosstat.gov.ru>

### **2.3. The Company's Market Position and Competitive Environment**

ROSSETI Northern Caucasus, PJSC, has a leading position regarding provision of services that deal with electricity transmission in the North Caucasian Federal District.

Branches of ROSSETI Northern Caucasus, PJSC, transmit electric energy (power) in the North Caucasian Federal District. Main types of activity of ROSSETI Northern Caucasus, PJSC, (transmission of electric power through distribution grids with voltage ranging from 110 kV to 0.4 kV, technological connection of consumers to the grid infrastructure) are regulated.

ROSSETI Northern Caucasus, PJSC, is a natural monopoly. By order of the Federal Tariff Service (FTS of Russia) No. 341-e dd September 8, 2008, ROSSETI Northern Caucasus, PJSC was included into the register of natural monopoly entities of the fuel and energy complex, which are regulated and controlled by the government.

ROSSETI Northern Caucasus, PJSC, is a part of the energy holding ROSSETI and follows the general strategy of the power grid complex development.

Starting December 1, 2015, ROSSETI Northern Caucasus, PJSC, took responsibility for guaranteed power supply in the Republic of Ingushetia in accordance with the requirements of the current legislation as a result of Ingushenergo, JSC, losing its status of a guaranteeing power supplier in the Republic of Ingushetia by order of MinEnergo of Russia No. 888 dd November 25, 2015.

In 2016-2020, MinEnergo of Russia held contests to grant a status of a guaranteeing supplier in the Republic of Ingushetia, however, the contests were declared invalid due to lack of applications for participation.

By order of MinEnergo of Russia No. 1033 dd November 25, 2020 the Company's function of a guaranteeing power supplier in the Republic of Ingushetia has been renewed and is going to be in effect starting January 1, 2021 and until a winner of a contest granting a status of a guaranteeing power supplier in this region is chosen.

In 2020, the Company took responsibility for guaranteed power supply in the Republic of North Ossetia-Alania starting April 1, 2020 (Order of the Ministry of Energy of the Russian Federation (MinEnergo of Russia) No. 236 dd March 24, 2020) and in the Republic of Dagestan starting July 1, 2020 (Order of MinEnergo of Russia No. 494 dd June 25, 2020) in accordance with the requirements of the current legislation as a result of Sevkavkazenergo, JSC, and Dagestan Energy Supply Company, PJSC, losing their status of an entity of the Wholesale Power and Capacity Market (WPCM) by decision of the Supervisory Board of the NP Market Council Association.

The loss of the status of an entity of the WPCM was a result of failure of Sevkavkazenergo, JSC, and Dagestan Energy Supply Company, PJSC, to fulfil their obligations with respect to electric power and capacity suppliers on the wholesale market and due to a significant accumulated funds of pending accounts payable.

In addition to taking responsibility for guaranteed power supply, the Company also received responsibility for payment under existing obligations on the WPCM and debt settlement with suppliers from the WPCM in relations to all stakeholders.

In March 2020, Memorandum of Stabilization of Relations was signed by ROSSETI, PJSC, ROSSETI Northern Caucasus, PJSC (including companies controlled by it), Tyvaenergosbyt, JSC, and wholesale market participants — sellers of electric energy and power (creditors).

According to the Memorandum the Company's accounts payable on the WPCM is to be subject to debt-readjustment as at January 1, 2020 (first stage of the debt-readjustment) and as at July 1,

2020 (second stage of the debt-readjustment) which in total across all stakeholders amounted to 3,716.2 million rubles, including obligations under Claim Assignment Agreements in relation to debt (cessions) which amounted to 218.9 million rubles. Debt settlement can be achieved via signing a debt-readjustment agreement with creditors for a five-year period. The Memorandum also provides for suspension (failure to pay) of penalty incurred on unfulfilled obligations on the WPCM for the whole agreement period.

Besides making payments for obligations following debt-readjustment schedule, one of the conditions of aforementioned agreements is that starting July 1, 2020, the Company has to pay (for all stakeholders) 100% of what it has to pay for the existing obligations on the WPCM, which is calculated in accordance with Rules of Financial Calculation on the Wholesale Power Market (Schedule 16 of the Agreement on Connection to the Trading System of the Wholesale Market). Violation of the payment conditions for more than 10 business days will be followed by termination of the debt-readjustment process, requirement to pay the full amount of the incurred penalty, creditor gaining a right to receive payment of debt which can be enforced by a court ruling, significant increase of the Company's debt burden.

Signing the debt-readjustment agreements helped the Company to fulfil the requirements of the Decree of the Government of the Russian Federation No. 534 dd April 30, 2018 by the end of Q4 2020 in relation to the performance indicator "v" (execution of obligations for electric power and capacity payment), and to eliminate the risk of additional decrease of electric power and capacity supply under regulated agreements on the WPCM in respect to Federal subjects of the Russian Federation belonging to the Company's area of operation in the capacity of a guaranteeing supplier.

The WPCM is influenced by a system of agreements conclusion of which is necessary for every entity of the wholesale market. The conditions of said agreements are regulated by law on electric power. Electric power and capacity prices are established in the regulated agreements by a federal executive body dealing with governmental tariff regulation, the process of pricing of electric power and capacity in inregulated sectors of the WPCM is determined by the Federal Law "On Electric Energy", Rules of the Wholesale Power and Capacity Market.

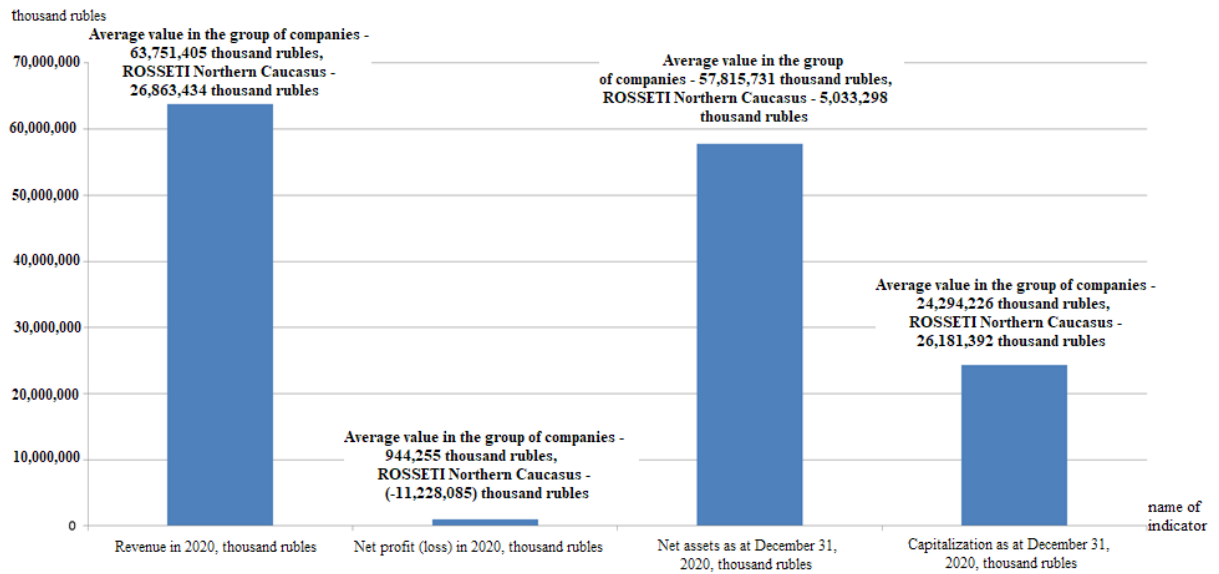
The Company took responsibility for guaranteed power supply in accordance with the requirements of the current legislation. The Company performs this function until announcement of the winner of a contest granting a status of a guaranteeing power supplier in relation to federal subjects of the Russian Federation belonging to the Company's area of operation.

Taking into account the aforementioned, ROSSETI Northern Caucasus, PJSC, does not have competitors in its field of activity.

ROSSETI Northern Caucasus, PJSC, supplies power to consumers in the territory with a total area of 170.4 thousand sq. km (1% of the territory of Russia) with the population of 9.9 million people (around 6% of the Russian population) and performs a function of a sole executive body of five power supply companies and two grid companies.

**Additional Information about the position** of ROSSETI Northern Caucasus, PJSC, in the industry is provided in the following sections of this Annual Report: About the Company, Strategic Report, Performance Review for 2020.

## Comparison of ROSSETI Northern Caucasus, PJSC, with its Russian equivalents<sup>1</sup>



<sup>1</sup> Mean value was calculated in relation to the following group of companies: IDGC of Volga, PJSC; IDGC of the South, PJSC; IDGC of Siberia, PJSC; ROSSETI Moscow Region, PJSC; IDGC of the North-West, PJSC; Lenenergo, PJSC (in capitalization – ordinary shares); Tomsk Distribution Company, PJSC (in capitalization – ordinary shares); IDGC of Center and Volga Region, PJSC; IDGC of Urals, JSC; Kubanenergo, PJSC, ROSSETI Northern Caucasus, PJSC.

### 2.4. Mission and Strategic Priorities

Strategic objectives and directions for the development of the ROSSETI Group of Companies are established in the Development Strategy of the ROSSETI Group of Companies up to 2030<sup>1</sup> and aimed at implementation of industry documents on strategic planning, including Energy Strategy of the Russian Federation approved by the Instruction of the Government of the Russian Federation No. 1523-r dd June 9, 2020 and the Development Strategy of the Power Grid Complex of the Russian Federation approved by the Instruction of the Government of the Russian Federation No. 511-r dd April 3, 2013.

Development strategy of the ROSSETI Group of Companies involves implementation of a business model with modern innovative infrastructure. Main strategic goals of the ROSSETI Group of Companies are as follows:

- provision of reliable and high-quality power supply at a high level;
- increase of total profit of shareholders;
- ensure resilience to changes of world market and local market of power.

ROSSETI Northern Caucasus, PJSC, has decided its strategic priorities for the development of the Group of Companies:

- provision of reliable, high-quality and affordable power supply in the new digital environment;
- ensuring further increase in the efficiency of the main business dealing with power transmission;

<sup>1</sup> Approved by the Board of Directors of ROSSETI, PJSC, Minutes No. 388 dd December 26, 2019.

- promotion of legislative initiatives aimed at development of the industry;
- maintaining balance of interests of all parties: the state, consumers, shareholders, investors;
- development of new areas of activity (non-tariff services and consumer services) by digital transformation in order to ensure stability of the Company in the face of industry changes;
- contribution to energy security and environmental safety.

It is planned to reach these goals through development of main activities: digital transformation, development of new types of business; further improvement of operational and investment efficiency, development of personnel reserve, etc.

**In order to achieve the goals of strategic development the Company has to complete following tasks:**

- **in order to achieve a strategic goal of provision of reliable and high-quality power supply at a high level:**
  - implementation of the Innovative Development Program including transition to complex efficiency of business processes and automation of management systems, and development of a system for design and implementation of innovative products and technologies;
  - implementation of Development Plan of ROSSETI Northern Caucasus Group approved by the decisions of the Board of Directors of ROSSETI, PJSC, on February 11, 2019 (Minutes No. 342 dd February 14, 2019) taking into account latest changes and amendments to the Plan;
  - application of promising requirements aimed at reducing the environmental impact, owning necessary mechanisms aimed at preventing environmental risks;
  - fulfilling the instructions of the Government Commission on Socio-Economic Development of the North Caucasus Federal District, Ministry of Energy of the Russian Federation, ROSSETI, PJSC, cooperation with government bodies both on federal and regional level within the established effective model;
  - ensuring accessibility of the power supply infrastructure and quality of technological connection to power grids of ROSSETI Northern Caucasus, PJSC;
  - provision of the established level of reliability and quality of provided services;
  - implementation of the investment policy within annual investment programs;
- **in order to achieve a strategic goal of increasing total profit of shareholders:**
  - enhancement of the Company's operations transparency and development of the corporate governance practice taking into account the recommendations of the Russian Corporate Governance Code of the Bank of Russia;
  - creation of constructive and mutually beneficial interactions with every group of stakeholders including consumers (ranging from population of the macro-region to large business community and government bodies);
  - improvement of payment discipline, prevention of theft, informing the public of high-quality work on increasing reliability of power supply of the North Caucasian Federal District;
  - implementation of measures to prevent corruption also determined by Order of the President of the Russian Federation No. 378 dd June 29, 2018 " On the national plan for combating corruption for 2018-2020";



- implementation of measures aimed at lowering value of power losses in distribution networks of the North Caucasus;
- perfection of the internal control and risk management system, development of internal audit function;
- implementation of the Tariff Policy;
- **in order to achieve a strategic goal of ensuring resilience to changes of world market and local market of power:**
  - development of the power grid complex with the help of innovative technology in order to satisfy the demand of the consumer and economics of federal subjects of the Russian Federation in the area of operation taking into account increase of profit of shareholders and opportunity for professional growth of employees;
  - execution of the Digital Transformation Program by ROSSETI Northern Caucasus, PJSC, 2020-2030 aimed at achieving adaptability of the Company towards undertaking new tasks and challenges, improvement of reliability of power supply indicators, increase of efficiency of the Company's operation, increase of accessibility of the power grid infrastructure, improvement of personnel reserve and new expertise, diversification of the Company's business through additional services;
  - participation in social projects of the macro-region;
  - development of personnel reserve and partnership in education;
  - implementation of the Personnel and Social Policy of the Company that has a purpose of planning of need for personnel, covering the Company's needs for personnel of a required lever of qualification, efficiency of personnel's activity, increase of work productivity;
  - implementation of additional (non-tariff) services;
  - power development planning within the federal subjects of the Russian Federation based on schemes and programs for the future power industry development.

Information about measures implemented by ROSSETI Northern Caucasus, PJSC, within these priorities of development is presented in respective sections of this Annual Report.

The **mission** of ROSSETI Northern Caucasus, PJSC, is the reliable and high-quality satisfaction of the growing needs of the economy and the social development of constituent entities of the Russian Federation falling within the Company's area of responsibility, with a reasonable fee for services for the consumers.

ROSSETI Northern Caucasus, PJSC, does not sacrifice its **values** for the sake of profit perceiving them as an interlink between all areas of activity expecting the same attitude from its business partners.

The corporate values of ROSSETI Northern Caucasus, PJSC, are as follows:

- reliability. The Company seeks to ensure the most reliable and uninterrupted power supply to satisfy the needs of the Russian Federation economy and social sector by implementing a whole range of necessary organizational and technical activities ensuring the reliable performance of the power grid infrastructure facilities and taking necessary steps to ensure the safety of power facilities;
- human resources. The key asset of the Company is its employees, thanks to whom the Company has been creating, preserving and building up its value and authority over a long span of time;

- efficiency. The Company recognizes its duties towards its shareholders, investors and partners, which is the reason why the efficiency of its operations is viewed as its basic value;
- safety. The Company employs a strictly regulated and balanced approach to the implementation of safety measures intended to prevent any potential offenses against law;
- social responsibility. ROSSETI Northern Caucasus, PJSC, is a socially responsible company paying great attention to issues of environment protection, workers' safety and social programs.

### **Development prospects of ROSSETI Northern Caucasus, PJSC**

ROSSETI Northern Caucasus, PJSC, is a dynamically developing company. In the subsequent years the Company intends to target its efforts at successful implementation of objectives within the chosen direction, namely long-term provision of reliable, high-quality and affordable power supply to consumers within the territory of the North Caucasian Federal District at the stage of power distribution through arranging the most effective infrastructure. Development of ROSSETI Northern Caucasus, PJSC, in the priority areas of activities will make it possible in the long run to provide reliable and high-quality power supply to consumers within the territory of the North Caucasian Federal District and to become the leader within the competence of the region concerning power transmission and the technological connection to power grids.

Strategic objectives of its development for the upcoming year and in a longer run are chosen by ROSSETI Northern Caucasus, PJSC, to be as follows: provision of systemic reliability, safety and stable functioning of the distribution power grid complex of North Caucasian Federal District; improved efficiency of Company's business, as well as subordinate power companies; upgrade of power grid assets as a result of innovative large-scale technological upgrade; development of socially responsible business practice; increase of Company's profitability, as well as generation of an investment-attractive image.

**Development prospects** for ROSSETI Northern Caucasus, PJSC, are specified in the respective sections of the Annual Report.

### **2.5. Key Performance Indicators**

Achievement of the priority development objectives of the Company is assessed by the system of key performance indicators (KPI) applied in the Company.

The system of Key Performance Indicators for the Company's Director General is established on the basis of:

- Sub-Para. 50 of Para. 15.1, Art. 15 of the Company Charter;
- decision of the Board of Directors of the Company dd October 26, 2020 (Minutes No. 439 dd October 29, 2020).

The target values of Key Performance Indicators were approved by the decision of the Board of Directors of the Company dd October 26, 2020 (Minutes No. 439 dd October 29, 2020).

In accordance with the specified decisions the Company's Board of Directors established the following composition of Key Performance Indicators of 2020:

<b>KPI</b>	<b>Calculation</b>
Total business return	Comparison of dividend of the reporting year to mean value of this indicator for the previous three years and to value under the business plan of the Company
Return on invested capital	Ratio of profit before paying taxes and interest to total amount of capital and long-term loans and debts
Operating profit (EBITDA)	Section 1. Increase of the actual value of EBITDA compared to last year is not lower than average annual growth rate of tariffs. Section 2. If this condition is violated achievement of the target value of EBITDA which is based on an approved business plan, is estimated.
Reduction in operating Expenses (Costs) per unit	Reduction of ratio of operating expenses per unit to the number of serviceable equipment (units) in the reporting year compared to last year
Level of power losses	Ratio of power output into the grid excluding output out of the grid and used on household needs, to output into the grid excluding internal net power flow
Increase in the labour efficiency	Ratio of revenue from electric power transmission excluding costs of services provided by external organizations dealing with electric power transmission, to the number of performed man-hours
Efficiency of innovative activities	Integral indicator of efficiency of innovative activities estimates the extent of reaching three composite indicators: indicator of cost of R&D, indicator of purchase of innovative products, quality of development (actualization) of the Innovation Development Program (IDP) / implementation of IDP
Reduction of the accounts receivable	Reduction of actual value of outstanding accounts receivable of the Company (excluding moratorium and readjusted accounts receivable, as well as accounts receivable belonging to counterparties that lost their status of an entity of the wholesale power market and(or) a status of a guaranteeing supplier)
Compliance with the timing of technological connection	Complex indicator that estimates a quality level of ongoing technological connection to the Company's grid, comprised of three components — quality of review of requests for technological connection, quality of execution of agreements on carrying out technological connection of applicants, compliance with the Competition Law of the Russian Federation
Debt/EBITDA	Section 1. Estimated based on results of reaching target value of ratio of the amount of debt to value of EBITDA. If the Company is financially stable then the target value is $\leq 3.0$ , otherwise — improvement by 10% or more of the actual value last year, but not less than 3.0 Section 2. If this condition is violated achievement of the target value of the indicator Debt/EBITDA which is based on an approved business plan, is estimated.
Compliance with the facility commissioning schedule	Ratio of total actual amount of fixed assets recognized by accounting (in money terms, in relation to facilities that have been built and recognized as fixed assets in the reporting year with quarterly detailing) to target amount subject to an approved investment program of the Company and schedules of its implementation
Fitness to work during the heating season	Indicator of estimated fitness of the Company for operation during the heating season based on monthly monitoring by MinErgo of Russia
Implementation of Development Plan of the Company	Indicator of bonus reduction which is calculated depending on the number of measures of the Development Plan of ROSSETI Northern Caucasus Group approved by the Board of Directors of ROSSETI, PJSC, that were not implemented during the reporting period
Achievement of the reliability level of provided services	Indicators of reliability of the tariff regulation (SAIDI, SAIFI), also a number of major accidents compared to the average annual value for the last three years
Lack of major accidents	Number of employees of the Company injured in accidents (slightly injured, severely injured or resulted in death) in the reporting year due to officials' failure to fulfil their obligations
Payment for power losses	Ratio of already paid power acquired to compensate for losses to accrued power
Level of provision of power transmission services	Ratio of actual payment for provided power transmission services to accrued value

### Target Values and Reached Values of KPI

Composition of indicators	Percentage of the bonus system in 2020, %	Actual value in 2019 // Evaluation of achievement in 2019	Target value for 2020	Actual value in 2020 <sup>1</sup> // % of the actual value in 2019 <sup>2</sup>	Evaluation of achievement in 2020 // Cause of deviation	Target value for 2021
Total business return	10	Introduced in 2020	≥ than arithmetic average of total funds to be paid as dividends subject to the decisions of general meetings of shareholders of the Company for three years prior to the reporting year; and ≥ than total funds to be paid as dividends in the reporting year according to the business plan of the Company	–	Evaluation of achievement of the target value will be based on the result of the decision of General Meeting of Shareholders on the Company's 2020 profit (loss) distribution	≥ than arithmetic average of total funds to be paid as dividends subject to the decisions of general meetings of shareholders of the Company for three years prior to the reporting year; and ≥ than total funds to be paid as dividends in the reporting year according to the business plan of the Company
Return on invested capital	20	Introduced in 2020	≥95.0%	98.0% // –	Reached	≥95.0%
Operating profit (EBITDA)	15	Introduced in 2020	Reached With digital measurements ≥0%	16.2% // –	Reached	Reached
Reduction in operating Expenses (Costs) per unit	10	2.5% // reached	≥2.0%	2.1% // 84%	Reached	≥2.0%
Level of power	10 or bonus	24.25% // not reached	≤17.92%	23.23% // 104%	Not reached <sup>3</sup>	≤18.26%

<sup>1</sup> In 2020, expected level of achievement of KPI is presented, taking into account time periods and procedure for preparation of the report, which is a source of information for calculation of the KPIs. Total actual values are approved by the Board of Directors of ROSSETI Northern Caucasus, PJSC.

<sup>2</sup> Comparison of expected values in 2020 is carried out using target values in 2020 and using reached results of 2019 regarding indicators with their respective calculation methods.

<sup>3</sup> Lack of project documentation on measures intended for lowering electric power losses in the Dagenergo branch due to prolonged duration of time used for preliminary projected survey, lack of estimated cost of measures on lowering electric power losses in the Dagenergo branch, approved sources, that will fund them, lack of corporate decisions regarding provision of funding of the pilot project, which resulted in shifts in timeframe in relation to implementation of measures on lowering electric power losses and having an effect in the

losses	awarded					
Increase in the labour efficiency	5	(-0.90)% // not reached	$\geq 2.00\%$	(-0.25)% // 360%	Not reached <sup>1</sup>	$\geq 5.00\%$
Efficiency of innovative activities	20	Not calculated // not evaluated	$\geq 90\%^2$	Not calculated <sup>3</sup> // -	Not provided	$\geq 90\%^2$
Reduction of the accounts receivable	10	Introduced in 2020	$\leq 100\%$	83.7% // -	Reached	$\leq 100\%$
Compliance with the timing of technological connection	-10	1.0 // reached	$\leq 1.1$	1.1 // - <sup>4</sup>	Reached	$\leq$ actual value of the indicator in the previous year multiplied by 0.85, but not lower than 1.1
Debt/EBITDA	-10	Introduced in 2020	Completed With digital measurements $\geq (-10,373,415.1)$ thousand rubles <sup>5</sup>	(-8,692,987.8) thousand rubles // -	Reached	Completed
Compliance with the facility commissioning schedule	-10	8% // not reached	$\geq 90\%$	99% // - <sup>6</sup>	Reached	$\geq 90\%$

Dagenergo branch, implementation of organizational measures on partial reduction of electric power losses in the Dagenergo branch due to postponement to December, 2020 of the time period for purchase of vehicles for implementation of said measures, implementation of organizational measures on partial reduction of electric power losses, including inability to disconnect non-paying consumers – individuals due to implementation of a moratorium as a result of implementation of restrictive measures in a situation of the COVID-19 pandemic, consolidation by the Kabbalkenergo branch of the Nalchik grids and lack of sources of funding for implementation of the Program on Lowering Electric Power Losses (the plan doesn't take into account consolidation of the power grid).

<sup>1</sup> Implementation of organizational measures on partial reduction of electric power losses due to the restrictive measures in a situation of the COVID-19 pandemic, implementation of organizational measures on partial reduction of electric power losses in the Dagenergo branch due to postponement to December, 2020 of the time period for purchase of vehicles for implementation of said measures.

<sup>2</sup> In case of approval of the Innovative Development Program of the Company.

<sup>3</sup> The indicator was not calculated due to lack of an approved Innovative Development Program of the Company in 2020. ROSSETI Northern Caucasus, PJSC, performs activities on fulfillment of projects and measures of the Innovative Development Program of ROSSETI Northern Caucasus, PJSC, to the required extent.

<sup>4</sup> Comparison was not made due to update of procedures for calculation of the indicator.

<sup>5</sup> In accordance with the Procedure of calculation and evaluation of achievement of KPIs of Director General of ROSSETI Northern Caucasus, PJSC, approved by the decision of the Company's Board of Directors of October 26, 2020 (Minutes No. 439 dd October 29, 2020), if the Debt/EBITDA KPI <0 than the target value is considered to be reached in case if the EBITDA KPI has improved.

<sup>6</sup> Comparison was not made due to update of procedures for calculation of the indicator.

Fitness to work during the heating season	-10	Introduced in 2020	Simultaneously: <ul style="list-style-type: none"> <li>• <math>\geq 0.95</math>;</li> <li>• set value of special indicator "Existence of unaccomplished measures of guarantee to fulfil conditions of power grid facility's fitness" was not reached</li> </ul>	Simultaneously: <ul style="list-style-type: none"> <li>• 0.99;</li> <li>• presence of the special indicator "Unfulfilled measures on achievement of the state of readiness by a power grid facility (level of readiness "Not ready" or "Ready under conditions" based on results of the last evaluation of readiness) // -</li> </ul>	Not reached <sup>1</sup>	Simultaneously: <ul style="list-style-type: none"> <li>• <math>\geq 0.95</math>;</li> <li>• set value of special indicator "Existence of unaccomplished measures of guarantee to fulfil conditions of power grid facility's fitness" was not reached</li> </ul>
Implementation of Development Plan of the Company	-70	Introduced in 2020	0% (all measures were implemented)	30% (taking into account objective factors, number of unfulfilled measures — 6) // -	Not reached <sup>2</sup>	0 % (all measures were implemented)
Achievement of the reliability level of provided services	-10	Simultaneously: <ul style="list-style-type: none"> <li>• KPI &lt; 1.00 of all branches;</li> <li>• Ksaidi = 1.34, Ksaifi = 1.06 // not reached</li> </ul>	Simultaneously: <ul style="list-style-type: none"> <li>• <math>K_i \leq 1</math>;</li> <li>• lack of significant decline in the indicators established by tariff regulatory bodies;</li> <li>• lack of increase in the number of major accidents</li> </ul>	Simultaneously: <ul style="list-style-type: none"> <li>• <math>K_i \text{ Пsaidi} = 1.18</math>, <math>K_i \text{ Пsaifi} = 1.18</math>;</li> <li>• values established by tariff regulatory bodies are reached;</li> <li>• lack of increase in the number of major accidents // -<sup>3</sup></li> </ul>	Not reached <sup>4</sup>	Simultaneously: <ul style="list-style-type: none"> <li>• <math>K_i \leq 1</math>;</li> <li>• lack of significant decline in the indicators established by tariff regulatory bodies;</li> <li>• lack of increase in the number of major accidents</li> </ul>

<sup>1</sup> Failure to comply with the timeframe of work on 4 facilities of modernization of data collection and transmission system of the Sevkavkazenergo branch, violation of timeframe of major overhaul of 110kV OL L-131, 110 kV OL L-114 of the Dagenergo branch.

<sup>2</sup> Restrictive measures in a situation of the spread of the coronavirus infection (COVID-19), alteration on July 1, 2020 (the Resolution of the Government of the Russian Federation No. 554 dd April 18, 2020) of the procedure for calculation of the amount of unrecorded consumption (reduction of values by half), alteration of the consumption structure – reduction of the industry's share, increase of the consumption by population share, lack of a Financial Recovery and Modernization Program, according to criteria "G" of the Regulation of the Government of the Russian Federation No. 534 dd April 30, 2018, failure to pay by the Housing and Public Utilities, population, implementation of moratorium on restriction of power consumption by individuals under the Regulation of the Government of the Russian Federation No. 424 dd April 2, 2020, high level of unemployment in the constituent entities of the Russian Federation.

<sup>3</sup> Comparison was not made due to update of procedures for calculation of the indicator.

<sup>4</sup> Increase in the number of technological violations (accidents) in the 0.4 kV grid and higher and increase in the average duration of disruption of power supply of consumers due to technological violations (accidents) in the 0.4 kV grid and higher due to environmental and other impact and drawbacks of utilization, including ware (obsolescence) of the equipment.

Lack of major accidents	-10	Introduced in 2020	Simultaneously: <ul style="list-style-type: none"> <li>• not more than 2 casualties;</li> <li>• 0</li> </ul>	Simultaneously: <ul style="list-style-type: none"> <li>• 1;</li> <li>• 1</li> </ul> // –	Not reached // an accident on the workplace that resulted in death happened on December 7, 2020 in the branch Dagenengo (investigation report No. 1 dd December 31, 2020)	Simultaneously: <ul style="list-style-type: none"> <li>• not more than 2 casualties;</li> <li>• 0</li> </ul>
Payment for power losses	-10	Introduced in 2020	≥100%	108% // –	Reached	≥100%
Level of provision of power transmission services	-10 or bonus awarded	Introduced in 2020	≥100%	102.3% // –	Reached	≥100%

To improve the efficiency of the functioning of ROSSETI Northern Caucasus, PJSC, as well as to update the methods for calculating the KPIs, according to the decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC, dd October 26, 2020 (Minutes No. 439 dd October 29, 2020), changes were made in 2020 to the system of key performance indicators in comparison to 2019, including:

- the KPI system is based on annual indicators excluding quarterly indicators;
- the composition of annual KPIs includes new KPIs: Total business return, Return on invested capital, Fitness to work during the heating season, Implementation of Development Plan of the Company, Level of provision of power transmission services;
- following KPIs have been excluded: Reduction in investment costs per unit, Consolidated net cash flow, Increase in the capacity utilization of power grid equipment;
- following KPIs have been transferred from quarterly indicators to annual indicators: Operating profit (EBITDA), Reduction of the accounts receivable, Debt/EBITDA, Lack of major accidents, Payment for power losses;
- methods of calculation of the following KPIs have been updated: Reduction in operating Expenses (Costs) per unit, Level of power losses, Increase in the labour efficiency, Compliance with the timing of technological connection, Compliance with the facility commissioning schedule, Achievement of the reliability level of provided services.

The KPI system applied in the Company is interconnected with the amount of the variable part of the management remuneration – for each of the indicators there is a relative share set in the scope of paid bonuses, quarterly and annual bonuses are paid subject to the compliance with the respective KPIs.

## **2.6. Key Risks**

The Company is regularly identifying, assessing and monitoring risks, implementing measures that lower the chance of those risks and their potential impact; the Company also informs shareholders and other stakeholders about all of the abovementioned.

The Risk Register of the Company for 2020 was approved by the decision of the Management Board of the Company and in accordance with the Regulation on Risk Management which contained 15 functional risks, aggregated risks of business processes and risks that have a major impact on the Company's activity including impact on KPIs of the sole executive body of the Company, and through that, impact achievement of goals related to management of the power grid complex and ensuring strategic objectives of the ROSSETI Group of Companies.

In order to determine the level of impact of the risks on the Company's activity the risk significance needs to be determined first. Risks can be classified as moderate, significant or critical.

Measures on minimization of significant and critical risks are included in the Plan of Measures on Risk Management of the Company in 2020.

Information on management of significant and critical risks is presented below.



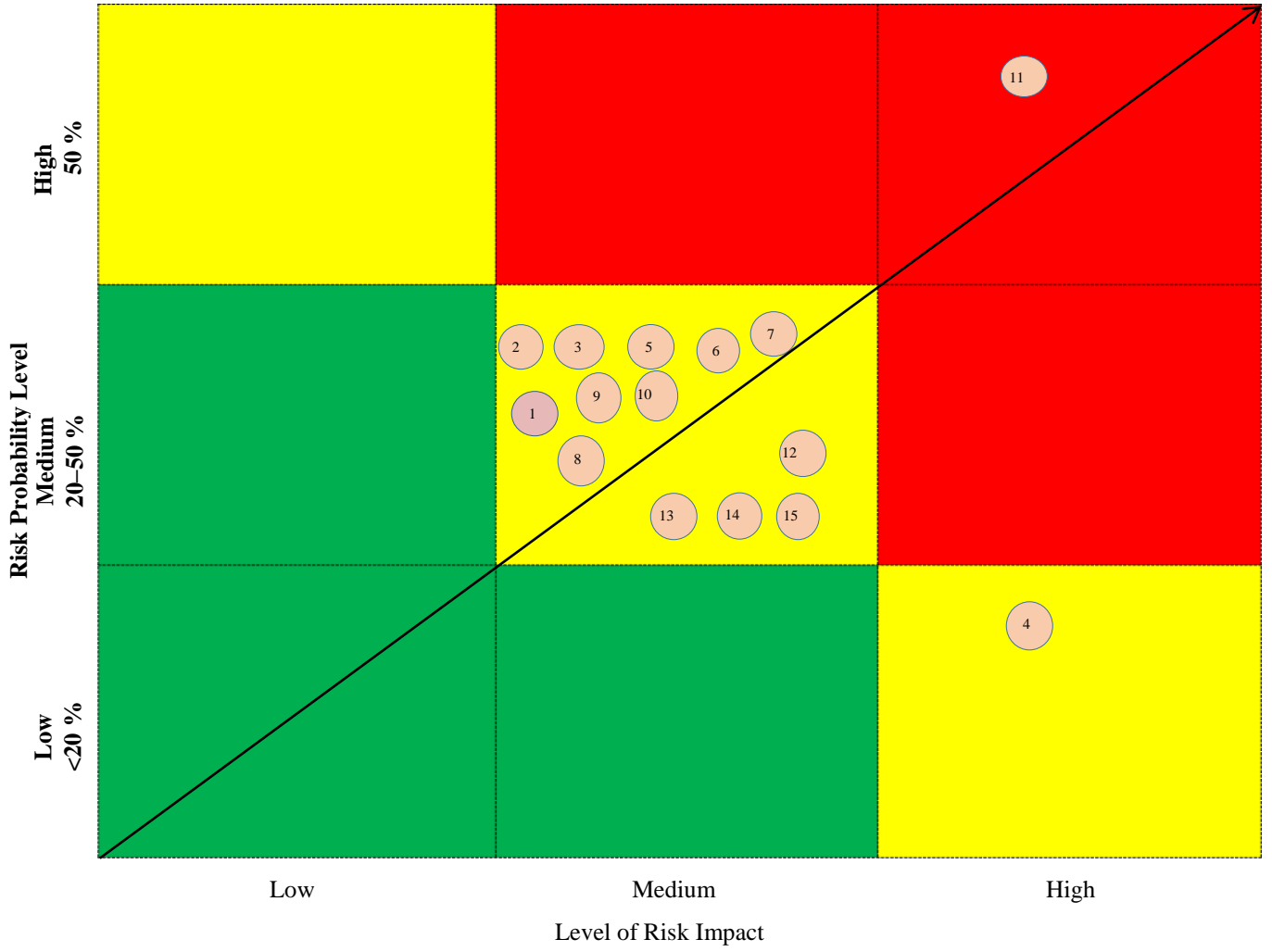
Item on the map No.	Name of the risk	Impact on KPIs	Level of risk significance	Risk management measures
1	<b>FR03-01</b> Counterparties' failure to fulfil their obligations to pay in full for power transmission services in due time established by an agreement/contract	Achievement of the target level of overdue receivables for provided power transmission services	<b>Significant</b>	<ul style="list-style-type: none"> <li>• To conduct claims work in order to lower overdue receivables, to ensure that the work is conducted in due time;</li> <li>• to conduct legal action work in order to lower overdue receivables, to ensure that the work is conducted in due time;</li> <li>• to conduct work on harmonizing the scope of services with consumers of power transmission services, including declared capacity, in order to include it into respective Power Transmission Service Agreements and to submit it to state regulatory authorities on tariffs;</li> <li>• to monitor implementation of debt restructuring agreements.</li> </ul>
2	<b>FR03-02</b> Failure to execute judicial decisions on collecting accounts receivables	Achievement of the target level of overdue receivables for provided power transmission services	<b>Significant</b>	<ul style="list-style-type: none"> <li>• To review files of enforcement proceedings;</li> <li>• to appeal action/inaction of bailiff executors to the supervisory authorities after the review;</li> <li>• to hold meetings with the Federal Bailiff Service (FSSP) regarding debt collection.</li> </ul>
3	<b>FR07-01</b> Failure to comply with the planned dates of designing, supplying, building, commissioning facilities	Compliance with the facility commissioning schedule, %	<b>Significant</b>	<ul style="list-style-type: none"> <li>• To manage capital construction quality;</li> <li>• phase monitoring of compliance with the construction and installation work (C&amp;I) schedule.</li> </ul>
4	<b>FR07-02</b> Inability to prepare in due time documentation for permission to build	Compliance with the facility commissioning schedule, %	<b>Significant</b>	<ul style="list-style-type: none"> <li>• To monitor compliance with the C&amp;I schedule and commission of facilities.</li> </ul>
5	<b>FR07-03</b> Inability to prepare in due time documentation on land relations	Compliance with the facility commissioning schedule, %	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Timely preparation of initial permits, design and construction documentation.</li> </ul>
6	<b>FR07-04</b> Lack of exclusion from or postponement of inclusion of a facility into work unless it's caused by other facilities of the Company being under repair	Compliance with the facility commissioning schedule, %	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Quality management of capital construction;</li> <li>• phase monitoring of compliance with the C&amp;I schedule.</li> </ul>
7	<b>FR08-01</b> Adverse weather conditions causing technology-related disruption	Achievement of the level of reliability of services provided	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Timely implementation of technical and organizational activities developed on the basis of investigation of technological faults (accidents);</li> <li>• effective organization of emergency and recovery works to reduce duration of interruption of power supply to consumers related to technological faults (accidents);</li> <li>• timely fulfillment of the requirements established by the Methodological Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services for the</li> </ul>

Item on the map No.	Name of the risk	Impact on KPIs	Level of risk significance	Risk management measures
				Company Related to Management of the Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by Order of MinEnergо of Russia dd October 14, 2013 No. 718.
8	<b>FR08-02</b> Failure of equipment with high level of physical deterioration (И = 1-ИТС)	Achievement of the level of reliability of services provided	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Timely implementation of technical and organizational activities developed on the basis of investigation of technological faults (accidents);</li> <li>• effective organization of emergency and recovery works to reduce duration of interruption of power supply to consumers related to technological faults (accidents);</li> <li>• timely fulfillment of the requirements established by the Methodological Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services for the Company Related to Management of the Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by Order of MinEnergо of Russia dd October 14, 2013 No. 718.</li> </ul>
9	<b>FR08-03</b> Technology disruption on sites of adjacent power facilities	Achievement of the level of reliability of services provided	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Timely implementation of technical and organizational activities developed on the basis of investigation of technological faults (accidents);</li> <li>• effective organization of emergency and recovery works to reduce duration of interruption of power supply to consumers related to technological faults (accidents);</li> <li>• timely fulfillment of the requirements established by the Methodological Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services for the Company Related to Management of the Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by Order of MinEnergо of Russia dd October 14, 2013 No. 718.</li> </ul>
10	<b>FR08-04</b> Outside influence in the power grid facilities	Achievement of the level of reliability of services provided	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Timely implementation of technical and organizational activities developed on the basis of investigation of technological faults (accidents);</li> <li>• effective organization of emergency and recovery works to reduce duration of interruption of power supply to consumers related to technological faults (accidents);</li> <li>• timely fulfillment of the requirements established by the Methodological</li> </ul>

Item on the map No.	Name of the risk	Impact on KPIs	Level of risk significance	Risk management measures
				Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services for the Company Related to Management of the Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by Order of MinEnergO of Russia dd October 14, 2013 No. 718.
11	<b>FR09-01</b> Occupational injuries in the Company	Lack of increase in th number of employees, who became casualties in accidents	<b>Critical</b>	<ul style="list-style-type: none"> <li>• Systematic increase of qualification of the personnel and practical training of skills and methods of practicing safety while performing work, including for formation of employees' skills of safe behavior on a workplace and prevention of hazardous situations;</li> <li>• Implemetation of the incentive system for workers to incentivize them to comply with the labour protection requirements;</li> <li>• operation of the response system regarding violation of the labour protection requirements (inspection of workplaces, spontaneous inspections of work teams (work teams of subsidiaries and affiliates of ROSSETI, PJSC and third-party organizations), including inspections during non-working days, holidays, and weekends, as well as during the night time), monitoring of organization of work in the facilities, ensuring unconditional acceptance of measures applied to workers, who violate the labour protection requirements;</li> <li>• ensuring safe work conditions by equipping workers with certified means of protection, cleaning and sanitizing supplies, tools and equipment in good condition, and monitoring proper use of the abovementioned.</li> </ul>
12	<b>FR11-02</b> Rise in the construction costs due to regional factors (climate, geographical location, etc.), that was not accounted for during approval of the investment program	Reduction in the investment costs per unit	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Construction cost adjustment of the facility according to the designed-estimated documentation;</li> <li>• Monitoring of implementation of the project in accordance with the approved charts, the terms of reference, rules and regulations for construction.</li> </ul>
13	<b>FR11-03</b> Rise in the costs of construction material, equipment, and labour due to objective reasons (inflation, crisis, external economic factors, etc.), that was not	Reduction in the investment costs per unit	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Construction cost adjustment of the facility according to the designed-estimated documentation.</li> </ul>

Item on the map No.	Name of the risk	Impact on KPIs	Level of risk significance	Risk management measures
	accounted for during approval of the investment program			
14	<b>FR11-05</b> Presence of positions in the investment program, that are not encompassed by the enlarged level of prices of standard technological solutions related to capital construction of the power grid facilities	Reduction in the investment costs per unit	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Monitoring of timely recalculation of the estimated construction cost.</li> </ul>
15	<b>FR13-07</b> Intentional illegal activity of legal entities and individuals, as well as of employees, which result in infliction of economic damage and harm the Company's business reputation.	Ensuring complex security of the Company's operation	<b>Significant</b>	<ul style="list-style-type: none"> <li>• Implementation of measures on detection of causes and conditions, that contribute to infliction of financial damages regarding the Company's interests;</li> <li>• screening of candidates before hiring them for open positions in the Company;</li> <li>• detection of corruption violations and conflicts of interest.</li> </ul>

### Map of Key Risks of the Company in 2020



### 3. Performance in 2020

#### 3.1. Results of Operation

##### 3.1.1. Technological Connection

#### Information on participation in the implementation of the target model for technological connection by the constituent entities of the Russian Federation

Target model "Technological Connection to Power Grids" was approved by the Instruction of the Government of the Russian Federation No. 147-r dd January 31, 2017, and the following measures were implemented:

- Internet portal Портал-ТП.рф was created (as a common regional), the information is communicated to the widest range of concerned parties on a regular basis;
- technological connection cost calculator was added to Портал-ТП.рф;
- framework agreements are made to perform construction (reconstruction) works (to render services) in connection with power grids for the assumed volumes of technological connection;
- standard algorithm for making power supply (power (capacity) purchase and sale (supply)) agreements was updated and approved (by the Order No. 273 dd July 7, 2020) with power suppliers of last resort before the completion of the procedure for technological connection of power receivers of power consumers to power including in electronic form.

The Business Climate Transformation plan was approved by the Instruction of the Government of the Russian Federation No. 20-r dd January 17, 2019.

The implementation of measures in this area is meant to facilitate the conditions for connecting (technological connection) permanent facilities to the engineering grids in Russia. It is suggested to make the procedure of connecting (technological connection) to power grids, gas distribution grids, heat supply systems, centralized water supply and disposal systems more simple, quick, transparent and less costly.

To that end, it is planned to ensure the transition to the electronic submission of applications and documents necessary for connecting (technological connection) permanent facilities to the engineering grids.

KPI	Measurement unit	Current value	Planning period					
			2019	2020	2021	2022	2023	2024
1. Number of stages for technological connection to power grids	pcs	3	3	3	2	2	2	2
2. Term of technological connection to power grids, at least	days	90	90	90	90	90	90	90

According to the results of 2020, the average technological connection term was 78 days, which means that the measures of The Business Climate Transformation plan approved by the

Instruction of the Government of the Russian Federation No. 20-r dd January 17, 2019 have been implemented. The number of stages of technological connection is 3, which also means the implementation of the plan of measures.

### **Information on the technological connection of socially significant major infrastructure applicants**

In 2020, the experts of ROSSETI Northern Caucasus, PJSC, performed actions for technological connection of large facilities that are of importance for economic development of constituent entities of the North Caucasian Federal District. Socially important facilities were connected: kindergartens, schools, out-patient clinics, polyclinics, other institutions. Some agroindustrial facilities were connected to grids within the agreements concluded with the constituent entities of the North Caucasian Federal District to support domestic agricultural manufacturers.

Agricultural production complex with the maximal capacity of 2 MW, production area with the maximal capacity of 1.8 MW and Staromaryevskaya solar power station with the maximal capacity of 84 MW have been connected to the power grids in the Shpakovsky District of the Stavropol Krai. A seed production factory with the maximal capacity of 4 MW has been connected in the Izobilnensky District. A manufacturing base with the maximal capacity of 1.5 MW, three pumping stations with the total maximal capacity of 6.371 MW have been connected in the Budyonnovsky District. A meat processing plant with the maximal capacity of 3.759 MW and a regional industrial park AIP Stavropol with the maximal capacity of 13.535 MW have been connected in the Mineralovodsky District.

As for the Kabardino-Balkarian Republic, an agricultural production facility with the maximal capacity of 0.66 MW, treatment facilities with the maximal capacity of 0.665 MW, a greenhouse with the maximal capacity of 0.55 MW have been connected to the power grids in the Mayskiy District. A fruit storage with the maximal capacity of 0.6 MW has been connected in the Chegemsky District. Apartment buildings with the total maximal capacity of 1.25 MW have been connected in Nalchik. Verkhne-Balkarskaya Small Hydroelectric Power Plant with the maximal capacity of 10 MW has been connected in the Chereksky District.

As for the Karachay-Cherkess Republic, Ust-Dzheguta Small Hydroelectric Power Plant with the maximal capacity of 5.6 MW, a construction site with the maximal capacity of 0.3 MW, a car wash with the maximal capacity of 0.25 MW have been connected in the Ust-Dzhegutinsky District. A greenhouse complex with the maximal capacity of 0.3 MW, sanatorium and health complex with the maximal capacity of 0.5 MW, a dining room in the Arkhyz Ski Resort with the maximal capacity of 0.386 MW, a crusher with the maximal capacity of 0.35 MW have been connected to the power grids in the Zelenchuksky District. A drying complex and mining equipment with their respective maximal capacity of 0.45 MW and 0.4 MW have been connected in the Urupsky District.

As for the Republic of North Ossetia–Alania, SBHI Republican Cancer Detection Center with the maximal capacity of 0.46 MW, a school able to accommodate 1100 people with the maximal capacity of 0.55 MW, a microdistrict Novyi Gorod with the maximal capacity of 9.6 MW, a tuberculosis dispensary with 276 beds and its clinic with 250 beds with the maximal capacity of 0.5 MW have been connected in Vladikavkaz. A facility of the Ministry of Defence with the maximal capacity of 2.1 MW has been connected in the Mozdoksky District, a rock-crusher with the maximal capacity of 0.5 MW – in the Alagirsky District, Power System PROSVET, LLC with the maximal capacity of 6 MW – in the Prigorodny District.

In the Republic of Ingushetia: a teaching and laboratory building of scientific disciplines in the Ingush State University with the maximal capacity of 0.5 MW has been connected in Magas, Ivsil-Kavkaz, LLC with the maximal capacity of 0.5 MW has been connected in Karabulak, a construction site for a school intended for teaching up to 720 students with the maximal capacity of 0.346 MW has been connected in the village of Plievo, a psycho-neurological boarding school with the maximal capacity of 0.5 MW – in Malgobek.

### **Information on improvement of the quality of services for technological connection**

For improving the quality of services for technological connection of ROSSETI Northern Caucasus, PJSC, activities of the Automated System of Consumers Technological Connection Management were implemented at the typical platform 1C: Enterprise 8. Power Industry (ASCTCMP).

Following the instruction No. 547r dd December 11, 2018 on Planning Corrective Measures in accordance with the decision made by the Board of Directors of ROSSETI Northern Caucasus, PJSC, on March 28, 2019 (Minutes No. 376 dd March 29, 2019), a corrective action plan was approved, resulting in implementation of the following measures

- the mechanisms for sending notifications to applicants (distribution of SMS-notifications) and controlling the sending of notifications and the terms of consideration of technological connection applications were implemented;
- a mechanism to integrate the ASCTCMP in terms of ensuring the transfer of information to the Automated Reporting System of ROSSETI, PJSC (ARS), from ASCTCMP was implemented, a mechanism to integrate ASCTCMP in terms of ensuring the loading of technological connection applications from ARS to ASCTCMP was implemented;
- control over sending mandatory information to the retail market entity indicated in the application within the term specified by the rules was provided in ASCTCMP.

In 2020, functionality of the ASCTCMP was optimized as a result of an agreement No. P-2/2020 dd January 21, 2020 on provision of services related to development of the current system of technological connection management for ROSSETI Northern Caucasus, PJSC, which allowed:

- to increase the specialists' work rate when dealing with system documentation; to speed up the process of accepting applications for technological connection; to increase the system's efficiency; to reduce the duration of the application acceptance process regarding technological connection; to monitor compliance with form requirements, completeness of necessary information provided in the application and availability of documents attached to the application in accordance with regulations and organizational and administrative documents;
- to normalize information bases of all branches including central base of outdated and (or) incorrect data; to ensure storage of applications' status history regarding technological connection from the moment of an applicant sending their applications to the moment of actual connection of the applicant's power systems;
- to prepare configuration for new information base which is central base of the executive office that will be included into activity of the configuration;
- to provide control, access to consolidated and detailed information, access to reported indicators in a form of a table or in a graphical form (graph, chart, histogram, etc.) along with access to dynamic modelling for a specified period of time in relation to the following groups of information: Applications for provision of additional services, Existing agreements on provision of additional services, Overdue liabilities, Claims



work, Monitoring of oversight, Implementation of the Business Plan on provision of additional services, Monitoring of KPIs' values, Customer interaction.

### Internet services

In 2020, 15,836 applications for technological connection were submitted via Internet services (97% of the total number of applications):

- 3,786 applications for technological connection to power grids of the Stavropolenergo branch;
- 2,141 applications for technological connection to power grids of the Kabbalkenergo branch;
- 1,446 applications for technological connection to power grids of the Karachaevo-Cherkesskenenergo branch;
- 2,141 applications for technological connection to power grids of the Sevkavkazenergo branch;
- 564 applications for technological connection to power grids of the Ingushenergo branch;
- 5,758 applications for technological connection to power grids of the Dagenergo branch.

### Performance indicators related to technological connection services

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation
					2020/2019, %
TC applications received for processing	pcs.	8,654	9,630	16,371	170.0
TC applications received for processing	kW	659,315.8	782,474.1	949,469.7	121.3
TC agreements executed	pcs.	7,853	8,276	12,721	153.7
TC agreements executed	kW	328,568.9	302,180.5	558,896.5	185.0
TC agreements performed	pcs.	6,362	8,371	6,903	82.5
TC agreements performed	kW	154,760.8	398,572.1	215,246.1	54.0
Existing TC agreements	pcs.	7,495	4,242	9,063	213.6
Existing TC agreements	kW	766,683.8	537,305.2	821,082.0	152.8
<i>Structure of performed agreements based on category of applicants</i>					
Up to 15 kW inclusive	pcs.	5,758.00	7,635.00	6,218.00	81.4
From 15 to 150 kW inclusive	pcs.	487.00	592.00	543.00	91.7
From 150 to under 670 kW	pcs.	94.00	116.00	116.00	100.0
At least 670 kW	pcs.	20.00	27.00	23.00	85.2
Generation	pcs.	3.00	1.00	3.00	300.0
Up to 15 kW inclusive	kW	48,595.2	62,975.5	52,329.5	83.1
From 15 to 150 kW inclusive	kW	30,713.4	40,632.6	37,484.9	92.3
From 150 to under 670 kW	kW	28,731.2	37,687.4	36,747.2	97.5
At least 670 kW	kW	39,841.0	183,512.6	60,484.5	33.0
Generation	kW	6,880.0	73,764.0	28,200.0	38.2
Up to 15 kW inclusive	million rubles	4.29	5.69	6.83	119.99
From 15 to 150 kW inclusive	million rubles	7.78	3.90	5.48	140.59

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation
					2020/2019, %
From 150 to under 670 kW	million rubles	19.43	11.36	29.47	259.46
At least 670 kW	million rubles	9.08	502.32	93.91	18.69
Generation	million rubles	0.04	7.40	1,107.47	14,970.44
<i>Structure of performed agreements based on industry</i>					
Individuals	pcs.	4,216	5,949	4,990	83.9
Agriculture and forestry, fishery	pcs.	227	273	175	64.1
Industry	pcs.	11	24	15	62.5
Generation and distribution of electric power, gas and water	pcs.	16	24	26	108.3
Construction	pcs.	115	141	212	150.4
Trade	pcs.	476	546	194	35.5
Transportation and communication	pcs.	227	170	216	127.1
Health care, education, social services	pcs.	34	73	72	98.6
Miscellaneous	pcs.	1,040	1,171	1,003	85.7
Individuals	kW	36,892.9	48,534.6	43,148.3	88.9
Agriculture and forestry, fishery	kW	15,629.6	35,816.0	21,578.5	60.2
Industry	kW	1,826.0	3,049.0	3,078.0	101.0
Generation and distribution of electric power, gas and water	kW	23,486.0	180,907.8	40,413.5	22.3
Construction	kW	9,315.0	12,178.8	21,680.7	178.0
Trade	kW	11,546.7	12,905.4	6,149.3	47.6
Transportation and communication	kW	7,769.9	1,166.4	1,232.0	105.6
Health care, education, social services	kW	3,774.4	5,553.8	4,299.6	77.4
Miscellaneous	kW	44,520.3	98,460.3	73,666.2	74.8

### Expected Trends in Indicators in Part of Activities for Technological Connection of the Company for 2021–2025

Item No.	Indicator	Measurement unit	2021 Plan	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
<b>I</b>	<b>Revenue</b>	<b>thousand rubles</b>					
<b>1.</b>	<b>Technological connection services</b>	thousand rubles	73,351.56	339,232.05	60,449.52	83,165.16	73,481.25
1.1.	<i>Applicants for the maximum capacity up to 15 kW inclusive (with due regard for the previously connected power receivers)</i>	thousand rubles	5,475.11	4,976.74	5,531.74	6,119.15	6,812.44
1.2.	<i>From 15 to 150 kW</i>	thousand rubles	12,974.05	13,123.19	13,870.52	14,886.91	16,191.94
1.3.	<i>From 150 to 670 kW</i>	thousand rubles	32,382.70	134,390.12	34,258.01	35,442.88	36,702.69
1.4.	<i>At least 670 kW</i>	thousand	12,562.33	95,447.33	6,789.25	26,716.23	13,774.19

Item No.	Indicator	Measurement unit	2021 Plan	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
		rubles					
1.5.	<i>Power generating facilities</i>	thousand rubles	9,957.37	91,294.67	0.00	0.00	0.00
<b>2</b>	<b>Sales</b>						
2.1.	<b>Number of performed agreements, signed TC certificates</b>	<b>pcs.</b>	10,669	11,397	12,528	13,867	15,361
2.1.1.	<i>Applicants for the maximum capacity up to 15 kW inclusive (with due regard for the previously connected power receivers)</i>	pcs.	9,594	10,287	11,360	12,620	14,032
2.1.2.	<i>From 15 to 150 kW</i>	pcs.	744	802	858	926	999
2.1.3.	<i>From 150 to 670 kW</i>	pcs.	278	291	304	317	328
2.1.4.	<i>At least 670 kW</i>	pcs.	50	13	6	4	2
2.1.5.	<i>Power generating facilities</i>	pcs.	3	4	0	0	0
2.2.	<b>Volume of the connected capacity (performed agreements, signed TC certificates)</b>	<b>kW</b>	298,907.1	476,356.9	235,786.3	222,149.0	253,386.2
2.2.1.	<i>Applicants for the maximum capacity up to 15 kW inclusive (with due regard for the previously connected power receivers)</i>	kW	65,413.4	70,935.05	78,962.11	88,635.27	99,562.30
2.2.2.	<i>From 15 to 150 kW</i>	kW	37,513.8	42,444.32	46,268.19	50,912.37	56,214.48
2.2.3.	<i>From 150 to 670 kW</i>	kW	62,197.9	73,179.95	69,756.04	72,027.35	74,469.43
2.2.4.	<i>At least 670 kW</i>	kW	115,782.0	24,897.60	40,800.00	10,574.00	23,140.00
2.2.5.	<i>Power generating facilities</i>	kW	18,000.0	264,900.00	0.00	0.00	0.00

### 3.1.2. Sale of additional (non-tariff) services

In 2020, personnel of ROSSETI Northern Caucasus, PJSC, provided additional (non-tariff) services bringing revenue of **214,420.47 thousand rubles** in total (excluding intra-corporate services and services related to executing authority of an executive body) while the target value was **71,071.95 thousand rubles**.

Main types of activity related to provision of additional non-tariff services in 2020:

- lease of buildings, premises, structures, except for power grid facilities amounted to **7,732.10 thousand rubles**;
- services for allocation of telecommunication equipment, including fiber-optic communication lines amounted to **70,220.08 thousand rubles**;
- repair and care-and-maintenance services amounted to **39,097.45 thousand rubles**;
- construction and installation work amounted to **77,392.53 thousand rubles**;
- consulting and organizational and technical services amounted to **6,301.11 thousand rubles**;
- other services for other operational activities amounted to **13,677.20 thousand rubles**.

Increase in revenue from provision of additional non-tariff services in 2020 compared to 2019 resulted from increase in number of applications from consumers of the services which was caused by expansion of range of provided additional services, promotion of new types of

services which consumers were interested in. A target value of revenue from provision of additional (non-tariff) services in 2021 is set to be **459,383.24 thousand rubles**.

There are plans for 2021 involving development of the range of provided additional (non-tariff) services including maintenance and repair of street lighting network, placement of advertising constructions on sites of the power sector, provision of consulting services, designing of in-housing systems, installation of smart home devices.

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Revenue from sale of additional (non-tariff) services of other activities	million rubles	87.517	74.424	214.420	224
Lease and allocation services	million rubles	33.907	37.832	77.952	106
Repair and care-and-maintenance services	million rubles	21.439	10.625	39.097	268
Construction and installation work	million rubles	3.071	6.281	77.392	1,132
Consulting and organizational and technical services	million rubles	0.384	8.122	6.301	-22
Agency services	million rubles	0	0	0	0
Communication and information technology services	million rubles	0	0	0	0
Other services of other activities	million rubles	28.716	11.564	13.677	18

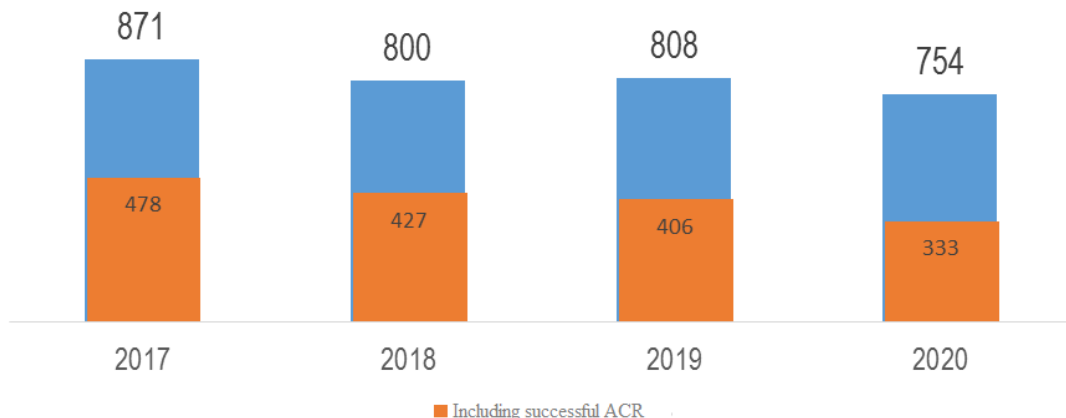
### 3.1.3. Performance Indicators and Increase in the Reliability of the Power Grid Complex

#### Information on the Technical Condition of Grids

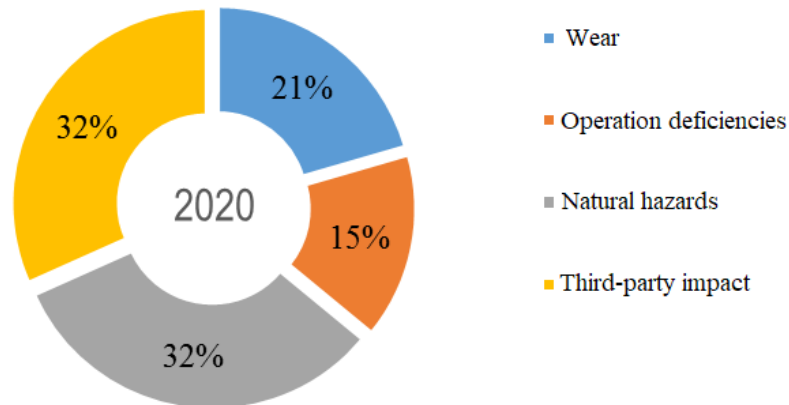
Following the results of the work for 2020, the branches of ROSSETI Northern Caucasus, PJSC, including Dagestano (until July 1, 2020 – Dagestan Grid Company, JSC), have achieved lowering the number of technological faults (accidents) in power grid facilities of 110 kV and higher compared to the data of 2019 by 6.68% or 54 accidents.

The main reason for technological faults (accidents) in power grid facilities of 110 kV and higher was influence of natural hazards, third parties and companies, including those participating in the technological process, impact caused by animals or birds, and wear and tear of equipment (insulation deterioration, cord's mechanical strength loss, changes in properties of materials, etc.).

#### **Trends in Number of Accidents in the Facilities of the 110 kV Grid and Higher**



## Trends in Causes of Accidents in the Facilities of the 110 kV Grid and Higher in 2020



By the end of 2020, the indicators of the level of reliability of the services calculated on the basis of statistics for the 12 months of 2020, regarding branches of ROSSETI Northern Caucasus, PJSC, **reached** the following values:

Stavropolenergo, a branch of ROSSETI Northern Caucasus, PJSC, had the target values established by the Regional Committee for Tariffs of Stavropol Krai (Decree No. 65/3 dd December 27, 2017):

- indicator of average duration of interruption in the power transmission (Di, h) with the target value of **0.0130** was achieved with the value of **0.0047 (-63.8%)**.

The Kabbalkenergo branch of ROSSETI Northern Caucasus, PJSC, had the target values established by the Ministry of Energy, Tariffs and Housing Supervision of the Kabardino-Balkarian Republic (Order No. 44 dd November 7, 2019):

- indicator of average duration of interruption in the power transmission to the delivery point (Psaidd, h) with the target value of **0.476** was achieved with the value of **0.478 (+0.4%)**;
- indicator of average frequency of interruption in the power transmission to the delivery point (Psaifi, pcs) with the target value of 0.663 was achieved with the value of 0.63315 (-4.5%).

The Karachayevo-Cherkesskenenergo branch of ROSSETI Northern Caucasus, PJSC, had the target values established by the Head Department for Tariffs and Prices of the Karachay-Cherkess Republic (Decree No. 211 dd December 28, 2019):

- indicator of average duration of interruption in the power transmission to the delivery point (Psaidd, pcs) with the target value of **2.6112** was achieved with the value of **1.0543 (-59.6%)**;
- indicator of average frequency of interruption in the power transmission to the delivery point (Psaifi, pcs) with the target value of **1.0665** was achieved with the value of **0.9805 (-8.1%)**.

The Sevkavkazenergo branch of ROSSETI Northern Caucasus, PJSC, had the target values established by the Regional Service for Tariffs of the Republic of North Ossetia–Alania (Decree No. 34/1 dd December 14, 2019):

- indicator of average duration of interruption in the power transmission to the delivery point (Psaidd, pcs) with the target value of **0.97956** was achieved with the value of **0.59870 (-38.9%)**;
- indicator of average frequency of interruption in the power transmission to the delivery point (Psaifi, pcs) with the target value of **0.48192** was achieved with the value of **0.34063 (-29.3%)**.

The Dagenenergo (until July 1, 2020 – Dagestan Grid Company, JSC) branch of ROSSETI Northern Caucasus, PJSC, had the target values established by the Republican Service for Tariffs of the Republic of Dagestan (Decree No. 124 dd December 27, 2019):

- indicator of average duration of interruption in the power transmission to the delivery point (Psaidd, pcs) with the target value of **5.50482** was achieved with the value of **3.84758 (-30.1%)**;
- indicator of average frequency of interruption in the power transmission to the delivery point (Psaifi, pcs) with the target value of **1.41361** was achieved with the value of **1.73718 (+22.9%)**.

The Ingushenergo branch of ROSSETI Northern Caucasus, PJSC, had the target values established by the Regional Committee for Power of the Republic of Ingushetia (Decree No. 5 dd June 29, 2019):

- indicator of average duration of interruption in the power transmission (pp, hour) with the target value of **0.0072** was achieved with the value of **0.0023 (-68.1%)**.

Indicator of average duration of interruption in the power transmission to the delivery point (Psaidd, pcs) of the Kabbalkenergo branch was achieved with the higher value than the target value established by the regulatory authority by 0.4%, indicators of average frequency of interruption in the power transmission to the delivery point (Psaifi, pcs) of the Kabbalkenergo and Dagenenergo branches were achieved with the higher values than the target values established by the regulatory authority by 18.3% and 22.9% respectively taking into consideration allowable variation rate established according to Methodological Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services (Order of MinEnerg of Russia No. 1256 dd November 29, 2016) which amounted to 30%.

### Indicators of Reliability of the Power Grid Complex

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Psaidd	h	3.1126	1.9472	2.3073	+18.5
Psaifi	pcs.	1.1149	1.0343	1.2174	+17.7

### Information on the number and capacity of substations and length of PTL

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation
					2020/2019, %
Number of substations Количество подстанций (PS, TP, RP)	pcs.	25,582.0	25,660.0	25,756.0	100.37
Capacity of substations (PS, TP, RP)	thousand MVA	15,704.9	15,888.9	16,003.1	100.72
Lengths of PTL along the chains	km	122,217.6	122,233.4	122,496.1	100.21

According to the 2020 repair program, the branches of ROSSETI Northern Caucasus, PJSC, (including Dagestan Grid Company, JSC, until July 1, 2020) ensured taking the following measures:

- in 110–35 kV high-voltage grids, 953.26 km of PTL were overhauled, 262.74 hectares of PTL routes were cleared from tree and shrub vegetation;
- in distribution grids with a voltage of 10–0.4 kV, including cable lines, 2,153.77 km of PTL were overhauled, 131.43 hectares of PTL routes were cleared from tree and shrub vegetation;
- repair of the equipment of 35–110 kV substations was carried out, including overhauling and medium repairs of 30 power transformers, 1,258 switches and 1,603 disconnectors, separators, short-circuits;
- necessary routine maintenance works were carried out at transformer substations 10(6)/0.4 kV, 2,571 of 10(6)/0.4 kV transformer substations, as well as 1279 transformers were repaired.

The bulk of the work was performed within the preparation of the power grid complex of the North Caucasian Federal District for the autumn-winter period of 2020–2021.

Following the Action Plan for Development of the Production Assets Management System of ROSSETI Northern Caucasus, PJSC, for 2020–2022, approved by the Board of Directors Minutes No. 437 dd October 5, 2020, in 2020 actions were implemented on the following key objectives:

- individual technical instructions of ROSSETI Northern Caucasus, PJSC, were approved for implementation of measures of the Action Plan for Development of the Production Assets Management System (PAMS) of the Company in 2021;
- an agreement was executed and functionality was implemented regarding the automated system of vehicle management of ROSSETI Northern Caucasus, PJSC;
- IC: PAMS was integrated with the common computing complex of metering power (based on Omni-US) of ROSSETI Northern Caucasus, PJSC;
- implementation of functionality of choice of technical re-equipment and reconstruction / maintenance and repair control impact on facilities that are on a priority list taking into account predictive analytics (risk-oriented approach) of ROSSETI Northern Caucasus, PJSC.

The emergency stock of materials and equipment was 100% filled. In 2020, the emergency stock of ROSSETI Northern Caucasus, PJSC, was completely filled up, including through receipt of

inventory items (II) and equipment according to the sale and purchase agreement of ROSSETI Northern Caucasus, PJSC, No. 01.4000.673.19L of November 1, 2019.

The cost of the emergency stock of ROSSETI Northern Caucasus Group as at December 2020 amounted to 414 million rubles which exceeded its cost for the same period of 2019 by 209%.

The availability certificate was issued to ROSSETI Northern Caucasus, PJSC, by the decision of the Ministry of Energy of the Russian Federation following Order No. 973 dd November 5, 2020, indices of readiness for operation of ROSSETI Northern Caucasus, PJSC, during the autumn-winter period amounted to 0.99.

#### **Data on Fires**

Indicator	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Number of fires	pcs.	0	2	0	100 (decline)

#### **3.1.4. Development of the Power Grid Complex**

Power development planning within the constituent entities of the Russian Federation is regulated by Decree No. 823 About Schemes and Programs for the Future Power Industry Development made by the Government of the Russian Federation on October 17, 2009 in which the Rules to Develop and Approve the Schemes and Programs for the Future Power Industry Development were approved.

For proper development of Schemes and Programs for Power Development (S&PD) in the constituent entities of the Russian Federation for five years by executive authorities of the constituent entities of the North Caucasian Federal District in accordance with the Decree of the Government of the Russian Federation No. 823 dd October 17, 2009, coordination councils are working within the North Caucasian Federal District and ROSSETI Northern Caucasus, PJSC, is taking active part in its operations.

Within the territory of North Caucasian Federal District, the following coordination bodies are currently responsible for S&PD elaboration:

- in the Stavropol Krai – the Power Supply Safety Headquarters (approved by Instruction No. 226-r of the Governor of the Stavropol Krai dd April 26, 2016);
- in the Karachay-Cherkess Republic – the Coordination Council for the Development of the Power Industry (approved by Decree of the Government of the Karachay-Cherkess Republic dd June 4, 2012, No. 223);
- in the Kabardino-Balkarian Republic – the Power Supply Safety Headquarters (approved by Decree of the Head of the Kabardino-Balkaria Republic dd June 26, 2018, No. 95-UG);
- in the Republic of Dagestan – the Coordination Council for the Development of the Power Industry (approved by Decree of the Government of the Republic of Dagestan dd July 5, 2011, No. 218);
- in the Republic of Ingushetia – the Coordination Council for the Development of the Power Industry (approved by Decree of the Government of the Republic of Ingushetia dd February 14, 2018, No. 41);



- in the Republic of North Ossetia – Alania – the Coordination Council for the Development of the Power Industry (approved by Decree of the Government of the Republic of North Ossetia-Alania dd March 2, 2017 No. 99).

In 2020, the executive authorities of all constituent entities of the the North Caucasian Federal District approved all Schemes and Programs for Power Development subject to the requirements provided by Decree No. 823 of the Government of the Russian Federation dd October 17, 2009, for the period from 2021 to 2025.

Constituent entity of the Russian Federation	Document on the approval of S&PD
Kabardino-Balkarian Republic	Order of the Head of the Kabardino-Balkarian Republic dd April 30, 2020, No. 49-ug
Karachay-Cherkess Republic	Instruction of the Head of the Karachay-Cherkess Republic dd October 28, 2020, No. 264-rg
Republic of Dagestan	Order of the Head of the Republic of Dagestan dd July 30, 2020, No. 61
Republic of Ingushetia	Instruction of the Head of the Republic of Ingushetia dd April 29, 2020, No. 95-rg
Republic of North Ossetia – Alania	Order of the Head of the Republic of North Ossetia – Alania dd April 24, 2020, No. 116-r
Stavropol Krai	Instruction of the Governor of the Stavropol Krai dd April 29, 2020, No. 216-r

To perform methodological support, ROSSETI Northern Caucasus, PJSC, annually develops the Comprehensive Programs for Power Grids Development of 35 kV and higher and submits to the executive authorities of the North Caucasian Federal District the initial data to develop S&PD by March 01. In 2020, subject to the aforementioned procedure all initial data and Comprehensive Programs for Development were timely sent to the constituent entities of the Russian Federation.

### 3.2. Power Grid Assets Consolidation

Implementation of the strategy for power property consolidation located within the constituent entities of the North Caucasian Federal District is carried out by ROSSETI Northern Caucasus, PJSC, in the following directions:

- consolidation of property of Territorial Grid Companies (TGC) – debtors (acquisition/lease of power grid assets to repay debts, recovery of debtors' property by enforcement proceedings, bankruptcy and acquisition of their property at tenders held by authorized organizations);
- consolidation of third parties' property (by administration of local government, non-profit organizations (GNPP, cottage settlements, other non-profit citizens' associations that own or have a title to power grid facilities), individuals and legal entities);
- consolidation of abandoned power grid assets (to be carried out in accordance with the Company's local regulations in cooperation with municipal authorities).

Since Decree No. 184 of the Government of the Russian Federation dd February 28, 2015 took effect within the territory of the North Caucasian Federal District 22 TGCs have been deprived of their status.



Name	2018			2019			2020		
	Scope of the power grid assets consolidation for the period			Scope of the power grid assets consolidation for the period			Scope of the power grid assets consolidation for the period		
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
Lease of power grid assets	444	2,582	13,108	444	2,582	13,108	1,253	9,109	49,460
Other (permanent ownership and usage)	19	81	457	19	81	457	25	88	591
Other (temporary ownership and usage)	268	1,174	5,569	268	1,174	5,569	176	908	4,588

In 2020, ROSSETI Northern Caucasus, PJSC, used the power grid property of the following third-party owners on a leasehold/subleasehold basis:

- SELKO, LLC (SS Dzhegonas, Ust-Dzheguta), Karachay-Cherkess Republic;
- Stavropolelectroset, JSC (Zelenchukskiy and Ust-Dzhegutinsky districts), Karachay-Cherkess Republic;
- Ministry of Property and Land Relations of the Karachay-Cherkess Republic (settlement of Arkhyz);
- Alaniyaelectroset, JSC (Vladikavkaz); Republic of North Ossetia-Alania;
- NPC Nedra, JSC (transformer for the needs of 35 kV substation Dalnyaya), Kabardino-Balkarian Republic;
- DVEUK-ENES, JSC (power grid property in the Republic of Ingushetia and the Stavropol Krai, the Republic of Dagestan);
- Ministry of Property and Land Relations of the Kabardino-Balkarian Republic (110/35/10 kV substation Kashkhatau);
- authorities of the local government of the Kabardino-Balkarian Republic (Mayskiy, Terskiy, Baksanskiy, Prokhladnenskiy Districts, urban settlement of Nalchik);
- Makhachkalgorielectroseti, JSC (Makhachkala), the Republic of Dagestan;
- MGESK, LLC (Makhachkala), the Republic of Dagestan;
- Izberbash City Power Grid, LLC (Izberbash), the Republic of Dagestan;
- ST of the RD IFMC of the RD (power grid complex PS Oruzhba), the Republic of Dagestan;
- Stavropolelectroset, JSC (Khasavyurt), the Republic of Dagestan.

In 2020, ROSSETI Northern Caucasus, PJSC, used (free of charge) the power grid property of:

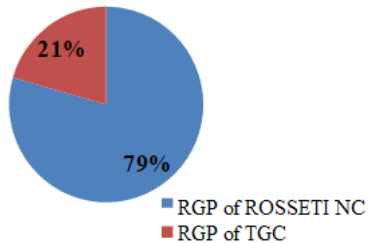
- Ministry of Property and Land Relations of the Republic of Ingushetia (Power grid complex of the Republic of Ingushetia);
- administration of Digora, the Republic of North Ossetia – Alania;
- administration of Prigorodniy District (North Part of the settlement of Chermen), the Republic of North Ossetia – Alania;
- administration of Pavlodolskaya St., the Republic of North Ossetia – Alania;
- administration of six municipal districts (Elbrusskiy District, Urvanskiy District, Cherekskiy District, Zolskiy District, Baksan District (until August 10, 2020), Terskiy District (until June 1, 2020)), and the city of Baksan, the Kabardino-Balkarian Republic.

### **Share of ROSSETI Northern Caucasus, PJSC, in the required gross proceeds (RGP) of the North Caucasian Federal District**

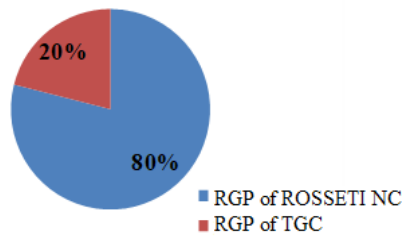
Based on the results of 2020, as of January 1, 2021, the share of the RGP of ROSSETI Northern Caucasus, PJSC (including the Chechenenergo, JSC, subsidiary) amounted to 81% of the RGP of the constituent entities of the North Caucasian Federal District.

### Share of the RGP of ROSSETI Northern Caucasus, PJSC, in the RGP of North Caucasian Federal District constituent entities

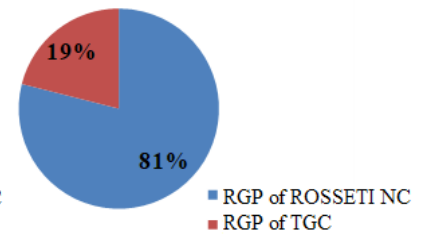
2019



2020



2021



### 3.3. Financial Results

Revenue earned by ROSSETI Northern Caucasus, PJSC, from sale of products (services) as of the end of 2020 amounted to 26,863.4 million rubles, which is by 8,501.6 million rubles, or 46.3%, higher than the level of 2019, including revenue from power transmission service – 13,539 million rubles, which is by 657 million rubles, or 4.6%, higher than the level of 2019, revenue from power sales – 11,080.7 million rubles which is 8,372.3 million rubles or 309.1% higher than the level of 2019.

Increase in revenue is caused by the increase in productive supply and growth of the average tariff for services provided by a guaranteeing power supplier in the territory of the Republic of Ingushetia since December 1, 2015, the Republic of North Ossetia-Alania since April 1, 2020, and the Republic of Dagestan since July 1, 2020.

The net cost (taking into consideration commercial and management expenses) amounted to 27,319.5 million rubles which is 10,590.2 million rubles or 63.3% higher than the level of 2019. The main factors in the increase in the net cost are the increase in the cost of purchased power, increase in the cost of power grid services, increase in staff expenses due to initiation of operation of the Dagenargo branch as from June 24, 2020, and the Company receiving responsibilities of a guaranteeing supplier in the Republic of North Ossetia-Alania as from April 1, 2020 and in the Republic of Dagestan as from July 1, 2020.

At year-end 2020, the balance of other income and expenses amounted to (–12,981.5) million rubles, which is 422.2 million rubles, or 3.1%, lower than the actual index of 2019.

The financial results of activities of ROSSETI Northern Caucasus, PJSC, in 2020 amounted to (–11,228.1) million rubles. The net loss had an increase of 1,772.2 million rubles, or 18.7% compared to 2019.

### Main financial indicators, million rubles

Indicators	Time period			
	2018	2019	2020	Variation
				2020/2019, %
Proceeds of sales of products (services), including:	<b>17,040.5</b>	<b>18,361.8</b>	<b>26,863.4</b>	46.3
from power transmission	14,009.8	14,196.0	13,539.0	-4.6
from technological connection	40.6	530.7	1,243.2	134.3
from power sale	1,951.1	2 708.4	11,080.7	309.1
from other activities	1,039.0	926.7	1,000.6	8.0
Net cost of products (services)	<b>15,653.1</b>	<b>16,111.8</b>	<b>23,567.4</b>	46.3
Gross profit	1,387.4	2 250.0	3,296.0	46.5
Business expenses	472.5	551.1	3,696.0	570.7
Managerial expenses	51.1	66.4	56.0	-15.6
Profit (loss) from sales	<b>863.8</b>	<b>1,632.6</b>	<b>-456.0</b>	-127.9
Interests receivable	320.5	552.3	673.9	22.0
Interests payable	964.2	654.6	445.9	-31.9
Income gained from participation in other organizations	0.0	0.0	0.0	-
Other income	4,750.1	6,614.6	4,350.8	-34.2
Other expenses	7,181.7	19,916.0	17,560.3	-11.8
Profit (loss) before taxation	<b>-2,211.4</b>	<b>-11,771.1</b>	<b>-13,437.5</b>	14.2
Profit tax and other payments	-58.9	2,315.3	2,209.5	-4.6
Net profit (loss)	<b>-2,270.3</b>	<b>-9,455.9</b>	<b>-11,228.1</b>	18.7
EBITDA	<b>612.2</b>	<b>-9,254.0</b>	<b>-11,004.0</b>	18.9

### Analysis of change to accounts receivable, million rubles

Indicator	as of December 31, 2020	as of December 31, 2019	as of December 31, 2018
<b>Accounts receivable, including:</b>	<b>4,978</b>	<b>1,960</b>	<b>7,977</b>
Buyers and customers	4,247	1,618	5,673
for power transmission	2,172	634	2,909
for power sales	1,709	479	696
Bills receivable	-	-	-
Advances paid	148	24	23
Other accounts receivable	583	318	2,281

The receivables of ROSSETI Northern Caucasus, PJSC, amounted to 4,978 million rubles as of December 31, 2020. In the reporting year, the accounts receivable had an increase of 3,018 million rubles, or 254%.

The increase in the accounts receivable by the end of the reporting year compared to last year was caused by receiving responsibilities of a guaranteeing supplier in the Republic of North Ossetia-Alania and the Republic of Dagestan.

The share of the Company's accounts receivable for provided power transmission services amounted to 43.6%.

### Analysis of changes in payables, million rubles

Indicator	as of December 31, 2020	as of December 31, 2019	as of December 31, 2018
<b>Accounts payable, including:</b>	<b>23,586</b>	<b>13,034</b>	<b>9,489</b>
Suppliers and Contractors	12,700	7,723	7,047
Advances received	822	529	533
Taxes and dues	963	859	436
Other accounts payable	9,101	3,923	1,473

\* Indicators are provided in accordance with the Company's accounting statements for the reporting period.

Payables as of December 31, 2020, amounted 23,585.8 million rubles. During the reporting period, the payables increased by 10,551.5 million rubles or by 80.9%, including:

- purchase of electric energy and power – by 1,827.7 million rubles;
- services of repair and construction organizations – by 1,273.7 million rubles;
- repair and maintenance services for main assets – 1,075.4 million rubles;
- taxes and duties – 104.0 million rubles.

The increase in other payables by the end of the reporting year is mainly due to obtaining debt through assignment agreements which amounts to 4,716.6 million rubles.

Overdue payables amount to 5,996.8 million rubles as of December 31, 2020.

### Status of net assets, million rubles

Indicator	as of the end of 2020	as of the end of 2019	as of the end of 2018
Net assets	5,033.3	12,692.1	21,489.3
Authorized capital	889.3	889.3	154.6

Net assets of ROSSETI Northern Caucasus, PJSC, during the last three years exceed the authorized capital of the Company.

Net assets amount decrease in 2020 compared to 2019 happened due to the receivables reservation and the concurrent increase in the Company's long-term borrowed assets and accounts payable.

### 3.4. Tariff Policy

Core activities of ROSSETI Northern Caucasus, PJSC (power transmission by distribution grids with voltage from 110 kV to 0.4 kV, technological connection of consumers to the grid infrastructure) refer to regulated activities.

Regulation is carried out in accordance with:

- Federal Law No. 35-FZ dd March 26, 2003, "On the Power Industry";

- Federal Law No. 522-FZ dd December 27, 2018, "On the Amendments to Individual Legislative Acts of the Russian Federation as Regards the Development of the Systems of Registration of Electric Energy (Power) in the Russian Federation";
- Decree of the Government of the Russian Federation No. 1178 dd December 29, 2011, "On Pricing in the Field of Regulated Prices (Tariffs) in the Power Industry" (along with "Guidelines of Pricing in the Field of Regulated Prices (Tariffs) in the Power Industry", Rules of Government Regulation (Revision, Application) of Prices (Tariffs) in the Power Industry);
- Decree of the Government of the Russian Federation No. 184 dd February 28, 2015, "On the Classification of Owners of Power Grid Facilities as Territorial Grid Organizations";
- Decree of the Government of the Russian Federation No. 861 dd December 27, 2004, "On Rules for Technical Connections for the Electric Devices of Electricity Consumers, Electricity Generating Facilities, as well as Grid Facilities Owned by Power Grid Operators and Other Individuals";
- Decree of the Government of the Russian Federation No. 24 dd January 21, 2004, "On the Approval of Information Disclosure Standards by Wholesale and Retail Power Market Entities";
- Decree of the Government of the Russian Federation No. 442 dd May 4, 2012, "On the Operation of Retail Power Markets, Full and/or Partial Limitation of the Power Consumption Mode";
- Decree of the Government of the Russian Federation No. 534 dd April 30, 2018, "On Amendments to Certain Resolutions of the Government of the Russian Federation in Connection with Extending the Period of the Operating Particularities of the Wholesale and Retail Markets in Specific Pricing Zones of the Wholesale Market";
- Decree of the Government of the Russian Federation No. 1172 dd December 27, 2010, "On Approval of Rules of the Wholesale Market of Electrical Energy and Capacity and About Introduction of Amendments to Some Acts of the Government of the Russian Federation Concerning the Organization of Functioning of the Wholesale Market of Electrical Energy and Capacity";
- Decree of the Government of the Russian Federation No. 1179 dd December 29, 2011, "On Determination and Application by the Guaranteeing Suppliers of the Non-regulated Prices of Electrical Energy (Capacity)" (along with "Rules on Determination and Application of the Non-regulated Prices of Electrical Energy (Capacity) by the Guaranteeing Suppliers");
- Decree of the Government of the Russian Federation No. 533 dd April 30, 2018, "About Approval of Rules of Consideration (Settlement) of the Disputes and Disagreements Connected with Establishment and (or) Use of the Prices (Rates), about Modification of the Order of the Government of the Russian Federation of January 9, 2009 No. 14 and Recognition Voided Some Acts of the Government of the Russian Federation";
- Decree of the Government of the Russian Federation No. 1220, dd December 31, 2009, "On Determination of Long-Term Tariffs Applied Indicators of Reliability and Quality of Delivered Goods and Provided Services";
- Order of the Ministry of Energy of the Russian Federation No. 1256 dd November 29, 2016, "On the Approval of Methodological Guidelines for Calculation of the Level of Reliability and Quality of Supplied Goods and Provided Services for the Company Related to Management of the Unified National (All-Russian) Power Grid and Territorial Grid Companies";
- Order of the Ministry of Energy of the Russian Federation No. 585 dd December 13, 2011, "On Approving Guidelines for Separate Accounting of Income and Expenses by Natural Monopolies in Electric Power Transmission and Supervisory Control in Electric Power Industry" (Guidelines for Separate Accounting);

- Order of the Federal Tariff Service No. 98-e dd February 17, 2012, "On the Approval of Methodological Guidelines for Calculation of Tariffs for Power Transmission Services Established Using the Method of Long-Term Indexation of the Required Gross Proceeds";
- Order of the Federal Tariff Service No. 228-e dd March 30, 2012 "On the Approval of Methodological Guidelines for Tariff Regulation Using the Return-on-Investment Method";
- Order of the Federal Tariff Service No. 20-e/2 dd August 6, 2004, "On the Approval of Methodological Guidelines for Calculation of Regulated Tariffs and Prices for Electricity and Heat in the Retail (Consumer) Market";
- Order of the Federal Tariff Service No. 215-e/1 dd September 11, 2014, "On the Approval of Methodological Guidelines for Determination of the Shortfall in Income Related to Technological Connection to Power Grids";
- Order of the Federal Tariff Service No. 254-e/1 dd October 26, 2010, "On the approval of the Guidelines for the Calculation and Use of Positive/Negative Adjustments Ensuring That Tariff Levels for Companies Involved in Operations Subject to Regulation Meet Reliability and Quality Criteria for Goods and Services";
- Order of the Federal Antimonopoly Service No. 1135/17 dd August 29, 2017, "On the Approval of Methodological Guidelines for Determination of the Amount of Fee for Technological Connection to the Power Grids";
- Order of the Federal Tariff Service No. 1442-e dd September 16, 2014, "On the Approval of Methodological Guidelines for Calculation of Tariffs for Power (Capacity) for the Population and Equivalent Categories of Consumers, Tariffs for Power Transmission Services to the Population and Equivalent Categories of Consumers";
- Order of the Federal Tariff Service No. 421-e dd March 18, 2015, "On the Approval of the Methodological Guidelines for Determination of the Basic Level of Controlled Operating Expenses of Territorial Grid Companies Required for the Implementation of Regulated Activities and the Efficiency Index of Controlled Operating Expenses Using the Comparative Method";
- Order of the Federal Tariff Service No. 53-e/1 dd April 12, 2012, "On the Approval of Standards for Formation of Consolidated Forecast Balances of Production and Supply of Electric Energy (Power) within the Unified Energy System of Russia in Constituent Entities of the Russian Federation and Order of Calculation of Ratio of Expected Electric Energy Consumption by the Population in a Year and Categories of Consumers Equivalent to It, to the Amount of Electric Energy Corresponding to the Average Annual Value of the Expected Capacity Determined in Relation to Those Categories of Consumers";
- Order of the Federal Antimonopoly Service No. 1554/17 dd November 21, 2017, " On the Approval of Methodological Guidelines for Calculation of Sales Premiums of the Guaranteeing Suppliers Using Method of Counterparts Comparison";
- Order of the Federal Antimonopoly Service No. 834/18 dd June 19, 2018, "On approving the Regulations for setting prices (tariffs) and (or) their thresholds, that specifies the procedure for registration, acceptance for consideration and issuing refusals to consider applications on setting prices (tariffs) and (or) their thresholds, and the decision form of executive bodies of the subjects of the Russian Federation in the field of tariff regulation".

### **Tariffs for Power Transmission Services**

Regulation of activities of ROSSETI Northern Caucasus, PJSC, branches (Kabbalkenergo, Karachaevo-Cherkesskenegero, Sevkavkazenergo, Stavropolenergo), from 2011 to 2017, was



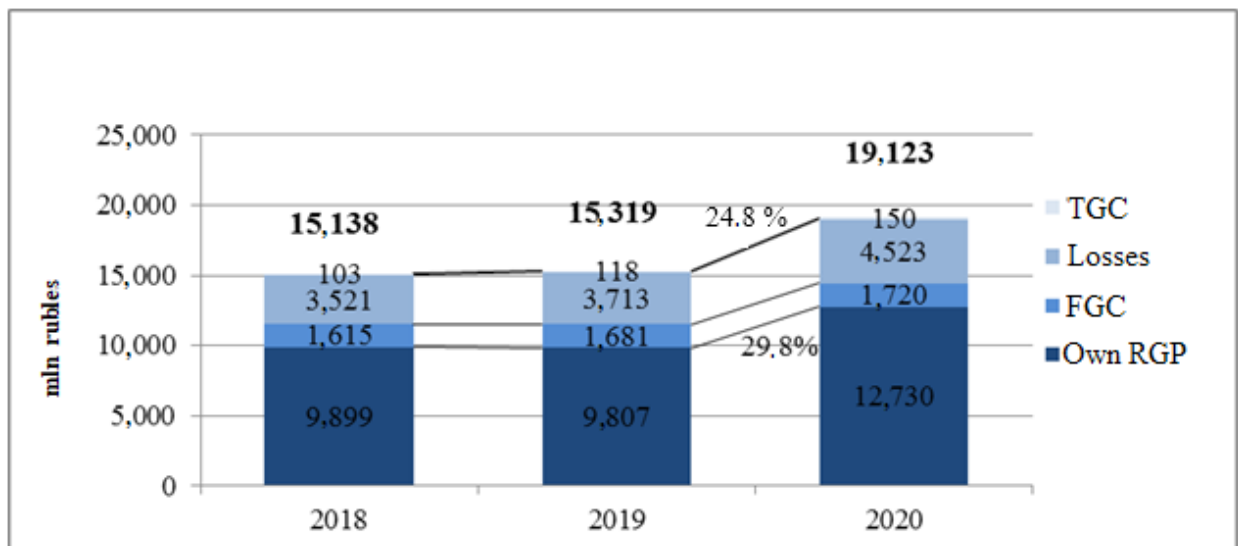
carried out using the method of return on invested capital (RAB). As for Stavropolenergo branch, the period was prolonged up to 2022. The activities of Kabbalkenergo, Karachaevo-Cherkesskenergo, Sevkavkazenergo branches from 2018 are regulated using the method of long-term indexation of required gross proceeds. Regulation period is from 2018 to 2022.

As from 2014, the activities of the branch of ROSSETI Northern Caucasus, PJSC – Ingushenergo are regulated using the method of long-term indexation of the required gross proceeds. The first period of regulation was from 2014 to 2016. Since 2017, the second long-term period of regulation started to last till 2027.

Approved required gross proceeds of ROSSETI Northern Caucasus, PJSC, increased by 24.8% in 2020 compared to 2019.

The own RGP of ROSSETI Northern Caucasus, PJSC, increased by 29.8% in 2020 as compared to 2019.

### Dynamics of the structure of the RGP for power transmission of ROSSETI Northern Caucasus, PJSC



2020 – reporting year

The increase in own RGP of ROSSETI Northern Caucasus, PJSC, was caused by the following factors:

- RGP of the Sevkavkazenergo branch includes adjustments amounting to 1,260 million rubles;
- Positive smoothing was applied to the Stavropolenergo branch amounting to 1,230 million rubles.

### Analysis of Changes in the Average Tariff for Power Transmission Services Broken Down by Branches, rubles/kWh

Branch name	2018	2019	2020
Kabbalkenergo	1.63	1.79	1.77
Karachayevo-Cherkesskenergo	1.62	1.64	1.65

Branch name	2018	2019	2020
Sevkavkazenergo	1.50	1.22	2.32
Stavropolenergo	1.25	1.24	1.46
Ingushenergo	2.12	2.29	2.43
<b>TOTAL for ROSSETI Northern Caucasus, PJSC</b>	<b>1.41</b>	<b>1.39</b>	<b>1.66</b>
Growth, %	95%	99%	119%

2020 – reporting year

Variation of the average tariff for the services in connection with power transmission estimated due to approved required gross proceeds for power transmission and the amount of ratified net electricity supply for ROSSETI Northern Caucasus, PJSC, amounted to (-) 0.9% in 2019 and (+) 19.4% in 2020.

From the second half of 2020, the increase of the approved tariffs for the services in connection with power transmission in all republics of the North Caucasian Federal District corresponds to the rates approved by Decree No. 534 adopted by the Government of the Russian Federation dd April 30, 2018.

**Growth Rates of Tariffs for the Services in Connection with Power Transmission in Accordance with Decree No. 534 of the Government of the Russian Federation dd April 30, 2018**

Constituent entity of the Russian Federation	Growth rate from July 01, 2020, %
Republic of Dagestan	15
Republic of Ingushetia	8
Kabardino-Balkarian Republic	3
Karachay-Cherkess Republic	3
Chechen Republic	3
Republic of North Ossetia–Alania	9

**Technological Connection Fee**

Basic provisions on calculation of the fee for technological connection of power devices of power consumers, facilities for power generation to the grid infrastructure of the branches of ROSSETI Northern Caucasus, PJSC, in 2020 were determined in accordance with the Methodological Guidelines for Determination of the Amount of Fee for Technological Connection to the Power Grids, approved by Order of the Federal Tariff Service of Russia dd August 29, 2017, No. 1135/17 "On the Approval of the Methodological Guidelines for Determination of the Amount of Fee for Technological Connection to the Power Grids".

Executive authorities of the Russian Federation in the field of state regulation of tariffs for the calculation of payment for technological connection to territorial distribution grids approve the following:

- the payment for an applicant submitting an application for technological connection of power receivers having maximal capacity not exceeding 15 kW (together with any capacities of other power receivers connected to the same point) in the amount of 550 rubles or less, when connecting any objects referred to the third reliability category (to one power source) provided the distance from the applicant's plot's borders to the

power grid facilities at the level of voltage up to 20 kV inclusive required to the applicant as to the level of grid facility where the application is filed is within 300 m in cities and urban settlements and at within 500 m in the country;

- for the regulation period:
  - standardized tariff rates;
  - rates per unit of maximum power (rubles/kW);
  - formula of payment for technological connection;
- subject to the application by a grid facility:
  - the fee for technological connection to territorial distribution power grids of power receivers of individual consumers with maximum capacity of at least 8,900 kW at voltage level of at least 35 kV (until April 1, 2020);
  - the fee for technological connection to territorial distribution power grids of any power-producing facilities (until April 1, 2020);
  - the fee for technological connection subject a special project in the cases provided by the Rules for Technological Connection approved by Decree No. 861 made by the Government of the Russian Federation on December 27, 2004.

A person intending to effect technological connection to power grids may independently choose the kind of fee for such technological connection provided the distance from the applicant's plot's borders to the power grid facilities at the level of voltage up to 20 kV inclusive required to the applicant as to the level of grid facility where the application is filed is within 10 kilometers and the maximal capacity of connected power receivers is less than 670 kW. Selection of the payment rate is carried out by the applicant at the stage of execution of the technological connection contract.

If the applicant does not choose the type of the fee, the grid facility may choose such fee at its own discretion and calculate the amount of payment for technological connection.

If the applicant can not choose the type of the fee for technological connection, calculation of the amount of payment for technological connection is carried out using standardized tariff rates.

In regions of presence of the branches of ROSSETI Northern Caucasus, PJSC, executive authorities in the field of state regulation of tariffs in 2020 established the standardized tariff rates, rates per a unit of maximal power and formulae for calculation of the fee for technological connection of the applicants' power receivers:

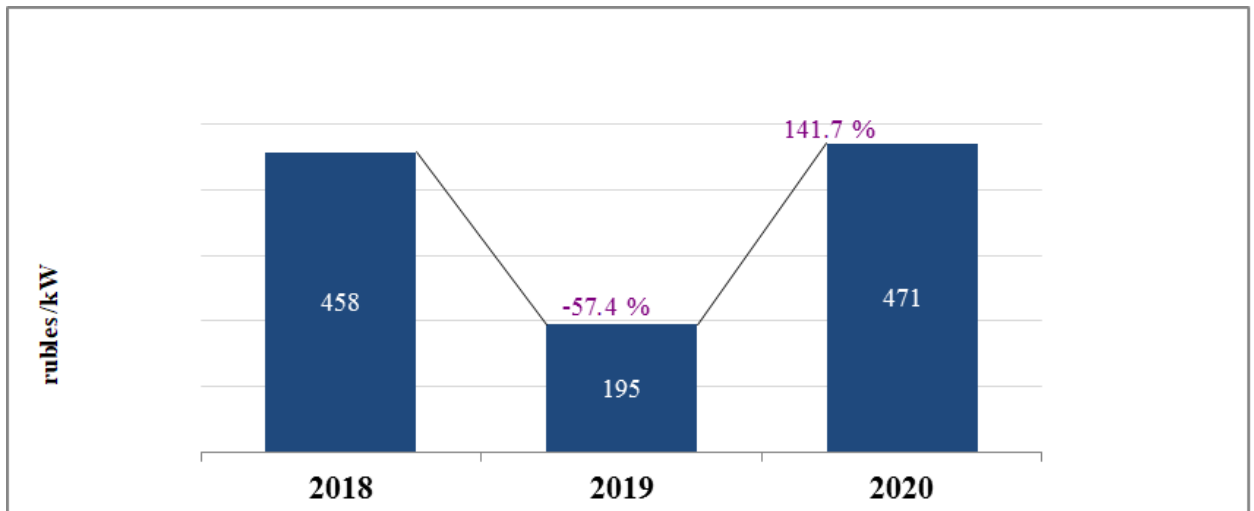
- by Order of the State Committee of the Kabardino-Balkarian Republic No. 109 dd December 30, 2010, "On the Approval of Standardized Tariff Rates, Rates per Unit of Maximum Power, Formulas for Calculation of the Fee for Technological Connection to Distribution Power Grids of Grid Companies within the Territory of the Kabardino-Balkarian Republic for 2020" (as amended);
- by Decree of the Main Directorate for Tariffs and Prices of the Karachaevo-Cherkess Republic No. 135 dd December 30, 2019, "On Establishing Fees for Technological Connection of Power Receivers of Applicants to Power Grids of Territorial Grid Organizations of the Karachay-Cherkess Republic for 2020" (as amended);
- by Decree of the Regional Tariff Service of the Republic of North Ossetia-Alania No. 31 dd December 27, 2019, "On the Establishment of the Amount of Fee for Technological Connection of Power Receivers of Power Consumers to Power Grid Facilities of Territorial Grid Companies of the Republic of North Ossetia-Alania for 2020" (as amended);

- by Decree of the Regional Tariff Service of the Republic of North Ossetia-Alania No. 30 dd December 27, 2019, "On the Establishment of the Amount of Fee for Technological Connection of Power Receivers of Applicants with the Maximum Capacity up to 15 kW to Power Grid Facilities of Territorial Grid Companies of the Republic of North Ossetia-Alania for 2020" (as amended);
- by Decree of the Transport, Energy, Communication and Informatization Committee of the Republic of Ingushetia No. 19 dd December 30, 2019, "On the Establishment of Standardized Tariff Rates, Rates per a Unit of Maximal Capacity and Formulae for Calculation of the Fee for Technological Connection of Applicant's Power Receivers to Power Grid Facilities of Territorial Grid Companies of the Republic of Ingushetia for 2020";
- by Decree of the Regional Tariff Commission of the Stavropol Krai No. 74/11 dd December 24, 2019, "On the Establishment of Standardized Tariff Rates, Rates per a Unit of Maximal Capacity and Formulae for Calculation of the Fee for Technological Connection of Applicant's Power Receivers to Power Grid Facilities of Territorial Grid Companies of the Stavropol Krai for 2020 and On Recognition Voided the Decree of the Regional Tariff Commission of the Stavropol Krai No. 60/8 dd December 26, 2018" (as amended);
- by Decree of the Regional Tariff Commission of the Stavropol Krai dd December 26, 2018, No. 60/9 "On the Establishment of a Fee in the Stavropol Krai for Technological Connection of Power Receivers with Connected Power up to 15 kW Inclusive to Power Grids".
- by Decree of the Republican Tariff Service of the Republic of Dagestan No. 122 dd December 24, 2019 "On the Establishment of a Fee and Formulae for Calculation of the Fee for Technological Connection to Power Grid Facilities of Territorial Grid Companies of the Republic of Dagestan with Tariffs Regulated by the Government".

Subject to Order No. 1135/17 adopted by the FAS of Russia on August 29, 2017, the fees are fixed depending on the kind of used materials and (or) means of all works performing in the prices of the period under regulation common for all territorial grid companies throughout each constituent entity of the Russian Federation.

In 2018 the average fee for technological connection (excluding individual projects) across the Company in total amounted to 458 rubles/kW. In 2019 the average fee had a decrease of 57.14%. In 2020 the average fee for technological connection across the Company in total increased by 141% and amounted to 471 rubles/kW.

### Dynamics of the Average Amount of Fee for Technological Connection



2020 – reporting year.

Reduction of rates per unit of power in 2019 is due to the fact that in most cases, during application to the grid company with the intention to carry out the technological connection, the applicant would choose the payment rate S1 (for preparation and issue of technical specifications), expenditures on new construction ("last mile") were provided at their own expense.

### 3.5. Investment Activities

#### Parameters of the Investment Activities

Investment planning is an integral part of the business planning and budgeting system at ROSSETI Northern Caucasus, PJSC. During compilation of investment program, impact of its implementation on the Company's entire economic activity is assessed. In the pursuit of investment policy, whose implementation is reflected in annual investment programs, the following activities are fulfilled:

- maintaining and operating equipment necessary for sufficient, reliable, and uninterrupted power supply to consumers;
- lowering production costs, in particular, through improvement of equipment efficient performance;
- upgrading fixed assets;
- ensuring safe operation of equipment;
- commissioning new capacities in case of necessity to cover load deficiency or create capacity margin.
- unconditional measures implementing in connection with consumers technological connection;
- preparation for completion passport receiving by autumn-winter period.

#### Trends in Implementation of the Investment Program in 2018-2020

Indicators	Measurement unit	Actual values			
		2018	2019	2020	Variation 2020/2019, %
Amount of funding	million rubles	1,400.95	3,340.65	2,584.50	-23
Volume of capital investment	million rubles	1,312.96	3,433.62	3,058.45	-11
Added fixed assets	million rubles	878.33	1,965.78	4,443.34	126

Transformer capacity added to fixed assets, MVA	MVA	47.41	84.48	152.73	81
Power lines added to fixed assets	km	146.58	659.40	637.82	-3

### Major Investment Program Indicators in 2020

Name of the constituent entity of the Russian Federation	Deployment	Added fixed assets	Funding	Added power	
	million rubles, excluding VAT	million rubles, excluding VAT	million rubles, including VAT	MVA	km
Stavropol Krai	927.63	663.90	548.80	37.83	135.03
Republic of Dagestan	274.28	202.33	189.36	0.00	28.19
Kabardino-Balkarian Republic	968.04	1,649.99	913.64	11.32	113.18
Republic of North Ossetia-Alania	313.73	233.75	151.09	8.18	103.84
Karachay-Cherkess Republic	247.06	417.20	314.49	42.80	50.83
Republic of Ingushetia	345.49	1,276.17	467.13	52.60	206.75
Chechen Republic	-17.78	0.00	0.00	0.00	0.00
<b>Total across ROSSETI Northern Caucasus, PJSC</b>	<b>3,058.45</b>	<b>4,443.34</b>	<b>2,584.50</b>	<b>152.73</b>	<b>637.82</b>

Stavropol Krai: In 2020, capital investments in the amount of 927.63 million rubles, excluding VAT, were disbursed, fixed assets in the amount of 663.90 million rubles were added, 548.80 million rubles, including VAT, were financed. Besides, 37.83 MVA transformer capacities and 135.03 km of transmission lines were launched.

The Republic of Dagestan: In 2020, capital investments in the amount of 274.28 million rubles, excluding VAT, were disbursed, fixed assets in the amount of 202.33 million rubles were added, 189.36 million rubles, including VAT, were financed. Besides, 28.19 km of transmission lines were launched.

The Kabardino-Balkarian Republic: Based on actual values in 2020, capital investments in the amount of 968.04 million rubles, excluding VAT, were disbursed, fixed assets in the amount of 1,649.99 million rubles were added, 913.64 million rubles, including VAT, were financed. Besides, 11.32 MVA transformer capacities and 113.18 km of transmission lines were launched.

The Republic of North Ossetia-Alania: In 2020, capital investments in the amount of 313.73 million rubles, excluding VAT, were disbursed, fixed assets in the amount of 233.75 million rubles were added, 151.09 million rubles, including VAT, were financed. Besides, 8.18 MVA transformer capacities and 103.84 km of transmission lines were launched.

The Karachay-Cherkess Republic: In 2020, capital investments in the amount of 247.06 million rubles, excluding VAT, were disbursed, fixed assets in the amount of 417.20 million rubles were added, 314.49 million rubles, including VAT, were financed. Besides, 42.80 MVA transformer capacities and 50.83 km of transmission lines were launched.

The Republic of Ingushetia: Based on actual values in 2020, capital investments in the amount of 345.49 million rubles, excluding VAT, were disbursed, fixed assets in the amount of 1,276.17 million rubles were added, 467.13 million rubles, including VAT, were financed. Besides, 52.60 MVA transformer capacities and 206.75 km of transmission lines were launched.

The Chechen Republic: Based on actual values in 2020, capital investments in the amount of 17.78 million rubles, excluding VAT, were disbursed, fixed assets in the amount of 0.00 million rubles were added, 0.00 million rubles, including VAT, were financed.

### **Patterns and Structure of Funding for Capital Investments**

In 2020, ROSSETI Northern Caucasus, PJSC, carried out activities targeted at enhancing reliability and non-interruption of electric energy supply to consumers, as well as at increasing installed capacity to enable connection of additional loads and prolonging operation term of power facilities.

Investment Volume by Areas, Including:

- in 2020, the actual amount of funding for technological connection totaled 1,170.25 million rubles, including VAT;
- in 2020, the actual amount of funding for reconstruction, upgrade and technical re-equipment of facilities totaled 584.05 million rubles, including VAT;
- in 2020, the actual amount of funding for investment projects, the implementation of which is determined by schemes and programs for the future power industry development, totaled 57.14 million rubles, including VAT;
- in 2020, the actual amount of funding for other new construction of power grid facilities totaled 230.86 million rubles, including VAT;
- in 2020, the actual amount of funding for the purchase of land plots for implementing investment projects totaled 0.00 million rubles, including VAT;
- in 2020, the actual amount of funding for other investment projects totaled 542.21 million rubles, including VAT.

**Stavropol Krai:** funding amounted to 548.80 million rubles, including technological connection – 220.30 million rubles, technical re-equipment and reconstruction – 185.31 million rubles, new construction – 75.41 million rubles, other activities – 67.78 million rubles.

Among the major facilities commissioned in 2020, the following measures may be noted:

- reconstruction of a 110/10 kV substation Zavodskaya for technological connection of power receivers of Stavropol Power Grid, LLC, in Stavropol. The facility was commissioned in 2020 with added capacity of 16 MVA;
- construction of a branch line from a 35 kV OL L-446 substation Put' Lenina – substation Peredovaya for technological connection of a 35 kV substation Mayak. The facility was commissioned in 2020 with a total length of 9.56 km;
- construction of a 35/10 kV substation Verkhnerusskaya with installation of a 6.3 MVA transformer. The facility was commissioned in 2020 with added transformer capacity of 6.3 MVA.

**The Republic of Dagestan:** funding of capital investments amounted to 189.36 million rubles, including technological connection – 0.49 million rubles, technical re-equipment and reconstruction – 136.79 million rubles, other activities – 52.09 million rubles.

Among the major facilities commissioned in 2020, the following measures may be noted:

- upgrade of the information collection and transmission system at 110 kV Izberg-Severnaya substation, installation of disturbance recording.

**The Kabardino-Balkarian Republic:** funding of capital investments amounted to 913.64 million rubles, including technological connection – 779.06 million rubles, technical re-equipment and reconstruction – 67.75 million rubles, other activities – 66.83 million rubles.

Among the major facilities commissioned in 2020, the following measures may be noted:

- construction of a 35 kV OL from outdoor switchgear of the Kashkhatau substation to outdoor switchgear of Verkhnebalkarskaya SHPP. The facility was commissioned in June, 2020, 1,472.20 million rubles, excluding VAT, worth of transmission lines, with a length of 42.2 km, were added.

**The Republic of North Ossetia-Alania:** funding of capital investments amounted to 151.09 million rubles, including technological connection – 78.96 million rubles, technical re-equipment and reconstruction – 1.67 million rubles, other activities – 70.45 million rubles.

Among the major facilities commissioned in 2020, the following measures may be noted:

- construction of 6 kV OL from Predmostnaya-110 substation for technological connection of facilities belonging to the Ministry of Defence of the Russian Federation. The facility was commissioned in 2020 with a total length of 1.51 km;
- upgrade of the system of information collection and transfer of 110 kV V-1 DP-110 Yugo-Zapadnaya substation (installation of remote control and measurement cabinets). The facility was commissioned in 2020.

**The Karachay-Cherkess Republic:** funding of capital investments amounted to 314.49 million rubles, including technological connection – 85.92 million rubles, technical re-equipment and reconstruction – 125.35 million rubles, new construction of power grid facilities – 2.69 million rubles, other activities – 100.54 million rubles.

Among the major facilities commissioned in 2020, the following measures may be noted:

- technical re-equipment of 110/6 kV Golovnaya substation for technological connection of the Ust-Dzhegutinskaya SHPP. In 2020, the second start-up facility was commissioned;
- reconstruction of 110 kV Yuzhnaya Substation with replacement of 2x16 MVA transformers with 2x40 MVA transformers. The facility was commissioned in 2020 with added transformer capacity of 40 MVA.

**The Republic of Ingushetia:** funding of capital investments amounted to 467.13 million rubles, including technological connection – 5.53 million rubles, technical re-equipment and reconstruction – 67.18 million rubles, investment projects, the implementation of which is determined by schemes and programs for the future power industry development – 57.14 million rubles, new construction – 152.76 million rubles, other activities – 184.52 million rubles.

Among the major facilities commissioned in 2020, the following measures may be noted:

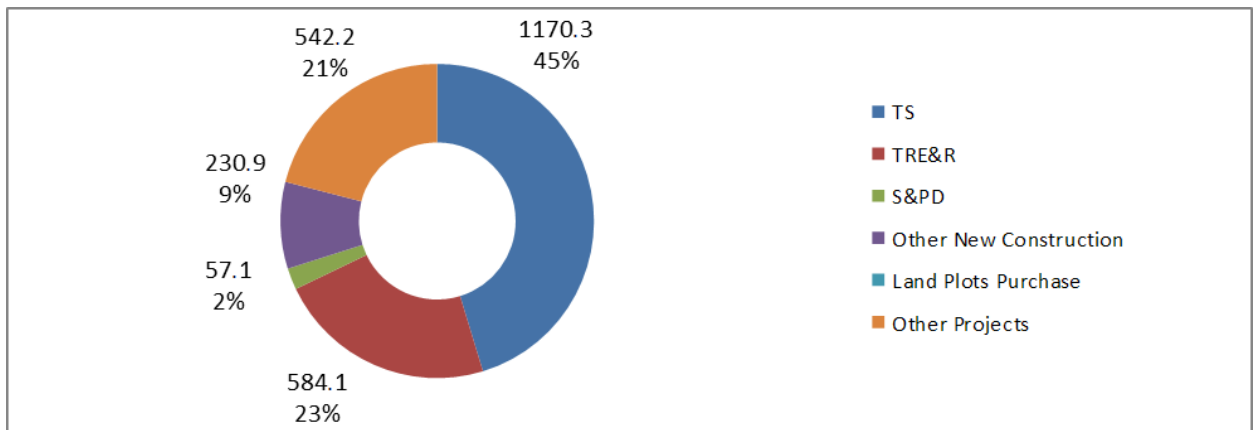
- construction of 110 kV OL Plievo Novaya – a short-circuit point for ice-melting for technological connection of GEH Engineering, LLC, power plants to transmit the power generated by the Grozny TPP. The facility was commissioned in 2020 with a total length of 28.43 km;
- construction of the 110/35/10 kV Plievo Novaya substation 1 PC. In 2020, the first stage of the first start-up facility was commissioned with added capacity of 40 MVA.



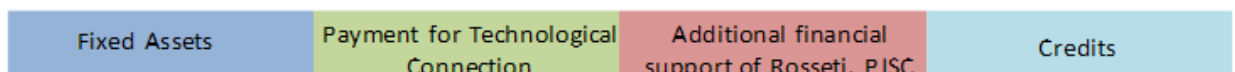
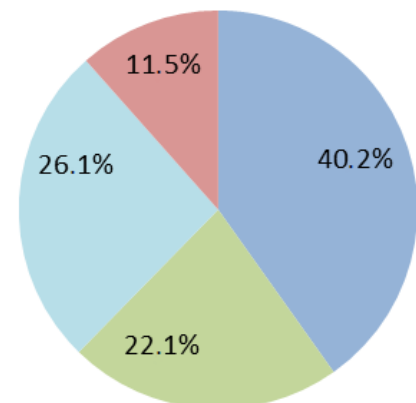
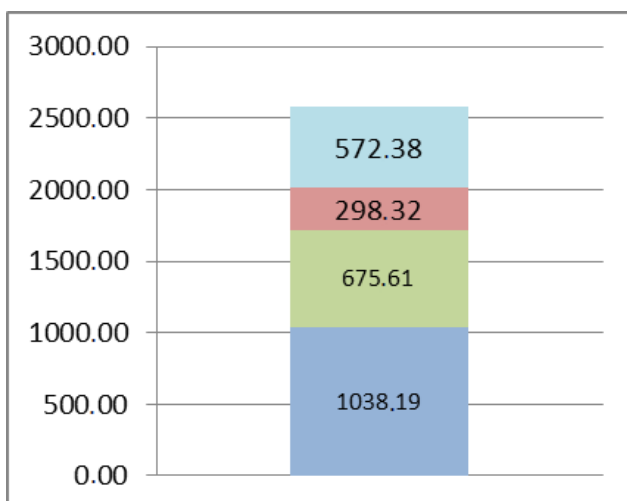
### Structure of Capital Investment Funding, million rubles, including VAT

<b>ROSSETI Northern Caucasus, PJSC</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Total</b>	1,400.95	3,340.65	2,584.50
Technological connection	309.05	1,664.23	1,170.25
Reconstruction, modernization, technical re-equipment	773.47	589.83	584.05
Investment projects, the implementation of which is determined by schemes and programs for the future power industry development	29.91	432.11	57.14
Other new construction of power grid facilities	6.70	21.32	230.86
Purchase of land plots for the implementation of investment projects	0.00	0.00	0.00
Other investment projects	281.82	633.16	542.21

### Structure of Capital Investment Funding of ROSSETI Northern Caucasus, PJSC, in 2020, %



### Structure of Funding Sources for Capital Investments in 2020, million rubles



The funding volume of ROSSETI Northern Caucasus, PJSC, in 2020 amounted to 2,584.50 million rubles. The funding was carried out at the expense of 1,038.19 million rubles of own funds, involving the 675.61 million rubles technological connection fee, 298.32 million rubles of additional financial support of ROSSETI, PJSC, and 572.38 million rubles of credit funds. In 2020, there were no projects implemented using the federal budget.

### Results of Investment Program Implementation in 2020

Information on the results achieved in 2020 through the implementation of activities included in the investment program, in accordance with the Order of the Ministry of Energy of Russia No. 177 dd March 14, 2017:

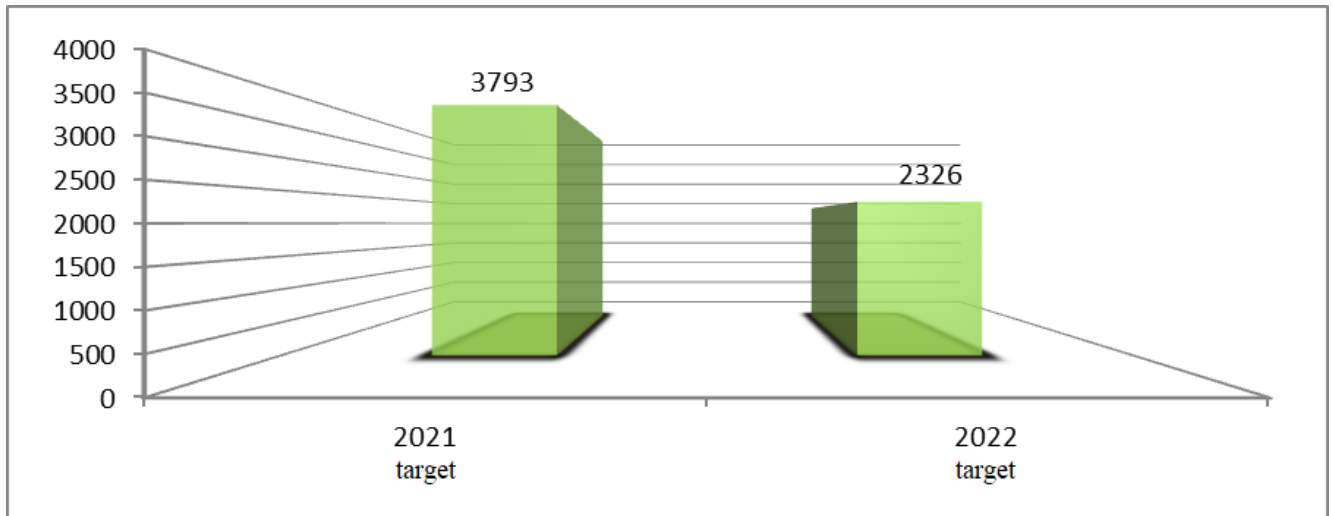
- there are no facilities affecting the degree of loading of the transformer substation;
- no facilities that affect the indicator assessing the change in the share of the productive power supply generated by power meters included in the data collection and transmission system;
- indicator estimating the change in the average duration of interruption in the power transmission to service consumers — 0.00105;
- indicator estimating the change in the average frequency of interruption in the power transmission to service consumers — 0.00109;
- indicator of the total number of obligations fulfilled by the grid company within the investment program for the implementation of technological connection — 817 pcs;
- indicator of the maximum capacity of the connected power consumers, power generation facilities, power grid facilities owned by other grid companies or other individuals — 91.52.

### Long-Term Investment Program

The draft investment program of ROSSETI Northern Caucasus, PJSC, was approved by a decision of the Board of Directors of the Company made on February 25, 2020 (Minutes No. 410 dd February 25, 2020) and sent for approval to the Ministry of Energy of Russia. The long-term Investment Program of ROSSETI Northern Caucasus, PJSC, for 2020-2022 was approved by Order of the Ministry of Energy of the Russian Federation No. 32@ dd December 29, 2020, "On Amendments Approval Made to the Investment Program of ROSSETI Northern Caucasus, PJSC Approved by Order of the Ministry of Energy of Russia No. 1035 dd December 25, 2015".

Indicators	Measurement unit	Target values		
		2021	2022	Variation 2022/2021, %
Amount of funding	million rubles	3,792.61	2,326.47	-39
Volume of capital investment	million rubles	3,287.97	1,835.67	-44
Added fixed assets	million rubles	3,189.08	1,681.62	-47
Transformer capacity added to fixed assets, MVA	MVA	186.66	133.49	-28
Power lines added to fixed assets	km	442.65	169.57	-62

### Amount of Funding for the Investment Program for 2021–2022, million rubles, including VAT

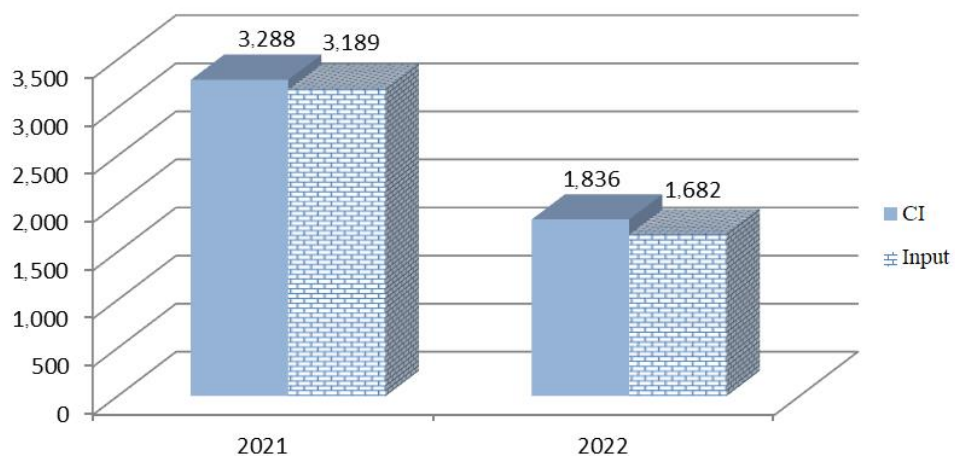


Due to the limited possibilities of planning the measures aimed at technological connection of applicants for a long period, the planned funding structure is volatile to some extent in terms of technological connection from 2021 to 2022. Thus, the share of funding of technological connection facilities in 2021 is 34%, in 2022 – a total of 19%.

The investment program of ROSSETI Northern Caucasus, PJSC, for 2020–2022 was developed taking into account the plans for the development of the territories, the technical condition of the power grids, the importance of power supply facilities, the current economic situation in the economy of the Russian Federation.

The decisions made in the development of the investment program are consistent with the goals and objectives of the Unified Technical Policy in the distribution power grid complex and the provisions of the current legislation.

### Amount of planned capital investments and scope of commissioning of fixed assets in accordance with the investment program for 2018–2022, million rubles, excluding VAT



### 3.6. Innovation Activities and Digitization

Innovative activity of ROSSETI Northern Caucasus, PJSC, is carried out in accordance with the Innovative Development Program of ROSSETI Northern Caucasus, PJSC, (the Program, IDP) designed to create effective mechanisms aimed at modernizing the power grid complex, enhancing scientific and technical and inventive activities, adapting to introduction of innovations, improvement and development of the innovation system.

The Innovative Development Program of ROSSETI Northern Caucasus, PJSC, determines and systematizes the innovative, technical and inventive activities of ROSSETI Northern Caucasus, PJSC, and its structural subdivisions, establishes activities in the field of scientific, technical, technological and innovative development. Requirements of the IDP are binding on all of the Company's structural subdivisions that operate in the field of organization, execution, and control of technological development, innovation, modernization of the power grid complex, development and automation of control systems.

The program is the key basic document of ROSSETI Northern Caucasus, PJSC, in the field of scientific and technological development, new developments and researches. The Program was developed in 2011 in accordance with the decision of the Board of Directors of the Company (Minutes No. 78 dd August 1, 2011). In 2020, the Program is updated in consideration of new conditions in accordance with the target model of the innovative development and requirements imposed on innovative development programs. The purpose of innovative development is the transition to a power grid of a new technological structure with qualitatively new characteristics of reliability, efficiency, accessibility, manageability and customer-oriented power grid complex in general. A power grid of the new technological order is a power system characterized by the following basic properties:

- automatic control of the power grid based on the principles of distributed (multi-agent) control;
- real-time self-diagnostics of parameters and modes of operation of the power system, individual facilities and units of equipment in order to increase the system and consumer reliability, reduce transaction costs, etc.;
- flexible automatic reconfiguration of the grid in response to changing its parameters and topology (including prevention of accidents, self-recovery of the grid after accidents);
- providing specialized services and services to various categories of consumers.

The implementation of the Program is aimed at creating effective conditions for ensuring the following:

- achievement of target indicators of labor productivity and creation of high-productive workplaces provided for in the Order of the President of the Russian Federation No. 596 dd May 7, 2012 "On Long-Term State Economic Policy";
- development and implementation of a set of measures aimed at refusing to use obsolete and inefficient technologies and introducing modern Russian technologies;
- leadership of the Company in its industry in relation to similar companies, including foreign ones;
- growth of long-term investment in basic and applied research and development;
- linking the innovative development program to approved long-term development programs, the investment program, other documents of the Company, as well as documents of state strategic planning.

## **Key directions of innovative development**

In the field of technological innovation:

- new technologies and solutions – activities in the field of creating new types of materials, insulation, equipment involved in the company's core business processes (isolators, materials based on high-temperature superconductivity, new methods of arc suppression, new types of insulation, power electronics, etc.);
- digitization of control and technological processes – transition from analogue to digital control principle of relay protection and emergency automatics, automated process control system, power metering and communication (application of digital metering transformers); digital modeling and design; digitalization of production assets management; introduction of digital systems for monitoring technological processes;
- development of multi-agent systems -development of the principles of interaction in peer-to-peer<sup>1</sup> control systems between power grid elements and systems (introduction of distributed intelligent control systems);
- increase in the performance and adaptability of power grids – development of grid properties for increasing the stability for disturbances in the grid and automatic restoration of the normal operation mode (adaptive elements of relay protection and automatics, control systems, logic automatics, digital online grid model).

In the field of organizational and marketing innovations:

- design of new business processes and systemic reengineering of the existing business processes in terms of end-to-end performance – production assets management, management systems, client services, system life cycle management;
- innovations in HR management – introduction of advanced technologies for human resource management;
- creation of an innovative environment – promotion of creating a wide range of innovative companies, scientific organizations and educational institutions.

## **Activities within the Innovative Development Program:**

- transition to the end-to-end performance of business processes and automation of management systems;
- development of a system for design and implementation of innovative products and technologies;
- development of the personnel reserve and partnership in the field of education.

The Company's activities for innovative, scientific and technical development in 2020 were performed in accordance with the Regulation on Innovation Activity of ROSSETI Northern Caucasus, PJSC.

## **List of implemented activities under the Innovative Development Program**

1. Development of the system for production assets management (PAM), including performance of works to automate business processes of production assets management with simultaneous integration of Production Assets Management systems of ROSSETI Northern

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<sup>1</sup> Peer-to-peer or decentralized (from English word peer-to-peer, P2P – face-to-face, in private) grids.

Caucasus, PJSC, with subsystem of production assets management ASSCR ROSSETI for the needs of ROSSETI Northern Caucasus, PJSC (ASPAM<sup>1</sup>).

The principal goal for generating ASPAM is raising the company management efficiency.

Objectives of creating ASPAM:

- creating the company's common information space enabling to use all the stored information about the manufacturing process course to make management decisions;
- creating the complex system of maintenance control, diagnostics and technical inspection of power grid equipment;
- arranging the swift and reliable mechanism for document flow;
- maximal automation of routine accounting procedures.

ASPAM shall be an integrated software and hardware complex assisting to meet both current and future Company's demands as to data processing. Application solutions are used as the typical configuration to create and implement it.

In accordance with the decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC, dd May 25, 2018 (Minutes No. 346 dd May 28, 2018), the Development Action Plan for the Production Assets Management System of IDGC of the Northern Caucasus, PJSC, for 2016–2019 was approved and later modified.

Within the Action Plan for Development of the Production Assets Management System of ROSSETI Northern Caucasus, PJSC, in 2020, measures were taken to resolve the following key objectives:

- functionality improvement to increase the accuracy of the technical state evaluation estimated based on technical state calculation algorithms (TIS). TIS adjustment to comply with the requirements of the industry methods of the equipment technical state estimation;
- automation of tests/measurements record sheets typical forms for testing objects, equipment groups and kinds;
- automation of the methods to estimate the power subjects' fitness to work during the heating season;
- functionality improvement for the Company's automated system of maintenance and repair (M&R) management subject to the requirements of the accounting policy for maintenance and repair;
- automation of estimating the works volumes and cost performed using its own resources (using costing standards database and separating the accounting for labor costs subject to maintenance and repair);
- automation of the statement forms of business plan for maintenance and repair (with optional uploading of business plan statement forms from ASU for maintenance and repair).

## 2. Knowledge Management System Development

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<sup>1</sup> Automated System of Productive Assets Management

As part of the development of the knowledge management system, the Company implements measures to adapt to innovations, as well as to train and upgrade the Company's employees in the field of high-technology equipment and intellectual energy.

For the information awareness of personnel of the profile services of the branches and controlled companies of ROSSETI Northern Caucasus, PJSC, in the field of innovative developments of equipment, materials and technologies the Technological Development and Innovation Department of the executive office arranged awareness-raising and technical training workshops with the following companies:

- Promelektronika, CJSC;
- NILED, LLC;
- Siemens, LLC;
- Tekhno-AS, LLC;
- ChEAZ, CJSC;
- GC Tavrida Electric, JSC.

In addition to the regular seminars, meetings, the branches and managed Companies of ROSSETI Northern Caucasus, PJSC, were provided with distribution materials containing information on new technologies and modern developments of the main manufacturers of electrical equipment and materials.

### 3. Cooperation with Scientific Organizations and Innovative Companies

The Company concluded six agreements on cooperation with the following universities:

- Federal State Budgetary Educational Institution of Higher Professional Education Kabardino-Balkarian State Agricultural University named after V.M. Kokov;
- Federal State Budgetary Educational Institution of Higher Professional Education Grozny State Oil Technical University named after Academician M.D. Millionshchikov;
- Federal State Budgetary Educational Institution of Higher Professional Education Dagestan State Technical University;
- Federal State Budgetary Educational Institution of Higher Professional Education Gorsky State Agrarian University;
- Federal State Budgetary Educational Institution of Higher Professional Education North Caucasus State Humanitarian-Technological Academy;
- Federal State Budgetary Educational Institution of Higher Professional Education North Caucasian Mining and Metallurgical Institute (State Technological University).

The above-mentioned universities are cooperating in the following areas of activity:

- cooperation in educational, scientific and scientific-practical areas;
- targeted training of specialists for the needs of the companies of the distribution grid complex;
- professional training, retraining and advanced training of employees of ROSSETI Northern Caucasus, PJSC;
- organization of a dialogue on the site of the universities with the participation of representatives of the electric power industry organizations, public authorities, scientific institutions, public organizations and other stakeholders to develop joint positions on topical issues of functioning and development of the power grid complex in the field of power engineering development with companies of innovative profile.

When carrying out activities to interact with higher education institutions within the framework of innovation activities in the reporting period, the Company carried out the following work.

For ensuring the reliable and uninterrupted power supply to power consumers during the thunderstorm period (April–October), employees of ROSSETI Northern Caucasus, PJSC, identified a number of problems for resolution, on the basis of which research and development (R&D) on the following issues is performed:

- R&D work "Study of the Growth Rate of the Main Types of Forest-Forming Tree Species Depending on Climatic Zones and Soil Condition at the Locations of the Current OL Routes with the Creation of Regional Maps for the Frequency of Clearing the OL Forest Corridors and Issue of Recommendations on Work Performance";
- R&D work "Knowledge Management System (KMS) Model Development at ROSSETI Northern Caucasus, PJSC".

The Digital Transformation Program of ROSSETI Northern Caucasus, PJSC, for 2020-2030 (the Program) establishes main principles and approaches to digital transformation, and contains a list of pilot projects and information on the management structure of digital transformation activity of ROSSETI Northern Caucasus, PJSC.

Main directions of the Program are as follows:

- implementation of Intelligent Power Metering System;
- improvement of monitoring and management of power grids;
- establishment of the Integrated Power Grid Management Center;
- implementation of corporate information systems projects;
- implementation of measures ensuring data security.

In 2020, the Intelligent Metering and Data Transmission of Grid Parameters project was carried out as a part of the Program. The goal of the project is to reduce power losses in power grids of branches and managed companies of ROSSETI Northern Caucasus, PJSC, through modernization of power metering units. The target cost of the project amounts to 2,582.11 million rubles, the implementation period is 2020-2022.

According to the project, 83,461 units of intelligent metering equipment is going to be installed in the future. The existing metering system of ROSSETI Northern Caucasus, PJSC, is complex multi-stage scheme of collecting and processing data using various software and expensive equipment and has several disadvantages. The project provides for establishment of a new innovative scheme for organization of the Automated System of Power Supply Management (ASPSM) using common data exchange protocols of Specification of Electronic Meters Data Exchange Protocol (SEMDEP) and Specification of Data Collection Devices Data Exchange Protocol (SDCDDEP), modular schemes and provision of wireless data transmission through communication operators or through radio channels with extended range with the help of existing infrastructure, and ensuring provision of services to consumers through mobile applications.

The 110 kV Airport digital substation, a branch of ROSSETI Northern Caucasus, PJSC, was constructed in 2020 as a part of the Program, the 110 kV digital substation Gorod of the Chechenenergo, JSC, managed company was also constructed and commissioned with 2x40 MVA capacity.



### Indicators of Innovative Activity of ROSSETI Northern Caucasus, PJSC

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Cost of implemented innovation	million rubles	69.6	615.18	348.97	43.3
Cost of carried out R&D	million rubles	11.25	0	8.27	100

### Indicators Related to Measures of the Digital Transformation Program of ROSSETI Northern Caucasus, PJSC

Indicator	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Cost of funding measures of the Digital Transformation Program in the reporting year	million rubles	0	0	211.9	100

#### Implementation of the Digital Transformation Program

Plan of measures for implementation of the Digital Transformation – 2030 concept approved by Order of ROSSETI, PJSC, No. 56 dd March 20, 2019, provides for establishment of individual digital transformation programs of subsidiaries and affiliates, and their validation by boards of directors of those subsidiaries and affiliates.

The Digital Transformation Program of ROSSETI Northern Caucasus, PJSC, for 2020-2030 (the Program) was developed in accordance with:

- Order of the President of the Russian Federation Putin V.V. No. 203 dd May 9, 2017 "On the Strategy of the Information Society Development in the Russian Federation in 2017 – 2030";
- Order of the President of the Russian Federation Putin V.V. No. 204 dd May 7, 2018 "On National Goals and Strategic Objectives of the Russian Federation through to 2024";
- Order of the Government of the Russian Federation No. 1632-r dd July 28, 2017 "On the Approval of the Program «Digital Economy of the Russian Federation»";
- Concept Digital Transformation – 2030 of ROSSETI, PJSC, approved by the Board of Directors of ROSSETI, PJSC (Minutes of the ROSSETI, PJSC, Board of Directors meeting No. 336 dd December 24, 2018);
- Concept of implementation of the national project Intelligent Power System of Russia (made in accordance with the Instruction of the President of the Russian Federation Putin V.V. No. Pr-2533 dd October 28, 2014);
- Policy of ROSSETI, PJSC, "On Information Technology Automation and Telecommunication" (ITT Policy) approved by the Board of Directors of ROSSETI, PJSC (Minutes No. 276 dd September 11, 2017);
- Regulation of ROSSETI, PJSC, "On the Unified Technical Policy in the Power Grid Complex" approved by the decision of the Board of Directors of ROSSETI, PJSC (Minutes No. 378 dd November 8, 2019);
- Order of ROSSETI, PJSC, No. 155 dd August 25, 2015, "On the Improvement of Development Planning Quality of the Power Grids";
- Order of ROSSETI, PJSC, No. 36 dd February 20, 2018, "On the Implementation Plan of the Innovative Development Program of ROSSETI, PJSC";

- Instruction of ROSSETI, PJSC, No. 106r dd March 19, 2018 "On Approval of Technical Requirements for Digital Network Components";
- Organizational standards establishing requirements for designing digital substations and digital power grids.

The goal of the Program is to change logistics of processes and the Company's transition towards risk-oriented control based on implementation of digital technology and analysis of large amounts of data.

The Program's objectives:

- achievement of adaptability of the Company to new tasks and challenges;
- improvement of reliability specifications for power supply of consumers;
- improvement of the Company's performance;
- improvement of accessibility of the power grid infrastructure;
- development of personnel pool and new competences;
- diversification of the Company's business with the help of additional services.

The Program establishes main principles and approaches to digital transformation, contains a list of pilot projects and information on the management structure of digital transformation activity of ROSSETI Northern Caucasus, PJSC.

Main directions of the Program are as follows:

- implementation of Intelligent Power Metering System;
- improvement of monitoring and management of power grids;
- establishment of the Integrated Power Grid Management Center;
- implementation of corporate information systems projects;
- implementation of measures ensuring data security.

Following paragraph 6 of the Plan of Measures (the Roadmap) on updating individual programs of digital transformation of subsidiaries and affiliates of ROSSETI, PJSC, approved by the Regulation of ROSSETI, PJSC, No. 425-r dd December 25, 2020, taking into consideration Methodological recommendations on calculation of efficiency of digital projects of Digital Transformation of the ROSSETI Group of Companies through 2030; work on updating digital transformation program of ROSSETI Northern Caucasus, PJSC, started in Q4 2020. In Q1 2021, the updated digital transformation program of ROSSETI Northern Caucasus, PJSC, is going to be reviewed during a meeting of the Company's management and advise the Company's Board of Directors to approve the updated digital transformation program of ROSSETI Northern Caucasus, PJSC. Currently, the financial and economic model of the Program is being formed.

Key events related to the Digital Transformation Program of ROSSETI Northern Caucasus, PJSC, in 2020:

- Q2 2020: a 110kV digital substation Gorod with 2x40 MVA capacity was commissioned by the managed company Chechenenergo, JSC;
- Q2 2020: Stavropolenergo, a branch of ROSSETI Northern Caucasus, PJSC, commissioned a first start-up facility of the 110 kV digital substation Airport with capacity of 2x25 MVA.

## Key productive projects of the Digital Transformation Program

Current achievements:

- in 2020, 100% observability of 110/35 kV substations (863) was achieved;
- a process of designing a Unified Automated System of Technological Management (UASTM) was completed;
- Unified Information and Computing Complex of Electrical Installation (UICCEI) was commissioned in 2020 which helped to implement a loss reduction program;
- GLONASS in 100% of the Company's vehicles;
- in 2020, a 110kV digital substation Gorod was commissioned by Chechenenergo, JSC;
- measures on implementation of automated Intelligent Power Metering System Pyramida – Seti were introduced as a part of the Digital Transformation Program.

Objectives for the future:

digitalization of power grid area (100% observability of 10/6/0,4 kV transformer substations);

establishment of UASTM;

implementation of a plan with a timeline of productive assets management system;

automation of the vehicle management business process;

acquisition of charging points for electric vehicles as a part of organization of the charging infrastructure.

## **4. Sustainability**

Key goals of the Personnel and Social Policy of the Company, aimed at reaching targets of the Strategy of the Power Grid Complex Development, are as follows:

- planning of personnel requirements – provision of reliable information on operational and predictive, quantitative and qualitative labor resources requirements necessary and sufficient for completing the Company's objectives;
- meeting the Company's requirements for duly qualified personnel in a timely manner;
- ensuring efficiency of the personnel's performance;
- improvement of labour efficiency.

Key goals of the Personnel and Social Policy of the Company listed above are achieved by implementation of a range of measures in relation to different directions of the Companies activities and by reaching targets in the following areas:

- organizational planning;
- staffing and development of personnel reserve;
- management of the personnel's performance efficiency;
- social benefits and guarantees;
- youth policy
- ensuring safety of personnel's operation and work culture.

Every year, the Company provides an increase in labour efficiency (in comparable circumstances of the Company's operation).

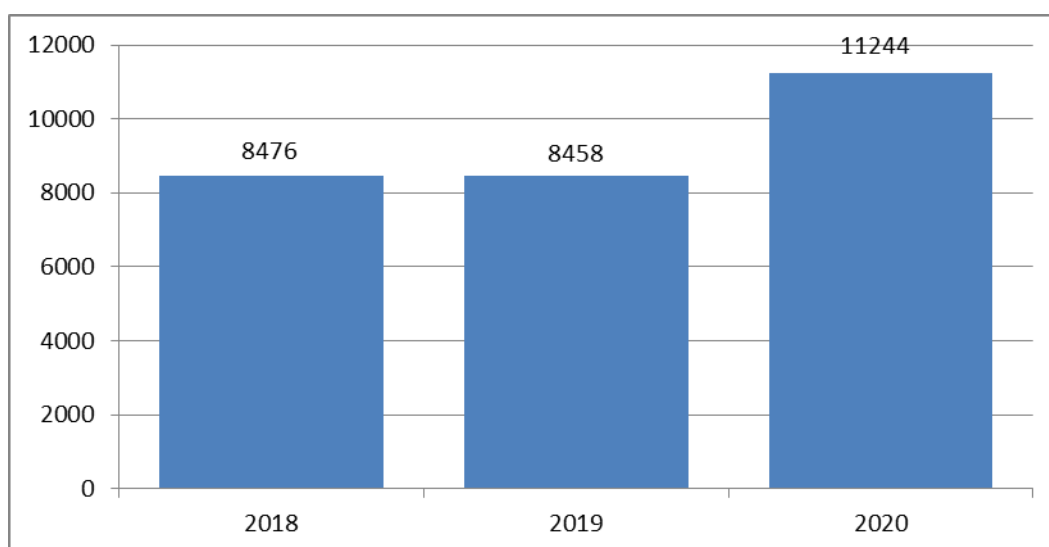
#### 4.1. Personnel Management

##### Number and Structure of the Personnel

The average number of employees of ROSSETI Northern Caucasus, PJSC, in 2020 amounted to 11,244 people, which is 32.9% higher than in 2019. This increase of the average number of employees was caused by the following factors:

- receiving responsibility of a guaranteeing power supplier in the Republic of North Ossetia-Alania as from April 1, 2020;
- signing a repair and care-and-maintenance agreement of the power grid assets of the city of Nalchik;
- start of operation of the Dagezero branch as from July 1, 2020;
- receiving responsibility of a guaranteeing power supplier in the Republic of Dagestan as from July 1, 2020.

##### Average Number of Employees of ROSSETI Northern Caucasus, PJSC, in 2018-2020

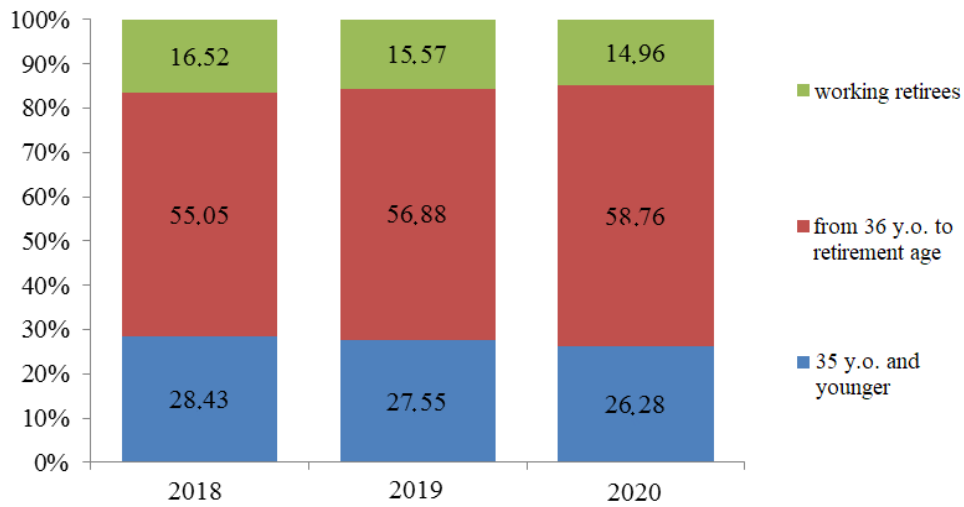


By the end of 2020, the level of staffing in the Company amounted to 98.4%. The level of staffing regarding production staff of the Company amounted to 98.6%. In general, the Company staffing level across three years has been at a fairly high level.

In 2020, the rate of active turnover in the Company amounted to 5.8% which corresponds to indicators of the Personnel and Social Policy of the Company.

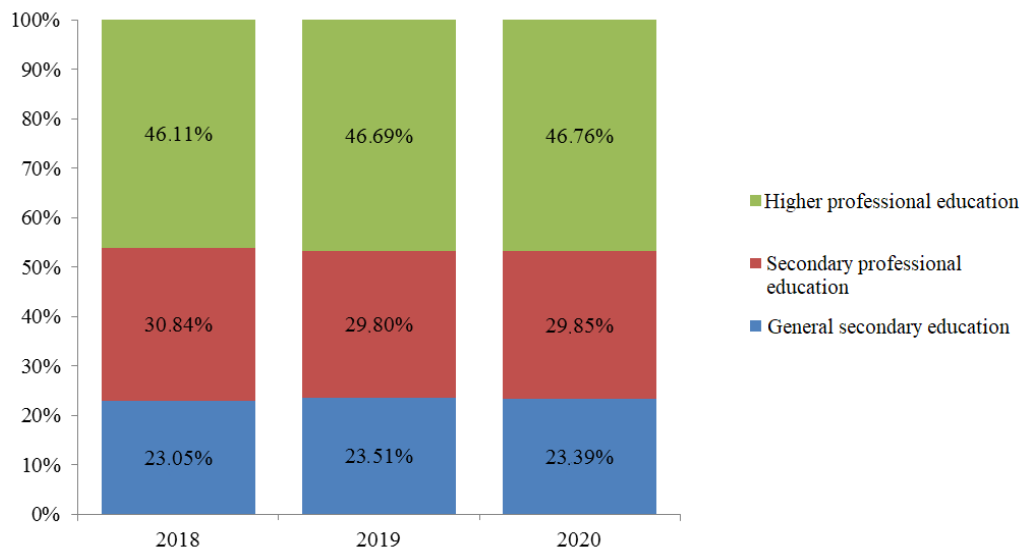
In 2020, the average age of employees of the Company was 44, a share of young specialists below the age of 35 was 26.28%. A share of personnel in the range from 35 years of age to retirement age has increased in the last three years by 3.71 pp and in 2020 reached 58.76%.

### Personnel Structure by Age in 2018-2020, %

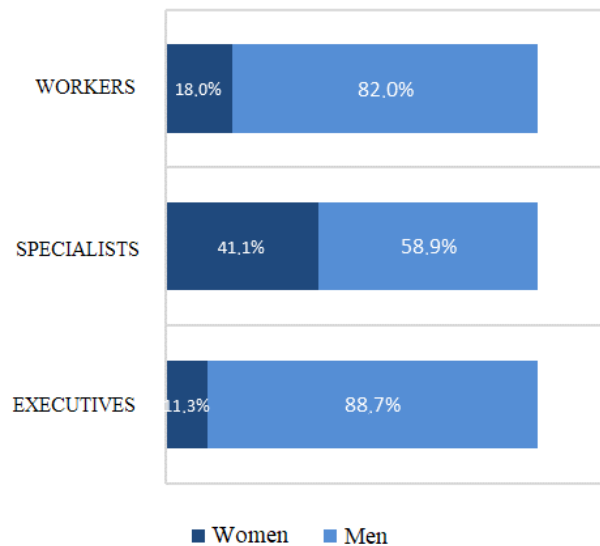


The personnel of the Company is characterized by a fairly high level of qualification of employees. As of December 31, 2020, approximately 76.61% of the Company's employees have completed professional education.

### Personnel Structure by Level of Education in 2018-2020, %



The gender composition of the Company corresponds to the typical ratio for the staff of the power grid companies. As of December 31, 2020, the share of men working in the Company is 77%, the share of women is 23%, the analysis by categories is presented in the following chart.



The analysis of trends in the level of education of the Company's personnel in 2018-2020 shows insignificant changes in each of the categories of employees.

The Company carries out systematic work on the professional training, retraining and advanced training of personnel to ensure the improvement in the qualification level of employees who haven't undergone professional education.

Training is one of the priorities of the Personnel and Social Policy of the Company and is regulated by the Rules for work with personnel in the power engineering organizations of the Russian Federation.

Introduction of modern technology and innovative development of the Company increase the requirements for the level of personnel qualification. The training system is aimed at developing the advanced training of personnel required for work at the newly commissioned facilities, mastering new technology, as well as at integrating scientific activity into the educational process.

In the reporting year, 6,102 people (54.3% of the average number of employees) took part in the training events off-the-job, including: production personnel amounting to 5,937 people (97.3%), administrative and managerial personnel of 165 people (2.7%).

In 2020, 859 employees of the Company (or 14.1% of the total number of those trained off-the-job) underwent professional training, retraining and advanced training as part of the implementation of plans to bring the qualification level of the Company employees into compliance with the requirements established by professional standards.

On the basis of corporate training centers in 2020 professional training, retraining and upgrade was provided to 4,666 persons, which amounts to 76.5% of the total number of trainees. One of the largest professional industrial educational institutions is located in the North Caucasian Federal District – NOU Corporate Institute for Energy (Yessentuki), founded by ROSSETI Northern Caucasus, PJSC. The training center was designed for 285 people. The resource base of the Training School includes an educational building with classes, laboratories for conducting classes to train the power engineering personnel, a library, a training ground and a dormitory for 80 people.

Key suppliers of educational services, apart from internal training centers, are also the following: FBI "Training and Methodological Office of Rostekhnadzor" (Moscow), PE ANO "Power Engineering Institute" (Kaspiysk), and others.

Such cooperation allows the managers and specialists of the Company undergoing advanced training in the main functionality areas with the necessary frequency, as well as studying under the programs of further vocational education in the electrical engineering disciplines.

Formation and development of the **personnel reserve** are one of the key areas in the implementation of the Company's HR and social policy. The main objective of the work with the personnel reserve in the Company is to satisfy the personnel needs of the Company for employees prepared for duty target positions. For achieving these objectives, the Rules on the personnel reserve Management has been developed and is being implemented.

In accordance with the requirements of the Rules, the Company established:

- management personnel reserve for the positions:
  - Head of Department, Directorate, Administration, Division, Service;
  - Deputy Director of the branch by area (with the exception of Deputy Director of the branch – Chief Engineer);
  - Deputy Chief Engineer by area;
  - Chief Accountant;
  - Head of District/City Power Grids;
- personnel reserve for key positions:
  - Chief Engineer of District/City Power Grids;
  - Foreman of District/City Power Grids;
  - DS Manager;
- youth personnel reserve.

The rest of positions, which require creation of personnel reserve for any reason, are provided by the operational personnel reserve, which is created when it's needed.

The personnel reserve of the Company consists of highly qualified professionals with experience of at least three years in the area, profile for the target position; with good results in production activities; with the capacity required for further professional development and career growth.

In 2020, 53 vacant managerial positions in the Company were staffed by internal candidates, including 13 succession candidates.

For all members of the personnel reserve the individual development plans are formed, according to which the employees are trained for the target positions.

The main emphasis in the preparation of the members of the personnel reserve is on the development of practical skills – succession pool members are involved in development of regulatory documents, the target position is replaced by a succession pool member for the period of absence of the head (vacation, business trip, etc.).

## **Youth Policy**

The power engineering company has embarked on the course to provide the active children of the North Caucasus motivated for development and work in the power industry and with a knack

for STEM disciplines with the opportunity to become a part of the largest power grid company in the region.

The work with youth in the region is carried out in three key areas: early vocational guidance for schoolchildren, practice-oriented personnel training on the basis of specialized HEI and Secondary Specialized Educational Institutions, adaptation and development of young specialists employed in the Company.

Since 2018, in order to develop talented school students, increase their motivation to study under the energy-oriented programs and subsequent employment, the Company takes part in organizing and conducting the All-Russian Academic Competition for school students of the ROSSETI Group of Companies. Thus, in 2020, 276 school students from the Company operation regions took part in the Academic Competition; following the Academic Competition results, six students became one of the Academic Competition winners and received the right to participate in the Power Engineering Project Session of ROSSETI Group of Companies on the basis of the All-Russian Children's Center Orlyonok, as well as the opportunity to work on the projects related to the use of new power supply technology.

To ensure practice-focused training of personnel, the Company actively interacts with educational institutions of higher and secondary professional education in the following areas:

- targeted training of students in the areas demanded by the power grid complex, taking into account the prospective need for young specialists: 38 students are currently studying in higher education institutions under the targeted recruitment program, including 4 students sent for targeted training in "Power and Electrical Engineering" in 2020;
- arrangement of industrial and pre-diploma internships for trainees and students: 119 students of HEI and Secondary Specialized Educational Institutions completed internships in the structural units of the Company in 2020;
- employment of graduates: 41 young specialists were employed in the Company in 2020.

The Company applies a mentoring system to accelerate the training of young specialists in basic professional skills and develop the ability of the staff to independently, efficiently and timely fulfill their tasks. Young specialists of the Company actively participate in various all-Russian and international events to develop intellectual and creative potential, as well as acquire new knowledge. Thus, in 2020, 4 employees remotely took part in the Forsazh International Youth Forum via online participation, 1 employee took part in the All-Russian Competition Novaya Ideya for best science and technology related idea among young employees of the fuel and energy complex, 2 employees of the Company became finalists in the Leaders of Russia Competition.

### **Social Policy**

Social benefits and guarantees of the Company's employees are regulated by the Collective Agreement of the Company for 2019–2021 in full compliance with the Labor Code of the Russian Federation and Industry-wide Tariff Agreement in the electric supply industry of the Russian Federation and internal organizational and regulatory documents of the Company, which provide for the following benefits, guarantees and compensations:

- financial assistance to commemorate anniversaries;
- financial assistance after child birth or registration of marriage;



- monthly compensation to women during their maternal leave for taking care of their child who is up to 3 years-old;
- financial assistance after employee's resignation due to mandatory service in the army;
- financial assistance after death of an employee or a family member;
- financial assistance during annual leave of an employee (one leave a year);
- financial assistance to employees suffering from serious health issues, which require long-term treatment or surgery;
- additional unpaid leave (due to employee's or their children's registration of marriage, death of a relative or a family member, child birth, moving to a new place);
- other benefits and compensations.

The Company also provides material support for non-working pensioners. In 2020, the Great Patriotic War veterans and workers on the home front who previously worked in the Company received financial assistance to commemorate the 75th anniversary of the Victory in the Great Patriotic War. Combatants who previously worked in the Company received financial assistance in celebration of the Defender of the Fatherland Day.

For increasing the social security of employees, the Company concluded between the Company and SOGAZ, JSC, a voluntary health insurance agreement No. 0219 LM 0026 of July 1, 2019, which was in effect from June 25, 2019 to June 24, 2020, and a voluntary health insurance agreement No. 0220 LM 0033 of June 25, 2020, which is in effect from June 25, 2020 to June 24, 2021. The agreement provides for out- and in-patient sanatorium-and-health-resort service. Each Company's employee may have a medical advice of highly specialized doctors or have laboratory tests, receive treatment and diagnostic procedures, undergo sanatorium-and-health-resort treatment. In case of urgent necessity, power engineers may have in-patient treatment in a medical institution.

In addition to a voluntary medical insurance contract, the Company entered into an insurance contract with SAK ENERGOGARANT, PJSC, No. 200005-700-000058 dd February 17, 2020, which was in effect from January 1, 2020 to December 31, 2020, and an insurance contract No. 200005-700-000841 dd November 26, 2020, which is in effect from January 1, 2021 to December 31, 2023, to increase the social security of employees. The insurance coverage provides benefits to employees (beneficiaries) additional financial compensation for disability, health issues or death in an accident. The insurance coverage is provided while employees are working as well as when they are on their way from home to their work place or vice versa.

Promotion of a healthy lifestyle is one of the most important areas of the Company's social policy, however, due to restrictions during the coronavirus pandemic organization of sporting events was limited. In November, 2020, employees of the Company participated online in the 10th Open Chess Tournament among Power Engineers dedicated to the memory of M.M. Botvinnik.

In April and October 2020, the Company's employees took an active part in the city-wide subbotnik (Saturday voluntary work day).

In February 2020, children of the Company employees took part in the children's drawings contest "ROSSETI: Children Paint" held by ROSSETI, PJSC, and in November, on the occasion of the professional holiday being the Power Engineer Day, ROSSETI Northern Caucasus, PJSC, held a contest of children's drawings "I Draw This World", following which all participants were awarded with diplomas, and the winners received valuable gifts.

To celebrate New Year, employees' children, ages 0 to 14 years-old, were given Christmas gifts.

In order to maintain high level of social security during the pandemic caused by the spread of the new coronavirus infection, the Company approved priority measures for social support of ROSSETI Northern Caucasus Group of Companies' employees, retirees, and veterans of the industry during the period of high epidemiological risk, caused by the spread of the new coronavirus infection.

The main measures in support of rehabilitation of employees after the spread of the new coronavirus infection are as follows:

- establishment of a priority right to rehabilitation and recovery treatment for employees who suffered from the new coronavirus disease, subject to a voluntary medical insurance contract;
- provision of financial assistance to employees who suffered from the new coronavirus disease for purchase of medication following a decision of the commissions of the ROSSETI Northern Caucasus Group taking into account the financial state of the Company, if possible;
- provision of up to three days of additional paid leave to employees who suffered from the new coronavirus disease.

In 2020, the Company provided financial assistance to 162 employees of the Company, for a total of 2,163,428 rubles.

In total, in 2020, 879 employees were awarded within the ROSSETI Northern Caucasus Group, including:

- awards of ROSSETI, PJSC – 53 employees;
- awards of the Ministry of Energy of Russia – 34 employees;
- awards of ROSSETI Northern Caucasus, PJSC – 114 employees;
- awards of Association RaEI – 28 employees;
- regional awards – 119 employees;
- awards of branches /Companies – 310 employees.

Type of an award	2020
Number of employees who received state awards	0
Number of employees awarded by the President of the Russian Federation and by the Government of the Russian Federation	1
Number of employees who received ministerial awards from Minenergo of Russia	68
Number of employees who received industry awards	39
Number of employees who received corporate awards, including:	652
ROSSETI, PJSC	87
ROSSETI Northern Caucasus, PJSC	565
Number of employees who received CIS awards	1
Number of employees who received other awards	118

### **Personnel Award System**

The Company provides monthly bonus to employees for reaching target values of key performance indicators, in accordance with the Regulation on payment for labour performed by employees of the executive office and branches of ROSSETI Northern Caucasus, PJSC.

Besides, the Company's employees can receive additional bonus for:

- results of their labour performance by the end of a quarter, year;
- completion of particularly important tasks;
- detection of unrecorded and unplanned usage of electric power.

#### **Trends in Indicators of Average Number of Personnel and Average Wage of Employees**

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
1	2	3	4	5	6
Average number of personnel	people	8,476.1	8,458.1	11,244.2	32.94
Average wage of employees	thousand rubles	42.156	45.677	44.116	-3.42
Average wage of administrative and management personnel	thousand rubles	76.871	81.756	82.534	0.95
Average wage of production personnel	thousand rubles	38.286	41.724	40.092	-3.91

#### **4.2. Occupational Safety**

In the reporting period, ROSSETI Northern Caucasus, PJSC, carried out work to implement measures aimed at improving the occupational health and safety:

- Days of Labor Protection, Traffic Safety and Fire Safety were held on a monthly basis;
- comprehensive and thematic inspections of the state of labor protection, operation of equipment, fire safety, work with personnel in power grids were completed;
- activities were performed within the third-party injury prevention program;
- the requirement to include sections on cooperation and mutual responsibility for compliance with the health and safety standards and rules in contracts to be concluded was fulfilled;
- the norm was applied to prohibit the work of contractors in the territory of existing facilities in the event of violations of labor protection requirements and standards, instructions of the responsible employees of ROSSETI Northern Caucasus, PJSC;
- incoming inspection of the delivered personal protective equipment (PPE) was implemented in order to exclude the purchase and use of poor-quality products by personnel;
- annual training of personnel was held on rendering first aid to the injured using a training dummy;
- training seminars were held with employees of labor protection units;
- training was held with production personnel without interruption of production;
- measures were taken to work with personnel in accordance with the approved plans and schedules;
- planned inspections of permanent workplaces and working teams were performed by participants in the production and technical councils of the internal technical control system (ITCS) of branches and controlled companies;

- regular training of personnel was held on skills of safe work and first aid rendering to the injured;
- status and compliance with the scheme of dispatching names on the equipment of electrical installations were checked;
- off-schedule checks of working teams and workplaces were carried out by authorized inspectors;
- procurement of personal protective equipment and electrical protective equipment for work in electrical installations at the expense of the employer was made.

In order to prevent occupational injuries of personnel in ROSSETI Northern Caucasus, PJSC, the following measures were carried out:

- instructions on health and safety, job descriptions, technological maps and regulations on structural units were revised for compliance with the current health and safety requirements and inclusion therein of duties of responsible participants in the internal technical control system;
- health and safety instructions when working in general power grids and when working on overhead lines under induced voltage were developed and approved. All electrical personnel are familiar with the contents of the instructions against signature;
- verification of switchgear circuits completed with switchgear cubicles, verification of local instructions for operation of complete switchgear (CS) was held;
- analysis of conformity of the currently used, accepted and newly introduced complete switchgears to the regulatory requirements was implemented;
- programs were developed for production training of workers and engineering and technical employees.

### Statistics of Injury Dynamics during 2019-2020

Branch/company name	2019			2020		
	Number of Accidents	Number of Injured	including Resulting in Death	Number of Accidents	Number of Injured	including Resulting in Death
Dagenergo / Dagestan Grid Company, JSC	2	2	2	1	1	1
Ingushenergo	0	0	0	0	0	0
Kabbalkenergo	0	0	0	0	0	0
Karachaevo-Cherkesskenenergo	0	0	0	0	0	0
Sevkavkazenergo	0	0	0	0	0	0
Stavropolenergo	0	0	0	1	1	0
Total	2	2	2	2	2	1

Compared to the similar period in 2019, the number of accidents, number of injured people stayed the same and amount to 2 people. Number of accidents resulting in death was reduced by 100% and amounts to 1 person.

Subject to Clause 226 of the Labor Code the Russian Federation in the branches and the Company in general the funding of measures to improve labor conditions and safety amounted to at least 0.2% of the costs of production (work, services).

Indicator	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Cost of labor safety <sup>1</sup>	million rubles	82.7	97.2	136.7	+41

Branch name	Spent for labor safety measures per 1 person (costs ratio to average staff number), thousand rubles			
	To provide to employees with PPE (including workwear centralized delivery), cost per unit		Total amount spent on labor safety measures per 1 person, thousand rubles, cost per unit	
	2019	2020	2019	2020
Dagenergo	0.000	7.087	0.000	7.087
Ingushenergo	21.249	5.690	21.881	5.690
Kabbalkenergo	38.612	8.394	47.810	15.074
Karachaevo-Cherkesskenergo	9.020	13.974	10.731	16.469
Sevkavkazenergo	10.865	26.922	14.107	32.493
Stavropolenergo	6.704	6.630	9.600	8.902
Executive Office of ROSSETI Northern Caucasus, PJSC	0.252	0.276	0.252	0.276
<b>Total for ROSSETI Northern Caucasus, PJSC</b>	<b>15.972</b>	<b>9.492</b>	<b>14.016</b>	<b>11.701</b>

Cost per unit for labor safety per one employee in 2020 amounted to 11.701 thousand rubles which is 16.5% less than costs in the previous year.

Cost per unit for providing personal protection equipment per one employee in 2020 amounted to 9.492 thousand rubles which is also 40.5% less than costs in the previous year.

<sup>1</sup> Taking into account adjustments of actual cost.

In 2020, ROSSETI Northern Caucasus, PJSC, conducted a special assessment of labor conditions (SALC) at the workplaces of the Karachaevo-Cherkesskenergo branch.

2020																													
Name of the branch	Total number of workplaces	SELC results														Actual Costs for Reimbursement													
		Labor Conditions Classes														Additional Paid Leave	Advanced Salary		Shorter Working Hours		Milk		Healthy nutrition		Favorable Pension Scheme		Additional Payments to the SIF, PF for the harmful labor conditions, thousand rubles	Costs for measures to improve the labor conditions (subject to the List of Measures subject to the SELC results), thousand rubles	Number of workplaces where subject to the implemented measures the class for labor conditions is lowered
		1		2		3.1		3.2		3.3		3.4																	
		workplaces	pers.	workplaces	pers.	workplaces	pers.	workplaces	pers.	workplaces	pers.	workplaces	pers.	pers.	thousand rubles														
the Karachaevo-Cherkesskenergo branch of ROSSETI Northern Caucasus, PJSC	562	562	0	0	548	953	3	6	11	19	0	0	0	0	15	175.156	25	921.183	0	0.000	8	53.23	0	0.000	0	0.000	0.000	0.000	0

Following the results of special assessment of labor conditions, there were not found any workplaces failing to comply with labor safety standard requirements.

### 4.3. Environmental Protection

The main goal of the state energy policy in the field of ensuring environmental safety of the power industry is to consistently limit the load of the fuel and energy complex on the environment by reducing emissions (discharges) of pollutants into the environment and decreasing the generation of production and consumption waste.

ROSSETI Northern Caucasus, PJSC, is the largest systemically important company in the North Caucasian Federal District, part of the fuel and energy complex, that manages the work of network organizations transmitting and distributing power and provides consumers with a highly efficient environmentally friendly type of energy. Herewith, the production activities include such environmental impacts as the disposal of industrial waste and physical impact.

In its activities, the Company ensures the application of the most promising requirements aimed at reducing the environmental impact, demonstrates and owns all the necessary mechanisms aimed at preventing environmental risks. The Company demonstrates its environmental focus by implementing the following key documents:

- Single Technical Policy implements the principles and obligations of the Company to apply the most advanced technical solutions that exclude the impact of harmful substances, methods and mechanisms on the surrounding ecosystem. Contains a list of technology and materials prohibited for use (trichlorodiphenyls, fluoroplastic, synthetic polyester polymers);
- Power Saving and Energy Efficiency Increase Program defines the targets and objectives of reducing the main indicator during power transmission being the technological losses. Implementation of this program allows reducing the net cost of power transmission in terms of reducing the equivalent fuel required to maintain the transmission process. In turn, this ensures a reduction in power generation at the stations and CO<sub>2</sub> emissions;
- Innovative Development Program regulates application of modern SmartGrid technical solutions, alongside with "flexible" power distribution systems from distributed environmentally friendly (sun, wind, water) generation, allows ensuring the maximum effectiveness and transmission efficiency, optimizing its operation modes, increasing reliability and eliminating the risks associated with technological failures and accidents in the electrical equipment operation. Moreover, the Innovative Development Program is aimed at developing new technology, materials and systems that replace the application of harmful substances at facilities:
  - static compensators using power electronics;
  - new types of wires on OL and power cables on CL;
  - new types of high tower support;
  - high-voltage equipment with solid-state insulation;
  - smooth transition to direct current power transmission;
  - "green" distributed generation;
  - storage batteries with solid-state electrolyte, etc.

Aggregate implementation of all programs and policies in the Company can ensure the performance of environmental tasks.

The goal of implementing the environmental policy is to keep a favorable environment for present and future generations.

The environmental policy is based on the Constitution of the Russian Federation, federal laws and other regulations of the Russian Federation, as well as international obligations of the Russian Federation in the field of environmental protection.

**Main challenges faced by the power grid complex in the field of environmental protection:**

- reduction in the share of obsolete equipment used at the power grid complex facilities and containing hazardous substances;
- decrease in the volume of deforestation during the laying and maintenance of forest corridors during the OL passage in forests;
- reduction in negative environmental impact during the construction of the power grid complex facilities.

**Main objectives for the implementation of environmental policy in 2020 were as follows:**

- reduced level of power losses during power transmission;
- ensuring transformer oil recovery (reclamation) in the volume of at least 10% of the purchased oil a year;
- ensuring implementation of self-supporting insulated wires;
- installation of bird protection devices;
- lowered consumption of power resources for local needs of administrative and production buildings by 3% annually until 2020.

**Main areas of environmental policy implementation are the following:**

- compliance with the requirements and standards established by the environmental legislation of the Russian Federation and international legal acts in the field of environmental protection;
- establishment of single environmental requirements to the operation of organizations of the power grid complex;
- priority of taking measures to prevent harmful impact on the environment over the implementation of measures to eliminate the environmentally harmful consequences of such impact;
- implementation of measures to save energy and improve energy efficiency;
- use of the best available technology and innovations in the power grid complex ensuring compliance with environmental protection requirements and minimizing of negative environmental impacts, including the use of cable lines and self-supporting insulated wires in the distribution grid complex, as well as ultra-high supports for the 110 kV OL and above;
- substitution of gasoline and diesel fuel with environmentally safe types of motor fuel and use of electric vehicles in the organizations of the power grid complex;
- development of charging infrastructure and increase in the total share of electric vehicles in the Russian Federation;
- restriction of production and construction activities in the territories of special environmental importance;
- ensuring of the conservation of biological diversity and restoration of disturbed lands;
- decommissioning of equipment containing polychlorinated biphenyls (sold in 2019 at the Stavropolenergo branch), as well as oil-filled equipment, with substitution for the environmentally friendly version;
- ensuring of environmentally safe production waste handling;



- ensuring of compliance with the regulations in the field of environmental protection and ecology safety by the contractors during design, construction, reconstruction and technical re-equipment of power grid facilities;
- ensuring of openness and accessibility of environmental information, informing of all stakeholders about the incidents that occurred, their environmental consequences and liquidation measures;
- improved industrial environmental control system;
- active participation in improving the regulatory framework in the field of environmental protection and ecology safety;
- involvement of personnel in the activities aimed at ensuring environmental protection and ecology safety, as well as rational use of natural resources;
- advanced training of personnel servicing the facilities of the power grid complex in the field of environmental protection and ecology safety;
- continuous improvement of the public image of ROSSETI Northern Caucasus, PJSC, as an environmentally-oriented company.

### Environmental Indicators

Indicators	Measurement unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Gross atmospheric pollutant emission**	t	14.501	17.732	17.146	-3
Amount of waste transferred to waste management and decontamination**	t	1,692.930	1,783.156	1,992.790	+12
Amount paid for negative impact on the environment*	thousand rubles	941.46	278.63	163.78	-41
Equipping power grid facilities with bird-protection devices**	pcs.	210	305	894	+293

\* In 2018–2020, taking into account indicators of the Dagenergo branch of ROSSETI Northern Caucasus, PJSC

\*\* In 2018–2020, taking into account indicators of Dagestan Grid Company, JSC / Dagenergo branch of ROSSETI Northern Caucasus, PJSC

#### *Protection of Atmospheric Air*

The Company carries out metering of atmospheric air pollution in accordance with environmental monitoring programmes for production facilities. Level of concentration of air pollutant is not exceeding the permissible level.

#### *Protection and Efficient Use of Water Resources*

In 2020, work on execution of water-use agreements was carried out, currently the documents are under review in the Ministry of Natural Resources and Environmental Protection of Stavropol Krai.

#### *Preservation of Biodiversity and Protection of Land Resources*

In 2020, ROSSETI Northern Caucasus, PJSC, installed 894 bird-protection devices for a total amount of 2,611,682 rubles, excluding VAT.

Actual volume of construction and reconstruction of 0.4-35 kV OL with replacement of uninsulated wires with aerial bundled cables — 0.331 thousand km.

No measures on recultivation of degraded land were implemented in 2020.

#### **4.4. Energy Consumption and Energy Saving**

Energy saving and energy efficiency improvement activities of ROSSETI Northern Caucasus, PJSC, in 2020 were arranged in accordance with Federal Law No. 261-FZ "On Energy Saving and Improving Energy Efficiency...", Orders of the Ministry of Energy of Russia, Regulation on the Preparation of Energy Saving and Energy Efficiency Improvement Programs of Subsidiaries and Affiliates of ROSSETI, PJSC (approved by the Board of Directors of ROSSETI, PJSC, Minutes No. 156 dd June 02, 2014), as well as in accordance with the Energy Saving and Energy Efficiency Improvement Program of IDGC of the Northern Caucasus, PJSC, for the period up to 2022 (the Program) approved by the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC (Minutes No. 354 dd August 20, 2018).

For ensuring the implementation of the Program in the executive office of ROSSETI Northern Caucasus, PJSC, and branches of ROSSETI Northern Caucasus, PJSC, in accordance with Order of ROSSETI, PJSC dd September 9, 2013 No. 561 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities at ROSSETI, PJSC", executives responsible for monitoring of the Program implementation were appointed, working groups were established to analyze the implementation of Programs (Order of IDGC of the Northern Caucasus, PJSC, dd October 7, 2013, No. 518 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities in IDGC of the Northern Caucasus, PJSC", Order of the Kabbalkenergo branch of IDGC of the Northern Caucasus, PJSC, dd April 26, 2018, No. 145, Order of the Karachay-Cherkess branch of IDGC of the Northern Caucasus, PJSC, dd October 14, 2013, No. 290 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities in the Karachay-Cherkess branch of IDGC of the Northern Caucasus, PJSC", Order of the North Ossetian branch of IDGC of the Northern Caucasus, PJSC, dd October 15, 2013, No. 595, Instruction of the Sevkvkazenergo branch of IDGC of the Northern Caucasus, PJSC, No. SOF/7r dd January 25, 2018, "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities", Order of the Stavropolenergo branch of IDGC of the Northern Caucasus, PJSC, dd November 01, 2017, No. 259 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities", Order of the Ingushenergo branch of IDGC of the Northern Caucasus, PJSC, dd February 01, 2018, No. 16 "On the Arrangement of Energy Saving and Energy Efficiency Improvement Activities").

Target indicators in accordance with the Program are:

- power loss during transmission and distribution in power grids;
- consumption of power resources for utility needs.

The numerical values of the Program targets are set for the period from 2018 to 2022.

### Indicators of Energy Consumption and Energy Saving<sup>1</sup>

Indicators	Measurement unit	Time period		
		2019	2020*	Variation 2020/2019, %
Consumption of fuel and energy resources (F&ER) for local needs of administrative and production buildings	thousand toe	12.37	15.33	24
	million rubles	417.02	438.41	5
* Indicators are presented taking into account the launch of the Dagenergo branch in the second half of 2020.				

The numerical values of the Program targets in 2020 are presented below.

### Volume of Energy Resources Consumed in 2020<sup>2</sup>

No.	Type of resources	Measurement unit	Target 2020*	Actual 2020*	Deviation, %
1.	Thermal energy	Gcal	6,411.47	6,125.83	-4
		thousand toe	0.92	0.88	-5
		million rubles, excluding VAT	13.88	12.24	-12
2.	Electric energy	million kWh	46.99	58.96	25
		thousand toe	5.64	7.08	26
		million rubles, excluding VAT	240.03	205.50	-14
3.	Motor gasoline	thousand L	5,051.04	4,198.79	-17
		thousand toe	5.72	4.75	-17
		million rubles, excluding VAT	197.84	154.29	-22
4.	Diesel fuel	thousand L	1,674.90	1,618.77	-3
		thousand toe	2.06	2.00	-3
		million rubles, excluding VAT	62.37	61.99	-1
5.	Natural gas**	thousand m <sup>3</sup>	606.55	544.66	-10
		thousand toe	0.70	0.63	-10
		million rubles, excluding VAT	6.22	4.38	-30

\* Indicators are presented taking into account the launch of the Dagenergo branch in the second half of 2020.

\*\* Including gas used as motor fuel with the volume of 127.92 thousand L (2.32 million rubles, excluding VAT), and gas consumed for local needs of administrative and production buildings, with the volume of 416.74 thousand L (2.06 million rubles, excluding VAT).

Data on the volume of energy resources consumed for needs of the Company's Executive Office are presented below.

<sup>1</sup> Data from the Company's branches (excluding data from the Executive Office).

<sup>2</sup> Data from the Company's branches (excluding data from the Executive Office).

**Volume of Energy Resources Consumed in 2020 for needs of  
the Company's Executive Office**

No.	Type of resources	Measurement unit	Target 2020*	Actual 2020*	Deviation, %
1.	Thermal energy	Gcal	–	1,778.67	–
		thousand rubles, excluding VAT	–	1,183.943	–
2.	Electric energy	thousand kWh	–	516.881	–
		thousand rubles, excluding VAT	–	5,325.929	–
3.	Motor gasoline	thousand L	119.76	105.57	–12
		thousand rubles, excluding VAT	4,131.87	4,169.92	+1
4.	Diesel fuel	thousand L	26.73	12.08	–55
		thousand rubles, excluding VAT	1,032.96	466.83	–55

\* Consumption of thermal and electric energy of the the Company's Executive Office is not included in planning, only actual values of its consumption are recorded.

No other types of energy resources were consumed by the Company in 2020.

**Fulfillment of the requirements of the Federal Law No 522-FZ dd December 27, 2018 "On the Amendments to Individual Legislative Acts of the Russian Federation as Regards the Development of the Systems of Registration of Electric Energy (Power) in the Russian Federation"**

In order to ensure purchase of modern intelligent metering devices as a part of requirements of the Federal Law No 522-FZ, framework contracts for supply for a total of 36.6 million rubles, including:

- 30.7 million rubles – for new technological connections, that will allow to supply approximately 2,040 intelligent metering devices;
- 5.9 million rubles – for replacement of outdated metering devices and installation of metering devices for customers who don't have metering devices installed. Executed contracts will allow to supply approximately 428 intelligent metering devices.

#### **4.5. Procurement Activities**

Procurement activity of ROSSETI Northern Caucasus, PJSC, is governed by the Common Standard for Procurement Activity adopted by ROSSETI, PJSC (Regulations about Procurement) and by Order of IDGC of the Northern Caucasus, PJSC, No. 330 dd June 17, 2019, "On the Organization of Procurement Activity".

Procurement procedural regulation is applied to ensure the intended and effective expenditure of the Company's monetary funds and to receive economically feasible costs and prevent any possible improper use by the customer (Procurement Organizer).

The main principals for procurement activity arranging shall be:

- proper (long-term and short-term) planning of procurement activity, making it possible to draw fast decisions to adjust procurement parameters (where applicable);
- equality, justice, nondiscrimination and absence of any other unwarranted competition restrictions as to procurement participants;
- targeted and cost-effective expenditure of funds for acquisition of goods, works, services and implementation of measures aimed at reducing customer costs;
- no limitation of admission to participate in the procurement by establishing unmeasured requirements to the participants of purchase;
- providing the procurement activity openness;
- honest and reasoned choice of the most preferential offers upon the comprehensive review of benefits and costs (first of all, products prices and quality);
- complying with the applicable legislation standards governing the procurement activity arrangement.

The procurement procedure may be held in several ways:

- **tender** is implemented to attract applications and select the most appropriate way to meet the needs of the customer;
- **auction** is held in the procurement of products for which there is a competitive market of manufacturers and with respect to which the initiator of procurement provides detailed requirements in the form of a terms of reference. The central procurement body (CPB) of ROSSETI, PJSC, has the right to determine the list of products purchased only based on the results of the auction;
- **request for proposals** is held in the cases where there is no need to immediately carry out the procurement procedure like from a single source and the complexity of the product or its delivery conditions does not allow holding an auction or a request for quotation; if the Customer needs the opportunity to reject the procurement or conclude a contract; if the initial (maximum) contract price does not exceed 10 million rubles (VAT included);
- **request for quotation** may be applied in the procurement of simple goods, for which there is an operating market, the only criterion is the price and provided that the contract price does not exceed 5 mln rubles (VAT included);
- **price comparison** is held in the presence of unambiguously formulated technical requirements for the products procured, including when the functional characteristics (consumer properties) of the goods, dimensions, packaging, shipment of goods are determined and the specific requirements for the work (service) outcomes are set in the Terms of Reference, there is no time for another competitive bidding; procurement held by price comparison is carried out at an amount of up to 100 thousand rubles (VAT included);
- **procurement from a single supplier** is used when it is necessary to purchase unique goods; if the products can be obtained only from one supplier and there is no equivalent substitute; if there is a need for additional procurement made by extending the contracts, if a contract was concluded based on the results of competitive bidding and the possibility of extension was provided for in the procurement documentation; if the procurement can be made through participation of the customer in auctions, tenders or other procedures organized by the sellers of products, as resolved by the customer's CPB.

Subject to Paragraph 3 of the Procurement Common Standard the information about regulated procedures held and the report about the results thereof are posted at the official web-site: [www.zakupki.gov.ru](http://www.zakupki.gov.ru).

In actual values, for the time period, 421 purchases were made for a total amount of 8,719,774.51 thousand rubles, excluding VAT.

**Also by types of procurement:**

- 131 purchases by open single-stage tenders in the amount of 3,729,731.56 thousand RUB, excluding VAT (8.37% of the total procurement amount, 14.11% of the total procurement volume in terms of value);
- 37 purchases by open requests for proposal in the amount of 567,076.49 thousand rubles, excluding VAT (25.55% of the total procurement amount, 27.23% of the total procurement volume in terms of value);
- 93 requests for quotation in the amount of 200,140.23 thousand rubles, excluding VAT (25.55% of the total procurement amount, 27.23% of the total procurement volume in terms of value);
- 40 quotation requests as the results of competitive pre-selection in the amount of 632,201.06 thousand rubles, excluding VAT (25.55% of the total procurement amount; 27.23% of the total procurement volume in terms of value);
- 23 purchases from a single source in the amount of 169,346.412 thousand rubles, excluding VAT (13% of the total procurement amount, 8.90% of the total procurement volume in terms of value);
- 97 purchases from a single source based on the results of failed open procedures in the amount of 3,532,284.31 thousand rubles, excluding VAT (27.75% of the total procurement amount, 36.74% of the total procurement volume in terms of value):
  - 26 of them are procedures with the only participant (one submitted application) in the amount of 414,641.76 thousand rubles, excluding VAT (100% of the procurement amount based on the results of failed open procedures in terms of value);
  - 37 of them are procedures with the only qualified participant (one application satisfies TOR, applications of other participants are refused) in the amount of 432,049.97 thousand rubles, excluding VAT (0% of the procurement amount based on the results of failed open procedures in terms of value);
- 49 purchases by the method of comparing prices in the amount of 20,315.64 thousand rubles, excluding VAT (13% of the total procurement amount; 8.90% of the total procurement volume in terms of value).

**Also, by types of activity:**

- Reconstruction and technical re-equipment of power grid facilities – 141 purchases for the amount of 5,800,073.37 thousand rubles, excluding VAT (28.85% of the total procurement amount, 36.58% of the total procurement volume in terms of value);
- Power repair production – 201 purchases in the amount of 2,571,468.76 thousand rubles, excluding VAT (50.54% of the total procurement amount; 3.65% of the total procurement volume in terms of value);
- IT-procurement – 20 purchases in the amount of 157,984.53 thousand rubles, excluding VAT (3.76% of the total procurement amount; 0.45% of the total procurement volume in terms of value);
- Other procurement – 32 purchases in the amount of 131,847.01 thousand rubles, excluding VAT (18.82% of the total procurement amount, 21.84% of the total procurement volume in terms of value).

The number of purchases using **e-commerce** made 421 purchases in the amount of 8,719,774.51 thousand rubles, excluding VAT (88.00% of total procurement amount; 91.10% of the total procurement amount (excluding procurement from a single source) in terms of value).

Purchases from small and medium-sized enterprises amounted to 6,523,358.25 thousand rubles, excluding VAT (400 purchases), or 94% of the actual volume (70% by quantity).

The economic effect based on the results of the procurement procedures for the period amounted to 281,266.63 million rubles, excluding VAT, or 3% of the declared planned value of competitive procurement.

The share of purchases only from small and medium-sized enterprises amounted to 1,494,667.92 thousand rubles, excluding VAT (18.42% of the total volume).

The share of failed procurement procedures amounts to 125 units totaling 2,004,321.25 thousand rubles.

The share of open procurement procedures (open tenders, requests for proposals, competitive negotiations, closed requests for quotations based on the results of open competitive negotiations) in the procurement structure was 92.67% of the total quantity of completed procurement procedures, 99.20% of the total procurement volume in terms of value. Information on the number and total value of contracts, executed as a result of procurement from small and medium-sized enterprises for the reporting period, presented below.

Name	Number of contracts, pcs.	Value of contracts, thousand rubles, including VAT	Value of the amount paid under executed contracts, thousand rubles, including VAT*	% of executed contracts that have been paid for*
Procurement from small and medium-sized enterprises**	534	8,097,042.51	4,025,360.82	63.05
Including procurement only among small and medium-sized enterprises (special bargains)	179	1,521,667.92	1,025,987.23	29.80

\* Data is formed in accordance with requirements under the Decree of the Government of the Russian Federation No. 1352 dd December 11, 2014.

#### 4.5. Anti-Corruption Policy and Security of Economic Activity

ROSSETI Northern Caucasus, **PJSC**, follows anti-corruption standards aimed at conducting open and honest business, minimizing corruption, which affects the Company goodwill and the relations with partners and contractors. Constant control and regular monitoring of the efficiency of implemented anti-corruption standards and procedures and controlled implementing thereof is exercised in the Company.

The fundamental regulation in the field of the fight against corruption is the Federal Law No. 273-FZ "On Countering Corruption" (Law on Countering Corruption) dd December 25, 2008.

By the Order of the President of the Russian Federation No. 378 "On the National Anti-Corruption Plan for 2018–2020" dd June 29, 2018, the tasks, which need to be addressed in order

to combat corruption, were set for the coming years; the main measures aimed at solving these tasks were also identified.

Within the implementation of the requirements of the federal anti-corruption legislation in 2020, ROSSETI Northern Caucasus, PJSC, introduced, applied and complied with the RAD governing the principal work areas:

- Order No. 22 dd January 24, 2020, "On Making Amendments to the Order No. 834 dd December 29, 2018";
- Order No. 33 dd January 31, 2020, "On Approving the Plan of Corruption-Fighting Measures in IDGC of the Northern Caucasus, PJSC, and Managed Companies for 2020";
- Order No. 55 dd February 7, 2020, "On Approving the Procedures for the Receipt, Review, and Resolution of Claims Regarding Potential Acts of Corruption";
- Order No. 141 dd March 31, 2020, "On Improvement of Effectiveness of Corruption Prevention";
- Instruction No. 107r dd April 17, 2020, "On Making Amendments to the Instruction No. 138r dd August 18, 2016";
- Order No. 333 dd August 20, 2020, "On Implementation of the Legislation of the Russian Federation in the Field of Insider Trading".

Pursuant to the Instruction of IDGC of the Northern Caucasus, PJSC, No. 138r dd August 18, 2016 "On Improving Anti-Corruption Activity at ROSSETI Northern Caucasus, PJSC", the work to check draft contracts for the presence of an anti-corruption clause was carried out. The anti-corruption clause shall be included mandatory in all the contracts concluded.

Within the task of the annual declaration of conflict of interest, in the first half of 2020, the campaign was carried out on the annual declaration of conflict of interest of employees of administrative personnel of the executive office of the Company and controlled Companies for 2019 in accordance with Order of IDGC of the Northern Caucasus, PJSC, of March 2017, 2016, No. 834 "On Measures to Prevent Corruption – to Prevent and Settle the Conflict of Interest in IDGC of the Northern Caucasus, PJSC, and Controlled Companies". In total, 2,043 employees were declared. In the course of declaring 1 case of pre-conflict situations / conflicts of interests was discovered regarding the Company's employees in connection with their nearest relatives working under their direct control, i.e. one of the relatives in the course of its employment duties performing participates in decisions making that may result in material or non-material benefit for another relative. The pre-conflict situation was resolved by transferring the relative to another division of the Company. Results of the declaration campaign for 2019 were considered on April 28, 2020, at the meeting of the Commission of ROSSETI Northern Caucasus, PJSC, and managed companies on the compliance with corporate ethics and settlement of the conflict of interest (Minutes No. 2 dd April 29, 2020).

As a part of implementation of standards and procedures aimed at ensuring conscientious work into in order to detect acts of affiliation and other misconduct, in Q1 2020, measures on verification of income, property and property obligations data were implemented in relation to employees replacing positions in ROSSETI Northern Caucasus, PJSC, and managed companies, and their close relatives in 2019.

Number of declarants who filed their income, property and property obligations certificates for verification is 95 people.



As a result of verification, no affiliation, conflict of interest, pre-conflict situations, and other misconduct regarding occupied positions were detected.

In 2020, declarations of conflicts of interest and biographical details were verified in regard of 2,953 candidates when hiring or transferring to work, as a result of which the relevant opinions were made. 79 opinions that influenced the decision on non-conclusion of the employment agreement with the candidate for the vacant position were issued and transmitted to the structural unit. The following circumstances became the grounds for making negative opinions:

- lack of professional education and work experience;
- conflict of interest;
- concealment of information on the conflict of interest;
- concealment of criminal record information.

Over the reporting period, in accordance with the established procedure 43 appeals were registered about possible corruption facts in the Company and its controlled companies. As a result of the inspections, 12 violations were detected.

As part of implementing requirements of a common Corruption Fighting Standard in conducting corruption fighting control in the procurement, the Group employees performed a check of procurement documentation and participants in the procurement/contracting parties in order to assess their level of reliability and integrity, affiliation excluding, conflict of interest and other abuses discovering, associated with the positions held in ROSSETI Northern Caucasus, PJSC. According to the results of checks, 2,756 opinions were made. In the course of the checks some possible signs of corruption were identified that have a negative impact on the performance and financial stability of the Company, respective information was prepared for the Company's managers

To inform the public of the degree of corruption fighting standards implementing into the interaction of the Company and its controlled companies with their partners and contractors ROSSETI Northern Caucasus, PJSC, has made available at its official web-site rubric "Corruption Fighting Policy" containing main principles and complete text of the Corruption Fighting Policy of ROSSETI, PJSC, and its subsidiaries and affiliates approved by the Board of Directors of ROSSETI Northern Caucasus, PJSC, on July 8, 2020 (Minutes No. 427 dd July 9, 2020).

In 2020, online-training and testing of the Executive Office employees and of managed companies, including newly accepted, was carried out as a part of education and training of employees of ROSSETI Northern Caucasus, PJSC, on the provisions of anti-corruption legislation, studying the views of the personnel on the perception of corruption, active participation in the formation and implementation of anti-corruption standards and procedures, improvement of the work aimed at countering corruption at ROSSETI Northern Caucasus, PJSC, in accordance with the Educational Program for employees of ROSSETI on prevention and countering corruption, approved by the Regulation of ROSSETI, PJSC, No. 549r dd December 13, 2018 "On Organization of Education of the ROSSETI Group of Companies' Employees on Prevention and Countering Corruption". A total of 6,573 employees completed this training.

### **Ensuring Security of Economic Activity**

As a result of implemented measures aimed at reduction in excessive power losses, detection, disclosure, prevention, and combating illegal activities of creation of illegal money withdrawal

schemes, intended for paying out supplied energy resources, and elimination of causes and conditions contributing to creation of debt for a large amount of money in the field of Fuel and Power Complex of the North Caucasian Federal District, 4,317 reports of illegal activity were sent to law enforcement and supervisory authorities of the North Caucasian Federal District by security unit of the Company, including 450 reports for decision-making subject to Articles 144-145 of the Code of Criminal Procedure of the Russian Federation:

- failure to pay for provided power supply services – 216;
- failure to pay for provided power transmission services – 32;
- unrecorded and non-contractual power consumption – 144;
- to the Federal Bailiff Service – failure to enforce the court decision – 24;
- theft of inventory items – 3;
- in relation to the Company's employees – 14;
- for other reasons – 17.

As a result of review of the information, provided in reports and appeals of the Company, law enforcement authorities instituted criminal proceedings of 33 cases.

Regarding previously sent reports to law enforcement authorities of constituent entities of the North Caucasian Federal District, there were 5 court sentences.

2,830 preventive raids related to detection of unrecorded power consumption were executed, including those conducted by law enforcement authorities – 1,419 preventive raids.

3,867 reports were sent to law enforcement authorities regarding administrative offence in a form of theft of power (including 56 reports for other reasons, related to power theft).

Administrative charges were brought against 1,084 consumers.

As a result of implemented measures, the security unit reimbursed (compensated) losses caused by unlawful economic activities, which in 2020 amounted to 151.8 million rubles.

143 cases of internal investigation were conducted by the security unit during the reporting period for various reasons, and resulted in disciplinary action against 146 employees, 6 employees were fired, 3 were held financially liable.

### **Work on Clearing Outstanding Accounts Receivable for Provided Power Transmission Services**

Work on settlement of accounts receivable is one of the most important directions of the Company's activity and is under constant supervision by the Company's security unit.

For the sake of debt enforcement by the Company's security unit, in 2020, the Federal Bailiffs Service (FBS) of Russia and credit institutions received 150 injunctions for enforcement for a total amount of 1,757.9 million rubles. As a result of interaction with debtors in relation to enforcement of payment, the debtors voluntarily paid 59.1 million rubles subject to injunctions for enforcement, 11.2 million rubles transferred by banks (withdrawals from an account), 114.2 million rubles paid as a result of enforcement by the FBS of Russia.

Interaction with structural subdivisions of regional bodies of the FBS of Russia in the North Caucasian Federal District is performed in a form of mutual cooperation, working meetings are

being initiated. Reconciliation of data on the Company's injunctions for enforcement pending in regional bodies of the FBS of Russia in the North Caucasian Federal District, is carried out on a regular basis.

In 2020, six inter-agency meetings were held with participation of leadership of management of the FBS (MFBS) of constituent entities of the North Caucasian Federal District, in accordance with the approved schedule for planned collaborative measures with leadership of MFBS, located in the territory of the North Caucasian Federal District.

During the reporting period, the law enforcement authorities of the North Caucasian Federal District received 32 reports for evasion of payment obligations for provided power transmission services.

In total, 611.8 million rubles were recovered by subdivisions of the security unit as payment for accounts receivable for provided power transmission services.

The Company received responsibility of a guaranteeing power supplier in Dagestan, Ingushetia and the Republic of North Ossetia-Alania.

In the reporting time period, the law enforcement authorities of the North Caucasian Federal District received 216 reports for evasion of payment obligations for provided power sale services.

In 2020, as a result of reports received by the Company's security unit, the FSB of Russia in the Kabardino-Balkarian Republic initiated two criminal cases for breaking law indicated in Article 315 of the Criminal Code of the Russian Federation for obstruction of enforcement of decision made by the Arbitral Tribunal of the Kabardino-Balkarian Republic for a total amount of 6.1 million rubles.

With the help of subdivisions of the Company's security unit, 844.6 million rubles were paid as payment for accounts receivable for provided power sale services.

### **Improvement of the level of anti-terrorist and anti-subversion protection of the power grid complex facilities of ROSSETI Northern Caucasus, PJSC**

Work on organization of anti-terrorist protection of the power grid facilities belonging to ROSSETI Northern Caucasus, PJSC, is aimed at following requirement of the Federal Law No. 256-FZ dd July 21, 2011 "On the Safety of Fuel and Energy Facilities", the Decree of the Government of the Russian Federation No. 458 dd May 5, 2012, the Order of ROSSETI, PJSC, No. 18 dd January 22, 2020 "On Approval of Arrangements to Provide Anti-Terrorist Protection to facilities of subsidiaries and affiliates of ROSSETI, PJSC", the Order of ROSSETI, PJSC, No. 71r dd February 12, 2015 "On Approval of Methodological Recommendations on Organization of Protection of Facilities Belonging to subsidiaries and affiliates of ROSSETI, PJSC from illegal interference".

In 2020, eligible for protection facilities were inspected, updated and measures were implemented regarding equipping facilities with technical means of protection, taking into account provision of sufficient level of safety and prevention of illegal interference in the facilities.

The Company's leadership is executing measures on improvement of anti-sabotage and anti-terrorist protection of the power grid complex facilities of the constituent entities of the North Caucasian Federal District, 122 facilities of the Company are under protection. Protection of the Company's facilities is provided by: PSC Energiya-KB, LLC, PSC Bark, LLC, COD Strazha, LLC, PSC Fort-S2, LLC, FSUE Protection from Federal National Guard Troops Service of the Russian Federation. In cooperation with regional law enforcement authorities, measures on inspection of checkpoints system and internal protection system are being executed, as well as condition of technical means of protection in the Company's facilities and level of anti-criminal protection of the Company's facilities.

#### **4.6. Information Disclosure, Public Relations, Relations with State Authorities and Mass Media Relations**

##### Information Disclosure on the Securities Market

Information Disclosure is an important element of corporate governance of the Company, which allows the Company's shareholders, investors, and other stakeholders to receive an objective view on the Company's performance, its plans and directions of development.

The Information Disclosure Policy, utilized by the Company, has a main goal of earning high level trust of shareholders, potential investors, counteragents, and other stakeholders. This aspect is being fulfilled through provision of information about itself, its activities and the Company's securities to an extent sufficient for making well-informed and sound decisions in relation to ROSSETI Northern Caucasus, PJSC, and its securities.

The Company discloses information in accordance with requirements of the legislation of the Russian Federation for issuers, whose allocation and/or securities circulation is carried out in the Russian Federation: Federal Law No. 208-FZ dd December 26, 1995 "On Joint Stock Companies", Federal Law No. 39-FZ dd April 22, 1996 "On the Securities Market", Regulation of the Bank of Russia No. 454-P dd December 30, 2014 "On Information Disclosure to Issuers of Issued Securities", and other regulations of the Russian Federation, and also additionally discloses other information. The Regulation on Information Policy is in effect in ROSSETI Northern Caucasus, PJSC, approved by the Board of Directors of March 30, 2018 (Minutes No. 339, dd March 30, 2018).

Information disclosure is carried out by ROSSETI Northern Caucasus, PJSC, on the basis of the appropriate plan, which has been published on the Company's corporate website in section "Shareholders and Investors / Investor calendar".

<http://www.rossetisk.ru> is where key events are highlighted, information on the Company's main production, financial and economic indicators, implementation of the investment program, information on customers and other data get published.

The Company's activity on disclosure of significant information is built on principals of consistency, cohesiveness, promptness, accessibility, completeness, authenticity and comparability.

Due to the fact that on March 20, 2008, The Federal Financial Markets Service registered prospectus of securities of IDGC of the Northern Caucasus, PJSC, allocated by conversion of shares of Stavropolenergo, JSC, Dagenergo, JSC, KEUK, JSC, into additional shares of IDGC of the Northern Caucasus, PJSC, upon joining, and in accordance with Article 30 of the Federal

Law No. 39-FZ dd April 22, 1996 "On the Securities Market" as from Q1, 2008, the Company discloses information in a form of quarterly reports (issuer's reports), reports of significant events, information that can have a significant impact on the value of the joint-stock company's securities. The Company publishes information on an informational resource – in the news feed of the information agency SKRIN, LLC, link: <http://disclosure.skrin.ru/disclosure/2632082033>, on the Company's website: <http://www.rossetisk.ru> (<http://www.mrsk-sk.ru>), and in printed publications.

Besides, following paragraph 5.4.2 of the Regulation on Information Policy, in 2018, English version of the corporate website of ROSSETI Northern Caucasus, PJSC, was launched. This web page contains general information on the Company, information on management and control bodies, missions and strategies of the Company, registrar, authorized capital, largest shareholder, the Company's structure by branches and managed companies, dividend history, auditor, procedure for provision of information upon request, definition of principles and approaches to organization of risk management and internal control system of the Company, significant risks that can affect the Company's operation, issue of bonds, annual reports, contact information for all stakeholders, etc. The rating agency Expert RA (RAEX) in the course of making a review of the governance quality in ROSSETI Northern Caucasus, PJSC, in 2020, points out positive factors for "the highest information transparency of the website" rating of the Company both in Russian and in English. Meanwhile, the Company is working on improving the English version of the website.

November 25, 2020, as a part of the 17<sup>th</sup> Annual Practical Conference "Annual Report: Experience of Leaders and New Standards", organized by the rating agency RAEX (RAEX-Analytics), the Annual Report of ROSSETI Northern Caucasus, PJSC, for 2019 took spot in Top-3 of the best among companies of non-financial sector (alongside State Corporation ROSATOM and Rosneft Oil Company, PJSC). Within rating of annual reports of commercial organizations, in 2019, the Annual Report of ROSSETI Northern Caucasus, PJSC, (for shareholders and investors) received a 4-star rating, which was given by experts for a very high quality of the Annual Report. ROSSETI Northern Caucasus, PJSC, considers an annual report to be an important source of information disclosure and a tool for communication with shareholders, exchanges, potential investors, authorities and consumers, and performs an informational, representational and image-establishing functions.

The Company also strives to limit chances of conflict of interest and to prevent malicious use of insider information. The procedure for use of insider information is established by the Regulation on Insider Information, approved by the Board of Directors of June 21, 2019 (Minutes No. 384, dd June 24, 2019).

#### Public Relations and Relations with State Authorities

In 2020, in order to implement the strategic objectives related to operational activity of ROSSETI Northern Caucasus, PJSC, fulfil the instructions of the Government Commission on Socio-Economic Development of the North Caucasus Federal District of the North Caucasian Federal District, the Ministry of Energy of the Russian Federation, ROSSETI, PJSC, interaction with executive authorities at the regional or federal level was carried out within an effective model.

With the help of joint action and cooperation with the leadership of the North Caucasian Federal District in the reporting period, effective work on reduction in excessive power losses in the power grids, stabilization of payment discipline, including payment discipline on the wholesale

power market (WPCM), received investment towards development of important for the North Caucasian Federal District power facilities.

One of the effective mechanisms of interaction with regional executive authorities and development forecasting of the North Caucasian Federal District's power grid complex were agreements on strategic cooperation with governments of all constituent entities of the Russian Federation in the North Caucasian Federal District for a 10-year period signed in accordance with the Digital Transformation 2030 Concept approved by ROSSETI, PJSC. The agreements provide for development of a complex program for improvement of the district's power grid complex reliability, modernization of the region's power facilities with the help of modern digital technology, implementation of an intelligent automated power metering system with remote data collection, organization of activities for reduction of losses in power grids.

The initiative of ROSSETI, PJSC, on the need to sign the agreements was supported by Y.Y. Chaika, Plenipotentiary Representative of the President of the Russian Federation in the North Caucasian Federal District, in whose presence V.V. Ivanov, Director General of ROSSETI Northern Caucasus, PJSC, and V.V. Vladimirov, Governor of the Stavropol Krai, signed the Agreement on Cooperation in the Field of Development of the Power Grid Complex through 2027 signed in Stavropol on March 12, 2020.

The subject of the agreement is strategic cooperation of parties in the process of innovative development of the power grid complex based on implementation of measures on the power grid modernization using digitalization technology within long-term tariff regulation, including for the purpose of producing consistent production and financial indicators.

In 2020, the Company jointly with federal line ministries, office of Plenipotentiary Representative of the President of the Russian Federation in the North Caucasian Federal District, leaders and governments of the district's regions addressed issues of implementation of priority measures on improvement of consumers' payment discipline related to such categories of consumers as the Housing and Public Utilities, Budget consumers, Population, and addressed issues of implementation of Improvement of Reliability Program, Loss Reduction Program, measures on consolidation of power grid assets, tariff campaign.

In 2020, V.V. Ivanov, Director General of ROSSETI Northern Caucasus, PJSC, took part in four meetings at the federal level in the Ministry of Energy of the Russian Federation under the leadership of A.V. Novak, Minister of Energy of the Russian Federation, and E.P. Grabchak and Y.V. Manevich, Deputy Ministers of Energy of the Russian Federation, and in three working meeting with Y.Y. Chaika, Plenipotentiary Representative of the President of the Russian Federation in the North Caucasian Federal District.

At the regional level, the following meetings were held on the initiative:

- 20 working meetings with leaders of the North Caucasian Federal District's regions;
- over 60 meetings with governments of the regions both in person and by videoconferencing;
- over 25 meetings with heads of municipalities.

In order to ensure effective implementation of the developed power loss reduction programs (LRP) in the territory of the ROSSETI Northern Caucasus Group's activities, proper cooperation with the leadership of constituent entities of the Russian Federation in the North Caucasian Federal District was arranged in October – December, 2020.

For the purpose of synchronization of cooperation between specialists of ROSSETI Northern Caucasus, PJSC, and involved regional entities for implementation of stages of power loss reduction programs, work on establishing organizational headquarters was initiated involving heads of relevant agencies of the constituent entities of the Russian Federation, territorial bodies of the MIA of Russia, National Guard of the Russian Federation, EMERCOM, Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing, municipalities, and representatives of ROSSETI Northern Caucasus, PJSC, in October, 2020.

Besides, outreach to population was carried out in the North Caucasian Federal District involving heads of municipalities, mass media, representatives of the deputy corps and members of the clergy as a part of activities following the power loss reduction programs in relation to planned disconnection of consumers, including prevention of social tension.

Solution of issues regarding consolidation of power grid assets in the territory of the Kabardino-Balkarian Republic, the Republic of Ingushetia, the Republic of North Ossetia-Alania and the Republic of Dagestan was achieved as a part of measures on consolidation of power grid assets, implemented by the ROSSETI Northern Caucasus Group in accordance with the Power Grid Complex Development Strategy in the Russian Federation approved by the Instruction of the Government of the Russian Federation No. 511-r dd. April 3, 2013.

Measures for renting power grid facilities of the city of Cherkessk by ROSSETI Northern Caucasus, PJSC, were implemented in the Karachay-Cherkess Republic.

Besides, for the purpose of effective cooperation and fulfillment of necessary strategic decisions on development of the electric power industry made jointly with authorities and security forces of the North Caucasian Federal District, a number of representatives of ROSSETI Northern Caucasus, PJSC, were appointed members of headquarters of Security of Electricity Supply in Stavropol Krai, the Republic of Ingushetia, the Republic of Dagestan, the Kabardino-Balkarian Republic, as well as members of commission for prevention and liquidation of emergencies and fire safety in the North Caucasian Federal District.

It must be noted that the created model of cooperation with the authorities allowed ROSSETI Northern Caucasus, PJSC, to promptly adapt joint actions on necessary decision making and measure implementation to new conditions of operation in a situation of a pandemic caused by the spread of the coronavirus infection (COVID-19).

According to the Decree of the President of the Russian Federation No. 239 dd April 2, 2020, negotiation and meetings were being regularly held with regional operational headquarters on coronavirus in a form of videoconferencing, continuous work of the Company on power grid operation was monitored, measures for ensuring uninterrupted and reliable power supply to socially important facilities of the North Caucasian Federal District was given special attention.

As a part of carrying out socially oriented activities, in July, 2020, a meeting was held regarding development of relations in the field of social partnership within structure of ROSSETI Northern Caucasus, PJSC, that involved participation of the leadership of ROSSETI, PJSC, Y.B. Ofitserov, chairman of All-Russian Electric Trade Union, A.V. Zamoskovny, Head of the Association ERA of Energy, M.V. Vladimirov, Deputy Plenipotentiary Representative of the President of the Russian Federation in the North Caucasian Federal District.

As a result of the meeting practical goals and objectives were established in relation to cooperation of authorized representatives of employers and industrial trade union, issues of

employer's compliance with measures of labour protection and industrial security, and issues if objectives regarding provision of high-quality and convenient personal protection equipment to personnel were addressed.

In August of the reporting year, ROSSETI Northern Caucasus, PJSC, became a partner of the Mashuk-2020 Youth Forum that takes place under the auspices of Y.Y. Chaika, Plenipotentiary Representative of the President of the Russian Federation in the North Caucasian Federal District, and is development tool of an effective standing communication and education platform for introduction of new methods of self-realization among young people.

### Media Relations and External Communication

The Media Relations Department of ROSSETI Northern Caucasus, PJSC, interacts with the communication environment guided by the Order of ROSSETI, PJSC, No. 100 "On the Single Communication Policy of ROSSETI Group of Companies" dd March 4, 2020, as well as by the Order No. 294 "On the Single Communication Policy of ROSSETI Northern Caucasus, PJSC" dd July 28, 2020.

In 2020, the unit in charge of building a policy in the field of external communication continued and refined the innovative direction of relations with public space which was chosen in 2019.

Following the performance in 2020, the Department for Media Relations of the Company prepared and published 18,830 media publications on the power company's activity, which is 15% more than the previous year.

In the rating of media relations of the ROSSETI Group of Companies, following the performance in 2020, the Company was ranked 3rd among 15 subsidiaries and affiliates losing only to the companies operating in the million-plus metropolitan regions with a media space significantly exceeding the public of the North Caucasian Federal District.

It must be noted that it took only 1.5 years (since the middle of 2019) for the branch to go five places up in the all-Russian rating top list and increase performance indicator of mediamaterials about the Company's activities. If by the end of 2018 the line department was on 7th - 8th place in the rating, by the end of 2019, with the help of effectively organized labour, it was already on 5th spot among all subsidiaries of the holding, and by the end of the reporting year it took 3rd place.

One of the key effects of activity of the the Company's Department for Media Relations was a significant decrease in the share of negative publications. In 2018, the monitoring system recorded 7.1% of negative publications on the Company activities, in 2019 it recorded 4.5%, in 2020 this indicator amounted to 2.5% while the normative value was 5% (share of negative publications was reduced by 4.6%). Negative publications were caused by large-scale power outages in the troubled regions, including outages during the period of nature-related anomalies. And every time the Department successfully removes negativity from the community and social tension in public space.

In 2020, in addition to regional media resources, the Department emphasized cooperation with the leading federal media, including GIA TASS, IA Interfax, RBC, VGTRK – GTRK, Russia 24, Kommersant, Rossiyskaya Gazeta, Expert South, Argumenty i Fakty, Komsomolskaya Pravda, REGNUM. Exclusive quarterly interviews of the senior executives of the Company at the leading media platforms, as well as press conferences with the participation of the management of the power company, were organized.



In the structure of publications on the Company activities, federal mass media occupy 49% with the normative value being 15%.

Particular focus was directed at special projects dedicated to the 75th anniversary of the Victory in the Great Patriotic War, as well as internal and external communication during the period of the national pandemic caused by the spread of coronavirus.

Communication projects, developed and brought to life by the Department in the established timeframe, were highly rated at the national and international level.

In 2020, the Company also customarily took part in the events of All-Russian Festival #VmesteYarche, which is annually held with the assistance of the Ministry of Energy of Russia.

The Department for Media Relations also fully implemented a set of measures to transfer the subsidiaries and affiliates of ROSSETI, PJSC, to the standards of a single brand architecture.

## **5. Report on Corporate Governance**

### **5.1. General Information on Corporate Governance in the Company**

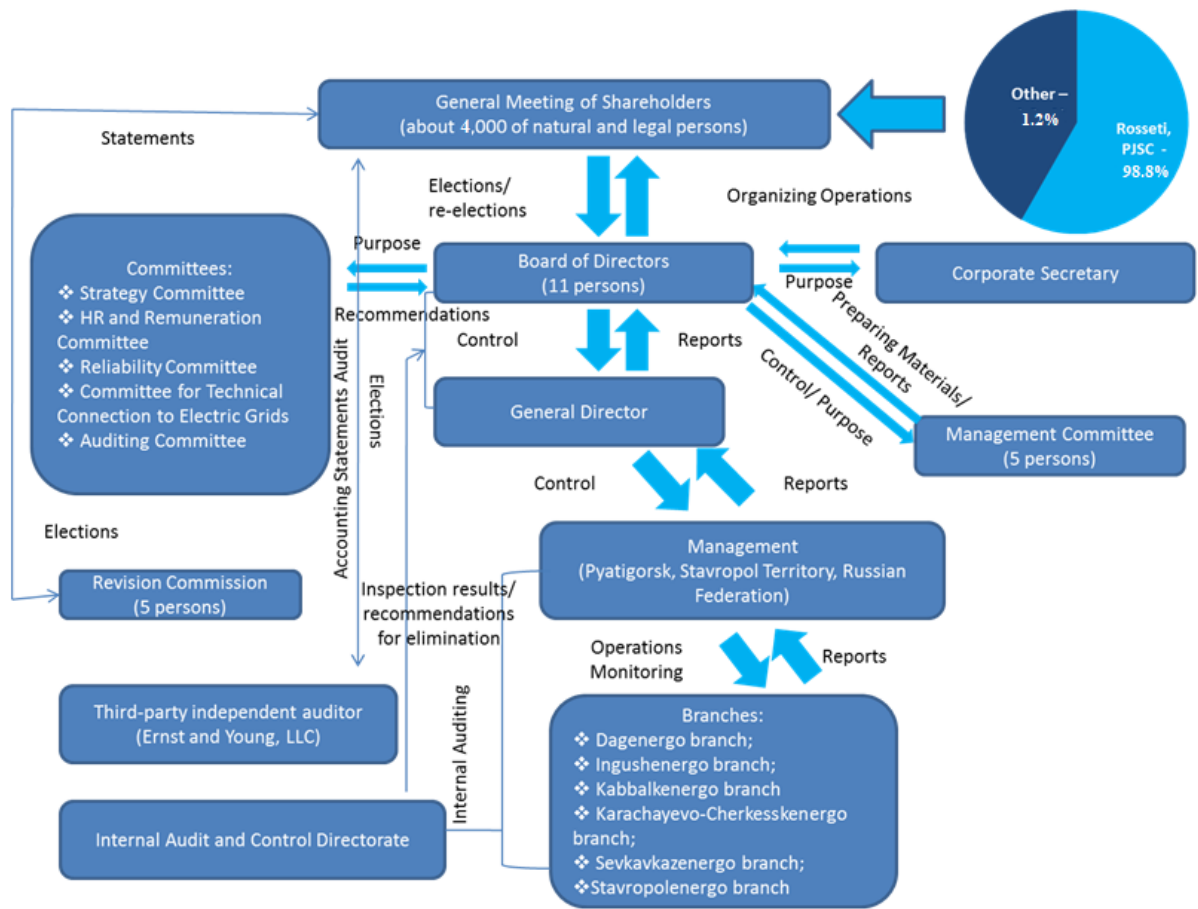
Corporate Governance is the system of relations between the Company's executive officers, its Board of Directors, shareholders and other stakeholders being the instrument of the Company's goals setting and the means for such goals achieving and of effective control ensuring for the Company's operations by its shareholders and other stakeholders.

The Company recognizes the rights of all stakeholders provided for by the Russian legislation, and strives to establish the constructive cooperation with such persons.

ROSSETI Northern Caucasus, PJSC, performs the corporate governance guided by the principles of accountability, justice, transparency and responsibility. The Company strives to the maximal possible extent to follow the best corporate governance principles established in the Corporate Governance Code of the Bank of Russia.

The basic principles of corporate governance as enshrined in the Charter of ROSSETI Northern Caucasus, PJSC, are detailed in the Corporate Governance Code and other internal documents of the Company and are based on the norms of the Russian legislation and recommendations of the Corporate Governance Code of the Bank of Russia. Texts of local regulatory documents of ROSSETI Northern Caucasus, PJSC, are presented on the Company's website in the section "For Shareholders and Investors / Charter and Bylaws".

## Structure of the Corporate Governance System of ROSSETI Northern Caucasus, PJSC\*



\* Share of shareholders is presented taking into account actually placed shares of the current additional issue of shares of March 20, 2020, No. 1-01-34747-E. As of the end of 2020, placement of shares of the mentioned additional issue was not completed, a notice of the results of the additional issue of securities was not provided to the Bank of Russia.

Overall, the Corporate Governance System of ROSSETI Northern Caucasus, PJSC, in many ways complies with the best practices.

Thus, the Company has a rather high level of organization of work of management and control bodies, as well as the Committees of the Board of Directors. Relevant documents were approved, that regulated their activity and matters regarding remuneration payable to members of the control and management bodies, and the Committees of the Board of Directors of the Company. An independent director is taking part in the Committee's work.

A Corporate Secretary was elected to ensure the proper compliance with the procedure for preparation and holding the General Meeting of Shareholders and operations of the Board of Directors. The Corporate Secretary's activity is regulated by a relevant Regulation. The Board of Directors didn't make any decisions on dismissal of the Corporate Secretary or election of a new Corporate Secretary in 2020.

The Board of Directors is in charge of decision making related to the appointment and dismissal of executive bodies of the Company. Thus, in accordance with the decision of the Board of Directors of the Company of September 7, 2020 (Minutes No. 433 dd September 9, 2020) and of

December 30, 2020 (Minutes No. 446 dd January 11, 2021) the powers of members of the Management Board of ROSSETI Northern Caucasus, PJSC, were terminated ahead of time and new members were elected. Occasionally, matters were addressed regarding nomination of candidates for different positions of the Company's Executive Office, determined by the Company's Board of Directors.

Besides, The Board of Directors plays the main part in monitoring the activities of the executive bodies of the Company, including the executive bodies of the Company acting in accordance with strategic development milestones and main fields of the Company's activities. During 2020, the Board of Directors regularly reviewed the reports of the Director General of the Company on various fields of activity. Thus, the following was carried out or addressed at the meetings of the Board of Directors of the Company: the reports on business plan implementation, performance of the investment program and investment projects, current situation regarding activity related to technological connection of consumers to power grids, implementation of target programs for production activities, implementation of the Anti-Corruption Policy and results of anti-corruption monitoring, implementation of the Power Loss Reduction Plan (Program) in power grids, results of stress testing, applied technical decisions and level of security of information and telecommunication systems, credit policy, organization and functioning of the internal control system, implementation of the development plan of productive assets management system, etc.

These reports are reviewed at the meetings of the Company's Board of Directors held in absentia. The Board of Directors strives to address more important matters at meetings held in person. Format of the way the meetings of the Board of Directors are held is determined by importance of matters on the agenda and recommendations provided by the Russian Corporate Governance Code. Besides, Format of the way the meetings of the Board of Directors are held in 2020 was also dependant on necessity to prevent and avoid seasonal spread of acute respiratory viral diseases.

The Board of Directors of ROSSETI Northern Caucasus, PJSC, pays special attention to the practice of the corporate governance. In this case, a reference point is principles and recommendations, established by the Corporate Governance Code, approved on March 21, 2014 by the Board of Directors of the Bank of Russia and recommended by the Bank of Russia for application in joint-stock companies. ROSSETI Northern Caucasus, PJSC, carries out focused work on preservation and development of positive experience gained regarding this aspect and good practices in corporate governance implemented in the Company.

The Company analyses compliance of the corporate governance system with the goals and objectives of the Company on a regular basis. The Company strives to ensure that the results of this analysis are objective enough. A corporate governance practice study is carried out in different ways: independently (to provide information in the Annual Report in the forms recommended by the Bank of Russia), by internal audit of the Company in accordance with the methodology approved by the Company (with subsequent consideration of the results at a meeting of the Board of Directors and the Committee of the Board of Directors).

Besides, The Board of Directors plays an integral part in preventing, discovering and settling any internal conflicts among the Company's bodies, its shareholders and employees. A set of measures aimed at preventing corruption and reducing reputation risks is provided as well. Thus, the Company has adopted the Anti-Corruption Policy and Code of Corporate Conduct and Employees Behavior as to their Duties (the documents were ratified in 2017), as well as the Regulation about the Insider Information.

The implementation of the information policy by the Company is carried out by the executive bodies; herewith, the Board of Directors monitors the compliance with this policy.

The ownership structure of ROSSETI Northern Caucasus, PJSC, is highly concentrated. The largest shareholder is ROSSETI, PJSC, with a 98.8% stake in the authorized capital of ROSSETI Northern Caucasus, PJSC. In order to develop the corporate governance practice and further introduce the principles and recommendations of the Corporate Governance Code recommended for application by the Bank of Russia, ROSSETI Northern Caucasus, PJSC published a memorandum of the controlling shareholder ROSSETI, PJSC, in early 2020 regarding the controlled power grid companies, including ROSSETI Northern Caucasus, PJSC.

The structure of the Company's share capital determines composition of the Board of Directors which is formed taking into consideration the principal shareholder's suggestions. Number of members of the Company's Board of Directors includes 11 people with one director meeting the criteria for independence according to the Corporate Governance Code of the Bank of Russia. The Code recommends the independent directors to compose at least one third of the elected members of the Board of Directors. It means that the number of independent directors is not sufficient among the members of the Committees of the Board of Directors compared to the recommendations of the Corporate Governance Code. However, ROSSETI Northern Caucasus, PJSC, and its corporate bodies strive to elect as members to the Board of Directors persons with professional competence, experience and independence, capable of making objective judgments, independent of the influence of the Company's executive officers, certain groups of shareholders or other concerned parties, that is deemed as the status of an independent director as defined by the Code.

ROSSETI Northern Caucasus, PJSC, pays special attention to the matters dealing with the arrangement of risks management and internal control system as well as the internal audit. The Internal Audit and Control Directorate administratively subordinate to the Director General and functionally subordinate to the Board of Directors through its Audit Committee operates. In the reporting year of 2020, the Board of Directors of ROSSETI Northern Caucasus, PJSC, regularly addressed matters of risks management and internal control system as well as the internal audit.

ROSSETI Northern Caucasus, PJSC, put in effect the Regulation on the Dividend Policy approved by the Company's Board of Directors on February 5, 2018 (Minutes No. 330 dd February 6, 2018). The Company's dividend policy is based on strict respect for the rights of shareholders, provided for by the current legislation of the Russian Federation, the Company's Charter and internal documents, and aimed at increasing the Company's investment attractiveness and increasing its market capitalization.

## **Main Changes in the Field of Corporate Governance**

### Transition to a Single Brand Architecture

In June 2019, the Single Corporate Identity Standard of ROSSETI, PJSC, and the organizations of the ROSSETI Group of Companies approved by the Board of Directors of ROSSETI, PJSC, on April 29, 2019, was presented at the St. Petersburg International Economic Forum. Since then, all companies belonging to backbone and distribution power grid complex, including ROSSETI Northern Caucasus, PJSC, switched to a single brand architecture in corporate and marketing communications and started using new names containing the ROSSETI trademark and regional or functional linkage.

On March 24, 2020, changes in the Company's Charter were registered and provided for change of the Company's name to ROSSETI Northern Caucasus, PJSC (previous name of the Company was IDGC of the Northern Caucasus, PJSC). The decision on changes to the Company's Charter was made during an unplanned General Meeting of the Company's Shareholders of December 26, 2019 (Minutes No. 21 dd December 26, 2019).

The corporate identity strengthening has opened up new opportunities for the prospective growth of the investment attractiveness of the holding. Introduction of a single ideological platform for all subsidiaries and affiliates and, as a result, increased recognition of the ROSSETI Group of Companies will make it possible to focus the attention of stakeholders and the general public from anywhere in the world on the activities of a power holding under the auspices of a single authoritative brand. Large-scale rebranding will provide an opportunity for the prospective growth of the investment attractiveness of the Company in general, its capitalization and loyalty. The transformation results will bring the company significantly closer to stakeholders, and a holistic brand will symbolize single standards for the quality of operation of ROSSETI Group of Companies throughout Russia.

#### Implementation of the Development Plan

February 11, 2019, the Board of Directors of ROSSETI, PJSC, (Minutes No. 342 dd February 14, 2019) approved the Development Plan for the ROSSETI Northern Caucasus Group, which provides for targeted financial support to the Company from ROSSETI, PJSC, including help through phased decapitalization within the additional issue of shares. The successful implementation of the Development Plan will help to complete the power grid complex development objectives of the Russian Federation established by the Power Grid Development Strategy of the Russian Federation approved by the Instruction of the Government of the Russian Federation No. 511-r dd April 3, 2013. The development plan includes measures aimed at improvement of reliability and development of the power grid infrastructure of the North Caucasian Federal District, construction and reconstruction of power grid assets, implementation of the power loss reduction program in the distribution network, debt burden reduction, etc.

As a part of implementation of the Development Plan, in 2020, the Company performed the procedure for additional issue of the Company's shares. On March 20, 2020 the Bank of Russia registered an additional issue of ordinary shares (registration number 1-01-34747-E), the number of shares of the additional issue is 6,565,560,627. The type of placement was public offering. The price of placement of a single additional share of ROSSETI Northern Caucasus, PJSC was determined by the Board of Directors on March 11, 2020 (Minutes No. 413 dd March 13, 2020). As of the end date of the reporting year, the placement of additional shares was not completed.

For details, please refer to sections "Introduction by the Chairman of the Board of Directors" and "Authorized Capital".

#### Changes in the Composition of the Management and Control Bodies

On May 29, 2020, the Annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, was held, during which the decision on election of the Board of Directors and the Company's Revision Commission members was made (Minutes No. 22 dd May 29, 2020). For the purpose of electing new composition of the Board of Directors and the Revision Commission of ROSSETI Northern Caucasus, PJSC, on September 18, 2020, the Company's Board of Directors made a decision on holding an unplanned General Meeting of Shareholders (Minutes No. 435 dd September 22, 2020). In accordance with Article 55 of the Federal Law No.

208-FZ dd December 26, 1995 "On Joint Stock Companies", the unplanned General Meeting of Shareholders was held by the decision of the Company's Board of Directors based on its own initiative. The unplanned General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, was held on November 23, 2020.

For details, please refer to section "Management Bodies".

#### Approval of Internal Documents

At the Annual General Meeting of Shareholders of the Company, held on May 29, 2020 (Minutes No. 22 dd May 29, 2020), the decision was made regarding approval of the Regulation on the Board of Directors of ROSSETI Northern Caucasus, PJSC, in a new revision. Compared to the previous version of the Regulation, approved at the Annual General Meeting of Shareholders on June 25, 2019 (Minutes No. 20, June 27, 2019), the newly revised document specifies separate regulations in accordance with the legislative requirements of the Russian Federation and recommendations of the Bank of Russia.

For details, please refer to section "Management Bodies".

#### Rating of Governance Quality

In 2020, the annual external independent analysis of the corporate governance practice of ROSSETI Northern Caucasus, PJSC, was carried out by the rating agency Expert RA (RAEX). The analysis was based on the main factors, such as rights of owners, management and control bodies, information transparency, corporate social responsibility, efficiency of activities and market positions. The methodology can be found on the rating agency's website. While making a report, the rating agency is forming an opinion on the level of contribution of the governance quality system towards respect and protection of stakeholders' rights. In 2020, the rating agency Expert RA (RAEX) confirmed the "A++gq" rating of the corporate governance quality of ROSSETI Northern Caucasus, PJSC (the highest possible rating of governance). This rating implies that the governance quality system contributes to respect for and protection of stakeholders' rights to the highest degree.

#### **Analysis of State and Assessment of the Corporate Governance Level**

The Corporate Governance Code recommended for use of joint stock companies by the Bank of Russia covers ROSSETI Northern Caucasus, PJSC. In this regard, the Company continues to solve the task of adaptation and acceptable implementation of recommendations of the Code into the corporate governance system of ROSSETI Northern Caucasus, PJSC. To this end, since 2016 we annually conduct analysis of the corporate governance practice of ROSSETI Northern Caucasus, PJSC, as to the compliance with the Code, using the recommendations of the Bank of Russia (Letter of the Bank of Russia dd February 17, 2016, No. IN-06-52/8 "On the Disclosure of a Report on the Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company").

Moreover, in 2020, an assessment of efficiency of the corporate governance system of the Company in general, including the "Board of Directors" component, was made. The relevant report was reviewed by the Board of Directors of ROSSETI Northern Caucasus, PJSC, on November 20, 2020 (Minutes No. 444 dd November 24, 2020) after its preliminary consideration by the Audit Committee of the Board of Directors at the meeting held on October 27, 2020 (Minutes No. 125 dd October 27, 2020) **Methods for Corporate Governance System**

**Efficiency Assessment in ROSSETI Northern Caucasus, PJSC, and control utility companies** is approved by the Order made by ROSSETI Northern Caucasus, PJSC. Subject to the Methods such corporate governance assessment purposes include submitting to the Company's Board of Directors, Audit Committee of the Board of Directors, Company's sole executive body/ Management unbiased and independent information about the state of the corporate governance in the Company and the efficiency thereof and drafting recommendations aimed to raise the efficiency of the corporate governance in the Company.

The criterion of corporate governance efficiency is such corporate governance complying with the principles and recommendations specified in the Corporate Governance Code and (or) Listing Rules.

Assessment of corporate management includes checking the following:

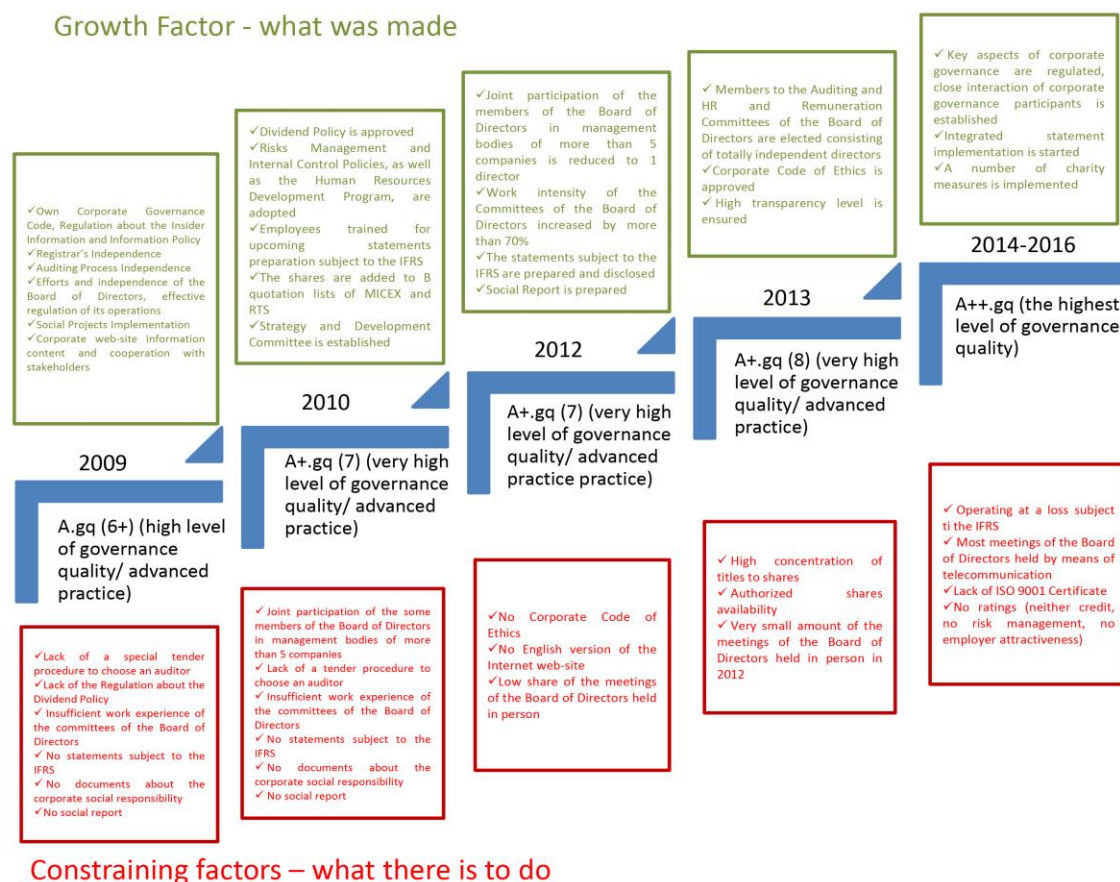
- compliance with such ethical principles and Company's business values;
- procedure for goals setting for the Company and monitoring (controlling) the achievement thereof;
- level of available standards and information counteractions procedures (including as to the matters of risks management and internal control) at all levels of the Company's governance including counteraction with stakeholders;
- shareholders' rights enforcement including of controlled companies and relations efficiency with stakeholders;
- procedure of information disclosing about the Company's operations.

The corporate governance is assessed by means of ensuring its components compliance with the criteria defined in the questionnaire for corporate governance assessment. The criteria are disclosed via the answers to the questions for each component including shareholders rights, Board of Directors, executive offices, information transparency and disclosure, risks management, internal control and audit, corporate social responsibility, business ethics, compliance.

Following the results of the corporate governance efficiency assessment the internal auditor shall draft its opinion subject to the form provided in the Regulation for Internal Audits Holding approved by the Company. Such report shall specify in detail the evidences grounding the awarded assessment. The assessment for each component of corporate governance and the general assessment of such corporate governance shall be disclosed in the report in percentage terms. The Company corporate governance assessment results shall be reviewed by the Company's Board of Directors upon preliminary reviewing thereof by the Audit Committee of the Company's Board of Directors.

Besides in 2020, we carried out an annual **external independent audit** of the governance quality in ROSSETI Northern Caucasus, PJSC, by rating agency Expert RA (RAEX). The analysis was performed on the main factors, such as the rights of owners, management and control bodies, information transparency, corporate social responsibility, operational efficiency and market position. Methodology is available on the rating agency website. When preparing its report, the rating agency makes an opinion on the extent, to which the quality management system promotes respect for and protection of the rights of stakeholders. Comments of independent experts help us to identify areas of corporate governance.

## Reflection of Governance Quality of ROSSETI Northern Caucasus, PJSC, in Independent Ratings According to Version of Rating Agency Expert RA



Source: Expert RA, ROSSETI Northern Caucasus, PJSC

**In 2017 – 2020, rating agency Expert RA (RAEX) confirmed the governance quality rating of ROSSETI Northern Caucasus, PJSC, at the level of A++.gq (highest governance quality level). This assessment means that the management quality system to the highest possible extent promotes the respect for and protection of the stakeholders' rights.**

Besides, in connection with the approval of the Russian Corporate Governance Code, we conducted an **independent review** of the compliance of practices of ROSSETI Northern Caucasus, PJSC, with the principles set forth in the Code (see Appendix No. 1 to the Russian version of the Annual Report).

### Plans

Our major plans in terms of corporate governance best practices in the company in the medium term (next 5 years) are as follows:

- maintain existing compliance (presented in Appendix No. 1 to the Russian version of the Annual Report);
- continue to conduct an annual independent integrated analysis of compliance of the practice of ROSSETI Northern Caucasus, PJSC, with the principles documented in the Code;
- continue to assess corporate governance in accordance with the methodology approved;



- submit to the Board of Directors a report on complying with the Regulation about the Company's Information Policy on an annual basis.

Also, planned activities in relation to implementation of separate principles of corporate governance are presented in Appendix No. 1 to the Russian version of the Annual Report.

Moreover, the main shareholder of ROSSETI Northern Caucasus, PJSC, is ROSSETI, PJSC, with a 98.8% stake in the authorized capital (taking into account actually placed shares of the current issue). ROSSETI, PJSC, owns controlling stakes of 14 key distribution power grid companies, including ROSSETI Northern Caucasus, PJSC. ROSSETI, PJSC, considers said controlling stakes to be strategic assets, disposal of which is not under consideration. Meanwhile, key objective of ROSSETI, PJSC, in the field of management of said subsidiaries, according to Development Strategy of the ROSSETI Group of Companies through 2030, approved by the Board of Directors of ROSSETI, PJSC (Minutes No. 388 dd December 26, 2019), is development of the power grid complex on the basis of cutting-edge innovative technology for the purpose of satisfying needs of consumers and Russian economy bearing in mind great increase in return on investment of shareholders and opportunity for professional development of employees.

ROSSETI, PJSC, manages the companies of the Group in accordance with the common corporate standards aimed at ensuring the efficiency of business processes, monitoring their quality, minimizing all types of corporate risks. Additional information on key objectives in relation to assets and principles of corporate governance are presented in the Memorandum of the controlling shareholder ROSSETI, PJSC, in relation to managed power grid companies, which can be found on the [corporate website](#) of ROSSETI Northern Caucasus, PJSC.

## 5.2. Management Bodies

### Management bodies of ROSSETI Northern Caucasus, PJSC:

- General Meeting of Shareholders;
- Board of Directors;
- Management (Collegial Executive Body);
- Director General (sole executive body).

### 5.2.1. General Meeting of Shareholders

General Meeting of Shareholders is a Supreme Management Body of ROSSETI Northern Caucasus, PJSC. According to Article 47 of the Federal Law No. 208-FZ dd December 26, 1995 "On Joint Stock Companies", the Company has to hold the Annual General Meeting of Shareholders.

**On May 29, 2020, the Annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, was held.**

Decisions made (Minutes No. 22 dd May 29, 2020):

- the Company's Annual Report, annual Accounting (Financial) Statements for 2019 were approved;
- a decision not to pay dividends on ordinary shares at year-end 2019 was made;
- the members to the Board of Directors and the Revision Commission are elected;
- the Company's auditor was approved;

- the revised Regulation on the Board of Directors of ROSSETI Northern Caucasus, PJSC, was approved.

For the purpose of election of the new Board of Directors' and the Revision Commission's composition in ROSSETI Northern Caucasus, PJSC, on September 18, 2020, the Company's Board of Directors made a decision on holding an unplanned General Meeting of Shareholders (Minutes No. 435 dd September 22, 2020). In accordance with Article 55 of the Federal Law No. 208-FZ dd December 22, 1995 "On Joint Stock Companies", an unplanned General Meeting of Shareholders was held following the decision of the Company's Board of Directors on its own initiative. **The unplanned General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, was held on November 23, 2020.**

Decisions made (Minutes No. 23 dd November 27, 2020):

- powers of members of the Board of Directors and the Revision Commission of the Company were terminated ahead of time;
- members of the Board of Directors and the Revision Commission of the Company were elected.

The competence of the General Meeting of Shareholders is established by Article 48 of the Federal Law No. 208-FZ dd December 26, 1995 "On Joint Stock Companies" and Article 10 of the Charter of ROSSETI Northern Caucasus, PJSC.

Matters related to the competence of the General Meeting of Shareholders can not be referred to the Board of Directors or executive bodies. The General Meeting of Shareholders does not have the right to make decisions on matters not reserved to them by the Federal Law "On Joint Stock Companies".

### **5.2.2. Report of the Company's Board of Directors**

The Board of Directors is a collegial executive body supervising activity of the sole executive body of the Company and performing other functions, assigned to it by the Law or the Chart of the Company. The Company's Board of Directors provides overall guidance to the Company's activities, excluding resolving issues, reserved for the General Meeting of Shareholders by the Federal Law "On Joint Stock Companies" and the Chart. The Board of Directors is an executive body that establishes a development strategy of the Company.

#### **Report of the Board of Directors on the Results of the Company's Development in the Priority Areas of Activities**

In 2020, the Board of Directors of ROSSETI Northern Caucasus, PJSC, made a decision on ensuring continuity of the territorial grid company's operation in the Republic of Dagestan becoming the priority area of the Company's activities, as well as approved a Roadmap for ensuring operation of the territorial grid company in the Republic of Dagestan (Minutes No. 421 dd May 12, 2020).

Besides, in 2020, ROSSETI Northern Caucasus, PJSC, was developing in the following priority areas of activities:

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains an additional information on results of company development along the specified priority areas of business
Power Grid Assets Consolidation	Minutes No. 121 dd December 27, 2012, Minutes No. 129 dd April 12, 2013	<p>Implementation of the strategy for power property consolidation located within the constituent entities of the North Caucasian Federal District shall be made by ROSSETI Northern Caucasus, PJSC, in the following directions:</p> <ul style="list-style-type: none"> <li>• consolidation of property of TGO-debtors;</li> <li>• consolidation of property of third parties;</li> <li>• consolidation of ownerless power grid property.</li> </ul> <p>Since the entry into force of Decree No. 184 of the Government of the Russian Federation dd February 28, 2015, within the territory of the North Caucasian Federal District 22 TGCs have been deprived of the status. Scope of the power grid assets consolidation for 2020: 1,454 MVA, 10,104 km, 54,639 c.u.</p>	"Power Grid Assets Consolidation"
Ensuring of the accessibility of the power supply infrastructure and the quality of technological connection to power grids of ROSSETI Northern Caucasus, PJSC.	Minutes No. 174 dd September 11, 2014	At year-end 2020, the actual average technological connection term was 78 days, which means that measures of the Business Climate Transformation Plan, approved by the Instruction of the Government of the Russian Federation No. 20-r dd January 17, 2019, were executed. In 2020, specialists of ROSSETI Northern Caucasus, PJSC, executed measures of technological connection of major facilities which are of great importance for economic development of the constituent entities of the North Caucasian Federal District. For the	"Technological Connection"

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains an additional information on results of company development along the specified priority areas of business
		<p>purpose of improvement of the services' quality related to technological connection, the Automated System of Consumers Technological Connection Management was implemented at the typical platform 1C: Enterprise 8. Power Industry (ASCTCMP).</p> <p>Following the instruction No. 547r dd December 11, 2018 "On Planning Corrective Measures" in accordance with the decision made by the Board of Directors of IDGC of the Northern Caucasus, PJSC, on March 28, 2019 (Minutes No. 376 dd March 29, 2019), a corrective action plan was approved, resulting in implementation of the appropriate measures.</p>	
Provision of the established level of reliability and quality of services provided	Minutes No. 80 dd September 15, 2011	<p>Indicators of reliability of the power grid complex in 2020:</p> <p>Псаиди, hour — 2.3073 (variation 2020/2019 — +18.5 %);</p> <p>Псаифи, pcs. — 1.2174 (variation 2020/2019 — +17.7 %).</p>	"Performance Indicators and Improvement of Reliability of the Power Grid Complex"
Implementation of the integrated program of activities for reducing excessive power losses in the distribution grids on the territory of North Caucasus; reduction of level of losses in networks and	Minutes No. 72 dd April 21, 2011, Minutes No. 183 dd January 12, 2015	The investment program, approved by the Order of the Ministry of Energy No. 32@ dd December 29, 2020, does not provide for implementation of projects using funds of the federal budget in 2020.	-

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains a additional information on results of company development along the specified priority areas of business
development of metering systems			
Generation and implementation of programs financed with federal budget funds, as well as funds of the National Welfare Fund of Russia (NWF) and pension savings; provision of targeted and effective usage of funds from the federal budget, NWF and pension savings	Minutes No. 176 dd October 22, 2014		
Activity to monitor and coordinate procurement system	Minutes No. 3 dd October 31, 2006	The procurement activity of ROSSETI Northern Caucasus PJSC is governed by the Common Standard for Procurement Activity adopted by ROSSETI, PJSC (Regulations about Procurement), as well as by the Order of IDGC of the Northern Caucasus, PJSC, No. 330 dd June 17, 2019 "On Organization of Procurement Activity". In fact, during the period, 421 purchases were made for a total amount of 8,719,774.51 thousand rubles, excluding VAT.	"Procurement Activities"
Improvement of the level of anti-terrorist and anti-subversion	Minutes No. 61 dd August 17, 2012	In 2020, eligible for protection facilities were inspected, updated and measures were implemented regarding equipping facilities with technical means of	"Anti-Corruption Policy and Security of Economic

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains an additional information on results of company development along the specified priority areas of business
protection of the power grid complex facilities of ROSSETI Northern Caucasus, PJSC		<p>protection, taking into account provision of sufficient level of safety and prevention of illegal interference in the facilities.</p> <p>The Company's leadership is executing measures on improvement of anti-sabotage and anti-terrorist protection of the power grid complex facilities of the constituent entities of the North Caucasian Federal District, 122 facilities of the Company are under protection.</p>	Activity"
Attestation of equipment, materials and systems at the Company's facilities	Minutes No. 169 dd July 9, 2014	<p>The implementation of a unified scientific and technical policy that ensures the development of power grid facilities and the efficient operation of the power grid complex of ROSSETI Northern Caucasus, PJSC, is carried out through, in particular, the arrangement by ROSSETI, PJSC, and ROSSETI Northern Caucasus, PJSC, of the certification of equipment, technologies, materials and systems for preventing the use of equipment that does not meet the technical requirements for reliability, safety, performance characteristics and conditions of use. The necessary organizational work was carried out by ROSSETI Northern Caucasus, PJSC, in previous periods. Current lists of certified equipment, materials and systems are available on the official website of ROSSETI, PJSC, and are freely available at the link: <a href="http://www.rosseti.ru/investment/science/attestation/">http://www.rosseti.ru/investment/science/attestation/</a></p>	-
Perfection of the internal control and risk	Minutes No. 172 dd August 4, 2014	<b>Key measures implemented in 2020 and aimed at improvement of effectiveness of the internal control system in the</b>	"Internal Control, Risk Management and Internal

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains an additional information on results of company development along the specified priority areas of business
management system, development of internal audit function		<p><b>Company:</b></p> <ul style="list-style-type: none"> <li>• improvement of effectiveness of the Risk Assessment component and its full implementation into the internal control system;</li> <li>• development of functional KPIs in relation to business processes goals;</li> <li>• adaptation of standard risks of business processes in regulatory documents on business processes;</li> <li>• elimination of design flaws of separate monitoring procedures, mentioned in the report on a range of business processes;</li> <li>• synchronization of implementation of automated monitoring procedures with automation of business processes;</li> <li>• full and timely elimination of internal control system's flaws, detected by internal auditor, the Revision Commission, external control and supervision bodies.</li> </ul> <p><b>Key measures implemented in 2020 and aimed at improvement of effectiveness of the risk management system in the Company:</b></p> <ul style="list-style-type: none"> <li>• establishment of a risk register, a risk map, a plan of risk management measures of ROSSETI Northern Caucasus, PJSC, for 2020, and approval by the Company's Management Board (Minutes No. 239 dd October 15, 2020);</li> <li>• approval of methodological documents in the area of identification, analysis and assessment of the Company's risks,</li> </ul>	Audit"

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains an additional information on results of company development along the specified priority areas of business
		<p>response to risks, and documentation of information on them, as well as internal documents related to assessment of the maturity level of the Company's risk management.</p> <p>The subdivision responsible for the function of the Company's internal audit is the Internal Audit and Control Directorate.</p> <p><b>Internal Audit</b> functionally reports to the Board of Directors of the Company, which means that the Board of Directors implements control and organization of the internal audit function, including approval of the plan of the internal audit activity, report on implementation of the plan of the internal audit and the budget of the internal audit business unit, the approval of the appointment decision, removal from office and determination of the remuneration of the Head of the internal audit business unit.</p> <p>Targets and objectives, main principles of organization and operation of internal audit, functions and responsibilities of internal audit are defined in the Internal Audit Policy of ROSSETI Northern Caucasus, PJSC (as amended), approved by the decision of the Board of Directors on December 13, 2019. (Minutes No. 402 dd December 16, 2019).</p> <p>In 2019, KPMG, JSC, conducted an external independent assessment of the internal audit activity of the Company.</p>	



Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains a additional information on results of company development along the specified priority areas of business
		<p>Based on the results of this assessment, a report by KPMG, JSC, was received, according to which the internal audit activity of the Company generally meets the requirements of the International Professional Standards of Internal Audit, the Code of Ethics and the Internal Audit Policy; recommendations to improve the internal audit activity were made.</p> <p>The Action Plan for developing and improving the internal audit activities of the Company for 2020-2024, approved by the decision of the Company's Board of Directors Minutes No. 417 dd April 8, 2020, was developed and is being executed based on the development directions that were noted in written form by the members of the Audit Committee and recommendations provided by an independent expert.</p>	
Adoption of a system for management of production assets	Minutes No. 103 dd June 1, 2012	<p>In accordance with the Development Action Plan for the Production Assets Management System of ROSSETI Northern Caucasus, PJSC, for 2020-2022, approved by the protocol of the Board of Directors in ROSSETI Northern Caucasus, PJSC, No. 437 dd October 5, 2020, measures were implemented to meet the following key objectives:</p> <ul style="list-style-type: none"> <li>• approval of individual technical tasks of ROSSETI Northern Caucasus, PJSC, for implementation of measures of the Company's Development Action Plan for the Production Assets Management System in 2021;</li> <li>• conclusion of an agreement and</li> </ul>	"Performance Indicators and Improvement of Reliability of the Power Grid Complex", "Innovative Activity and Digitalization"

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains an additional information on results of company development along the specified priority areas of business
		<p>execution of functionality of the automated system of vehicle management in ROSSETI Northern Caucasus, PJSC;</p> <ul style="list-style-type: none"> <li>• integration of 1C: PAMS with the common computing complex of metering power (based on Omni-US) of ROSSETI Northern Caucasus, PJSC;</li> <li>• implementation of functionality of choice of technical re-equipment and reconstruction / maintenance and repair control impact on facilities that are on a priority list taking into account predictive analytics (risk-oriented approach) of ROSSETI Northern Caucasus, PJSC.</li> </ul>	
Organization of work for recording data on maximum allowable capacity of consumers previously connected to the Company's power grids	Minutes No. 135 dd June 20, 2013	In 2020, the number of connection (supply) points – 6,903 pieces, the number of connection (supply) points specified in the signed technological connection certificates – 6,903 pieces, the maximum capacity specified in the technological connection certificates is 215,246 kW, performance per cent – 100%	-
Ensuring continuity of the territorial grid company's operation in the Republic of Dagestan	Minutes No. 421 dd May 12, 2020	The Board of Directors of ROSSETI Northern Caucasus, PJSC, made a decision on ensuring continuity of the territorial grid company's operation in the Republic of Dagestan becoming the priority area of the Company's activities, as well as approved a Roadmap for ensuring operation of the territorial grid company in the Republic of Dagestan (Minutes No. 421 dd May 12, 2020).	"Power Grid Assets Consolidation"

Area of business	Minutes of meeting of the Board of Directors, where the area of business was identified as a priority	Brief report on the results of the company's development in priority areas	Section of the Annual Report of ROSSETI Northern Caucasus, PJSC, which contains a additional information on results of company development along the specified priority areas of business
		Dagestan Grid Company, JSC, stopped its power transmission in June, 2020, followed by start of operation of Dagenengo, a branch of ROSSETI Northern Caucasus, PJSC.	

#### Results of the Board of Director's Work in the Reporting Year

Decisions at the meeting of the Board of Directors of ROSSETI Northern Caucasus, PJSC, are passed by a majority of votes of members of the Board of Directors taking part in the voting, with the exception of cases provided for by the legislation of the Russian Federation and the Company's Charter. The quorum required for arrangement of sessions is at least one half of the elected members of the Board of Directors.

The competence of the Board of Directors is established by Article 65 of Federal Law dd December 26, 1995, No. 208-FZ "On Joint Stock Companies" and Article 15 of the Charter of ROSSETI Northern Caucasus, PJSC.

Matters assigned to the responsibility of the Board of Directors can not be referred to the Director General or the Management Board of ROSSETI Northern Caucasus, PJSC.

In 2020, 40 meetings of the Board of Directors of ROSSETI Northern Caucasus, PJSC, were held (all in absentia). In 2019, 39 meetings of the Board of Directors of ROSSETI Northern Caucasus, PJSC, were held (4 of which in presentia and in absentia). In 2018, 40 meetings of the Board of Directors of ROSSETI Northern Caucasus, PJSC, were held (3 of which in presentia and in absentia).

During 2020, the Board of Directors considered 164 matters (186 matters in 2019, 177 matters in 2018) and made the following principal decisions:

- scenario conditions for developing an investment program of IDGC of the Northern Caucasus, PJSC, was approved, Minutes No. 408 dd February 10, 2020;
- loan plans of IDGC of the Northern Caucasus, PJSC, were approved, Minutes No. 408 dd February 10, 2020, No. 419 dd April 30, 2020, No. 424 dd June 26, 2020, No. 427 dd July 9, 2020, No. 436 dd October 2, 2020, No. 446 January 11, 2021;

- the report of the independent expert KPMG, JSC, and assessment of organization and operation of internal audit in IDGC of the Northern Caucasus, PJSC, were taken into consideration, Minutes No. 409 dd February 17, 2020;
- the investment program amendment project of IDGC of the Northern Caucasus, PJSC, for 2016-2020 was approved by the Order of the Ministry of Energy of Russia No. 1035 dd December 25, 2015 (as amended by the Order of the Ministry of Energy of Russia No. 28@ dd December 20, 2019), Minutes No. 410 dd February 25, 2020;
- a Regulation on Payments of IDGC of the Northern Caucasus, PJSC, was approved, as amended, Minutes No. 411 dd March 2, 2020;
- following reports and reported information were regularly reviewed:
  - on the progress of implementation of the Company's investment projects, included into the list of priority objects, Minutes No. 414 dd March 16, 2020, No. 437 dd October 8, 2020, No. 438 dd October 13, 2020;
  - on implementation of the Company's Business Plan, Minutes No. 414 dd March 16, 2020, No. 429 dd July 20, 2020;
  - on implementation of Business Plans of IDGC of the Northern Caucasus, PJSC, aggregated on the RAS principles and consolidated by the IFRS principles, Minutes No. 414 dd March 16, 2020, No. 429 dd July 20, 2020;
  - on implementation of the investment program of the Company, Minutes No. 414 dd March 16, 2020, No. 429 dd July 20, 2020, No. 438 dd October 13, 2020, No. 441 dd November 2, 2020;
  - on the investment program amendment of IDGC of the Northern Caucasus, PJSC, approved by the Order of the Ministry of Energy of Russia No. 1035 dd December 25, 2015, as amended by the Order of the Ministry of Energy of Russia No. 24@ dd December 20, 2018, Minutes No. 414 dd March 16, 2020;
  - on current situation of the Company's activities on technological connection of consumers to power grids, Minutes No. 414 dd March 14, 2020, No. 441 dd November 2, 2020;
  - on implementation of the Company's target programs regarding production activity, Minutes No. 415 dd March 19, 2020;
  - on the progress of conduction public discussion of the Company's investment program, Minutes No. 416 dd March 23, 2020;
  - on implementation of the Anti-Corruption Policy and results of anti-corruption monitoring in ROSSETI Northern Caucasus, PJSC, Minutes No. 417 dd April 10, 2020;
  - on following commission schedule for facilities of the Company's investment programs and conducting technological and price audit of the Company's investment projects, which contains results of consolidated analyses of conducted audits and findings of public and expert discussion, Minutes No. 417 dd April 10, 2020;
  - on implementation of the Power Loss Reduction Plan (Program) in the power grids of ROSSETI Northern Caucasus, PJSC, for 2019-2023, Minutes No. 417 dd April 10, 2020;
  - on results of the stress tests, applied technical solutions and level of security of the Company's information and telecommunication systems, Minutes No. 419 dd April 30, 2020;
  - on the Company's Credit Policy, Minutes No. 419 dd April 30, 2020, No. 428 dd July 14, 2020, No. 437 dd October 8, 2020;
  - on organization and functioning of internal control systems, including information on implementation of measures to maintain effective internal control system of the Company and the system's development, Minutes No. 419 dd April 30, 2020, No. 427 dd July 9, 2020;

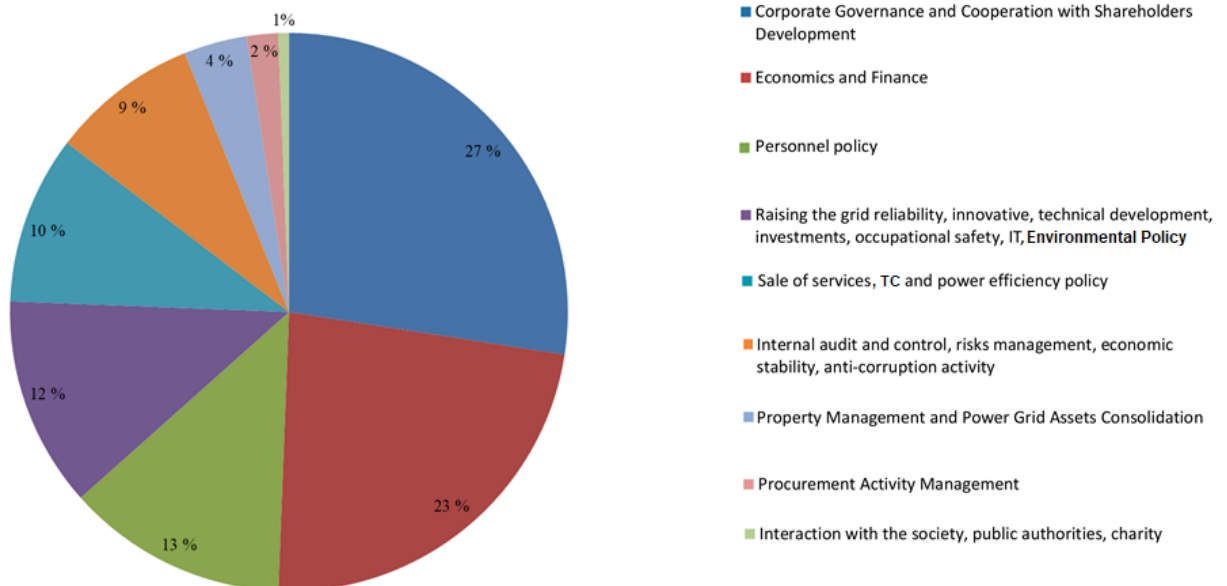
- on implementation of the Development Action Plan for the Production Assets Management System of ROSSETI Northern Caucasus, PJSC, for 2016-2019, Minutes No. 428 dd July 14, 2020;
- on indicators of the reliability level and quality of provided services across the Company subject to tariff regulation on the basis of long-term parameters of activity regulation, for 2019, Minutes No. 431 dd August 10, 2020;
- on implementation of the Cooperation Plan between the Company and law enforcement authorities, Minutes No. 437 dd October 8, 2020;
- on following cost estimates of the Company, minutes No. 438 dd October 13, 2020;
- the shareholders' propositions were reviewed in relation to adding matters to the agenda of the annual General Meeting of Shareholders of the Company and nominating candidates for positions in the Company's management and supervisory bodies, Minutes No. 412 dd March 10, 2020;
- a price of placement of the Company's additional ordinary shares was established, Minutes No. 413 dd March 13, 2020;
- the Insurance Coverage Program of the Company for 2020 was approved, Minutes No. 414 dd March 16, 2020;
- the Digital Transformation Program of IDGC of the Northern Caucasus, PJSC, for 2020-2030 was approved, Minutes No. 415 dd March 19, 2020;
- the Development Program for Intelligent Power Metering of IDGC of the Northern Caucasus, PJSC, for 2020-2030 was approved, Minutes No. 415 dd March 19, 2020;
- the Power Loss Reduction Plan (Program) in the power grids of IDGC of the Northern Caucasus, PJSC, for 2020-2024 was approved, Minutes No. 415 dd March 19, 2020;
- reports on achieving KPI of the Director General of the Company were approved, Minutes No. 416 dd March 23, 2020, No. 430 dd July 31, 2020, No. 438 dd October 13, 2020, No. 445 dd December 25, 2020;
- scheduled plans were approved regarding measures on reduction of overdue accounts receivable related to electric power transmission and settlement of conflict services, Minutes No. 416 dd March 23, 2020, No. 426 dd June 30, 2020, No. 446 dd January 11, 2021;
- Development and Refinement Action Plan for Activities of the Internal Audit for 2020-2024 was approved in ROSSETI Northern Caucasus, PJSC, Minutes No. 417 dd April 10, 2020;
- the Regulation on the Committee for Technological Connection to Power Grids was approved by the Company's Board of Directors in a new revision, Minutes No. 417 dd April 10, 2020;
- Annual General Meeting of Shareholders was held and its agenda was approved, Minutes No. 418 dd April 27, 2020;
- ensuring continuity of the territorial grid company's operation in the Republic of Dagestan was determined to become a priority direction and a Roadmap for ensuring operation of the territorial grid company in the Republic of Dagestan was approved, Minutes No. 421 dd May 12, 2020;
- the Company's Board of Directors nominated candidates for separate positions in the Company's Executive Office, Minutes No. 422 dd June 8, 2020, No. 424 dd June 26, 2020, No. 433 dd September 9, 2020, No. 436 dd October 2, 2020, No. 442 dd November 2, 2020;
- P.V. Grebtsov, the Deputy General Director for Economics and Finance of ROSSETI, PJSC, was appointed Chairman of the Board of Directors of ROSSETI Northern Caucasus, PJSC, Minutes No. 423 dd June 16, 2020;

- the decision was made to join amendments of the Procurement Common Standard of ROSSETI, PJSC, (Provisions on procurement), Minutes No. 425 dd December 25, 2020;
- the Anti-Corruption Policy was established in ROSSETI, PJSC, and subsidiaries and affiliates of ROSSETI Northern Caucasus, PJSC, Minutes No. 427 dd July 9, 2020;
- the Method of calculation and evaluation of key performance indicators of the Director of the Internal Audit and Control Directorate of ROSSETI Northern Caucasus, PJSC, was approved and target values of its functional KPIs were set for 2020, Minutes No. 428 dd July 14, 2020;
- a Plan for Work of the Internal Audit and Control Directorate of ROSSETI Northern Caucasus, PJSC, for 2020 was approved, Minutes No. 428 dd July 14, 2020;
- individual compositions of committees of the Board of Directors of ROSSETI Northern Caucasus, PJSC, were appointed, Minutes No. 429 dd July 20, 2020, No. 430 dd July 31, 2020, No. 431 dd August 10, 2020;
- report on execution of the Plan of Activities of the Internal Audit and Control Directorate of ROSSETI Northern Caucasus, PJSC, for 2019, was approved, including results of performance quality self-assessment in relation to the internal audit for 2019, Minutes No. 429 dd July 20, 2020;
- the Plan of Measures for Perfecting Risk Management System of ROSSETI Northern Caucasus, PJSC, Minutes No. 429 dd July 20, 2020;
- power of the members of the Management Board of ROSSETI Northern Caucasus, PJSC, were terminated ahead of time and new members were appointed, Minutes No. 433 dd September 9, 2020, No. 446 dd January 11, 2021;
- an unplanned General Meeting of Shareholders of the Company was held and its agenda was approved, Minutes No. 435 dd September 22, 2020;
- a list of high-priority anti-crisis measures in conditions of the current economic environment was approved, Minutes No. 436 dd October 2, 2020;
- the Action Plan for Development of the Production Assets Management System of ROSSETI Northern Caucasus, PJSC, for 2020-2022, was approved, Minutes No. 437 dd October 8, 2020;
- a decision was made to join to implementation of the Environmental Policy in the power grid complex in a new revision, approved by the Board of Directors of ROSSETI, PJSC (Minutes of the meeting of the Board of Directors No. 422 dd July 20, 2020), the Policy is established in a form of internal document of ROSSETI Northern Caucasus, PJSC, Minutes No. 437 dd October 8, 2020;
- a plan for work of the Company's Board of Directors for 2020-2021 corporate year was approved, Minutes No. 437 dd October 8, 2020;
- amendments to the Collective Agreement of ROSSETI Northern Caucasus, PJSC, for 2019-2021 were approved, Minutes No. 438 dd October 13, 2020;
- the Method of calculation and evaluation of key performance indicators of the Director General of ROSSETI Northern Caucasus, PJSC, was approved, Minutes No. 439 dd October 29, 2020;
- target values of the General Director's KPIs for 2020 were approved, Minutes No. 439 dd October 29, 2020, No. 445 dd December 25, 2020;
- propositions of shareholders, who in total own no less than 2% of voting shares of the Company, were reviewed in relation to nomination of candidates for positions in the Company's Board of Directors, Minutes No. 440 dd October 30, 2020;
- the Business Plan of ROSSETI Northern Caucasus, PJSC, for 2020 was approved and estimated values of performance indicators for 2021-2024 were taken into account, Minutes No. 443 dd November 9, 2020;

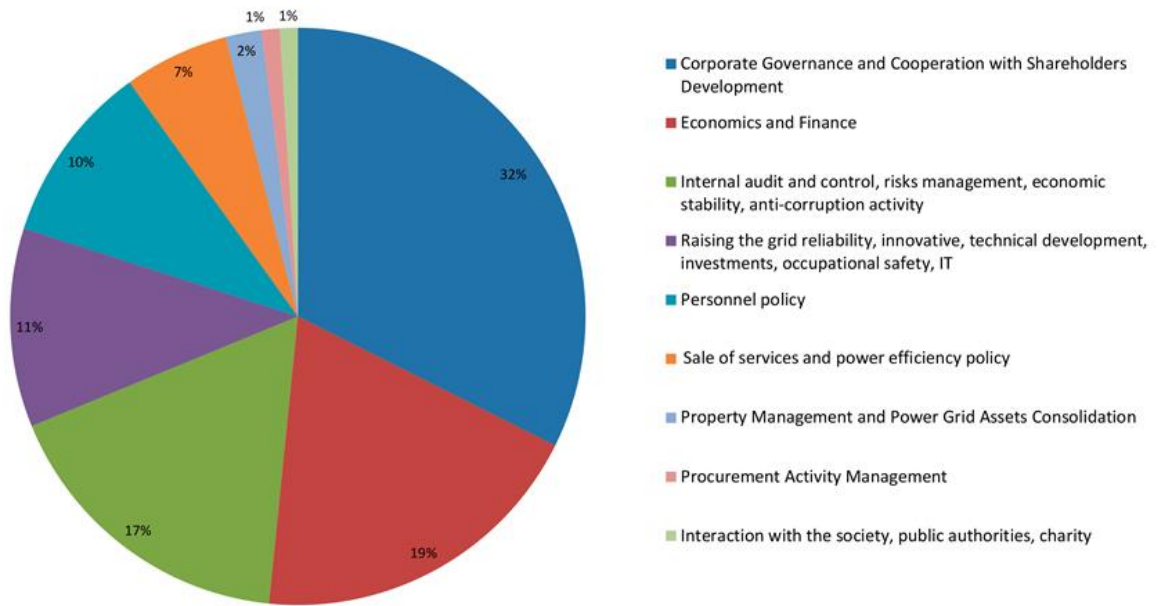
- the revised Regulation on the Credit Policy of ROSSETI Northern Caucasus, PJSC, was approved, Minutes No. 443 dd November 9, 2020;
- the internal audit report of ROSSETI Northern Caucasus, PJSC, on assessment of corporate governance for 2019-2020 corporate year was taken into account, Minutes No. 444 dd November 24, 2020;
- the report on management of key operational risks of ROSSETI Northern Caucasus, PJSC, for 2019, Minutes No. 444 dd November 24, 2020;
- I.V. Feoktistov, Director of Internal Control and Risk Management – Head of the Internal Control and Risk Management Department in ROSSETI, PJSC, was appointed the Chairman of the Board of Directors, Minutes No. 445 dd December 25, 2020;
- amendments to the Regulation on Financial Incentives for the Company's Director General and the Regulation on Financial Incentives and Social Package of Top Managers of the Company were made, Minutes No. 445 dd December 25, 2020.

During 2020, the Board of Directors gave 57 instructions to the Company's management (64 instructions in 2019, 68 instructions in 2018).

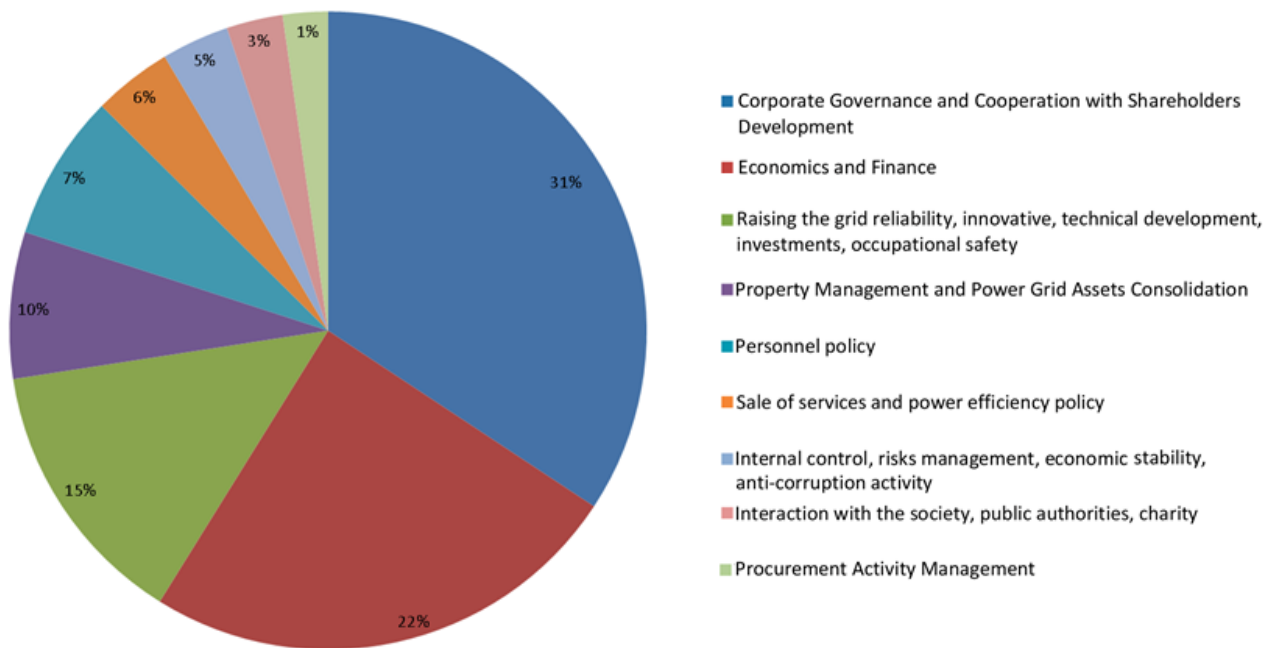
### Categories of Matters Considered by the Board of Directors in 2020, %



**Categories of Matters Considered by the Board of Directors in 2019, %**



**Categories of Matters Considered by the Board of Directors in 2018, %**



Details on the decisions made by the Board of Directors in 2020 are provided on the Company's website in the section "For Shareholders and Investors/Corporate Governance/Board of Directors".

**Involvement of Directors in Work of the Board of Directors in 2020**

Director's name	Decision of the General Meeting of Shareholders on selecting composition of the Board of Directors	Corporate year when the person was a member of the Board of Directors	Number of meetings, pcs.



Director's name	Decision of the General Meeting of Shareholders on selecting composition of the Board of Directors	Corporate year when the person was a member of the Board of Directors	Number of meetings, pcs.
<b>Total number of meetings during 2020</b>			<b>40</b>
including meetings in presentia (in presentia/absentia)			<b>0</b>
<b>Dmitry Mikhaylovich Andropov</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>15/15**</b>
including in presentia*			<b>0/0</b>
<b>Dmitry Alekseyevich Bobkov</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>15/15</b>
including in presentia			<b>0/0</b>
<b>Vasily Valerievich Varseev</b>	Of May 29, 2020, Minutes No. 22 dd May 29, 2020	<b>2020–2021</b>	<b>9/23</b>
including in presentia			<b>0/0</b>
<b>Yuri Vladimirovich Goncharov</b>	Of May 29, 2020, Minutes No. 22 dd May 29, 2020; of November 23, 2020, Minutes No. 23 dd November 27, 2020	<b>2020–2021</b>	<b>25/25</b>
including in presentia			<b>0/0</b>
<b>Pavel Vladimirovich Grebtsov</b>	Of June 25, 2019, Minutes No. 22 dd June 27, 2019; of May 29, 2020, Minutes No. 22 dd May 29, 2020	<b>2019–2020</b>	<b>38/38</b>
including in presentia		<b>2020–2021</b>	<b>0/0</b>
<b>Denis Lvovich Guryanov</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>15/15</b>
including in presentia			<b>0/0</b>
<b>Vitaliy Anatolievich Domnich</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>15/15</b>
including in presentia			<b>0/0</b>
<b>Vitaliy Valerievich Ivanov</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019; of May 29, 2020, Minutes No. 22 dd May 29, 2020; of November 23, 2020, Minutes No. 23 dd November 27, 2020	<b>2019–2020</b> <b>2020–2021</b>	<b>40/40</b>
including in presentia			<b>0/0</b>
<b>Vladislav Albertovich Kapitonov</b>	Of May 29, 2020, Minutes No. 22 dd May 29, 2020; of November 23, 2020, Minutes No. 23 dd November 27, 2020	<b>2020–2021</b>	<b>25/25</b>
including in presentia			<b>0/0</b>
<b>Sergey Vladimirovich Kiryukhin</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019; of May 29, 2020, Minutes No. 22 dd May 29, 2020	<b>2019–2020</b>	<b>29/38</b>
including in presentia		<b>2020–2021</b>	<b>0/0</b>
<b>Daniil Vladimirovich Krainsky</b>	Of May 29, 2020, Minutes No. 22 dd May 29, 2020; of November 23, 2020, Minutes No. 23 dd November 27, 2020	<b>2020–2021</b>	<b>25/25</b>
including in presentia			<b>0/0</b>
<b>Marina Aleksandrovna Lavrova</b>	Of November 23, 2020, Minutes No. 23 dd November 27, 2020	<b>2020–2021</b>	<b>2/2</b>
including in presentia			<b>0/0</b>
<b>Andrey Vladimirovich Mayorov</b>	Of May 29, 2020, Minutes No. 22 dd May 29, 2020	<b>2020–2021</b>	<b>23/23</b>
including in presentia			<b>0/0</b>
<b>Aleksei Yuryevich Perets</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>15/15</b>
including in presentia			<b>0/0</b>
<b>Alexander Viktorovich Peshkov</b>	Of November 23, 2020, Minutes No. 23 dd November 27, 2020	<b>2020–2021</b>	<b>2/2</b>
including in presentia			<b>0/0</b>
<b>Egor Vyacheslavovich Prokhorov</b>	Of May 29, 2020, Minutes No. 22 dd May 29, 2020; of November 23, 2020, Minutes No. 23 dd November 27, 2020	<b>2020–2021</b>	<b>25/25</b>
including in presentia			<b>0/0</b>
<b>Aleksandr Mikhaylovich Pyatigor</b>	Of June 25, 2019, Minutes	<b>2019–2020</b>	<b>13/15</b>

Director's name	Decision of the General Meeting of Shareholders on selecting composition of the Board of Directors	Corporate year when the person was a member of the Board of Directors	Number of meetings, pcs.
including in presentia	No. 20 dd June 27, 2019		0/0
<b>Vasily Vladimirovich Rozhkov</b>	Of November 23, 2020, Minutes No. 23 dd November 27, 2020	2020–2021	2/2
including in presentia			0/0
<b>Nikolay Ivanovich Sasin</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019; of May 29, 2020, Minutes No. 22 dd May 29, 2020; of November 23, 2020, Minutes No. 23 dd November 27, 2020	2019–2020 2020–2021	40/40
including in presentia			0/0
<b>Olga Andreevna Sergeeva</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	2019–2020 2020–2021	15/15
including in presentia			0/0
<b>Igor Vladimirovich Feoktistov</b>	Of November 23, 2020, Minutes No. 23 dd November 27, 2020	2020–2021	2/2
including in presentia			0/0
<b>Dmitry Aleksandrovich Chevkin</b>	Of May 29, 2020, Minutes No. 22 dd May 29, 2020; of November 23, 2020, Minutes No. 23 dd November 27, 2020	2020–2021	25/25
including in presentia			0/0

\* in presentia – meetings that the director attended in the form of joint presence

\*\*A/B–A – number of meetings that the director attended; B – number of meetings held for the period, when the person was a member of the Board of Directors.

### Involvement of Directors in Work of the Board of Directors in 2019

Director's name	Decision of the General Meeting of Shareholders on selecting composition of the Board of Directors	Corporate year when the person was a member of the Board of Directors	Number of meetings, pcs.
<b>Total number of meetings during 2019</b>			<b>39</b>
including meetings in presentia (in presentia/absentia)			<b>4</b>
<b>Dmitry Borisovich Akopyan</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	2018–2019	18/18**
including in presentia *			1/1
<b>Dmitry Mikhaylovich Andropov</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	2019–2020	21/21
including in presentia			3/3
<b>Dmitry Alekseyevich Bobkov</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	2019–2020	21/21
including in presentia			2/3
<b>Dmitry Borisovich Gvozdev</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	2018–2019	18/18
including in presentia			1/1
<b>Pavel Vladimirovich Grebtsov</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018; of June 25, 2019, Minutes No. 20 dd June 27, 2019	2018–2019 2019–2020	38/39
including in presentia			2/4
<b>Denis Lvovich Guryanov</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018; of June 25, 2019, Minutes No. 20 dd June 27, 2019	2018–2019 2019–2020	39/39
including in presentia			2/4
<b>Vitaliy Anatolievich Domnich</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018; of June 25, 2019, Minutes No. 20 dd June 27, 2019	2018–2019 2019–2020	35/39
including in presentia			1/4
<b>Yury Viktorovich Zaytsev</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	2018–2019	17/18
including in presentia			0/1

Director's name	Decision of the General Meeting of Shareholders on selecting composition of the Board of Directors	Corporate year when the person was a member of the Board of Directors	Number of meetings, pcs.
<b>Vitaliy Valerievich Ivanov</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>21/21</b>
including in presentia			3/3
<b>Sergey Vladimirovich Kiryukhin</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>20/21</b>
including in presentia			3/3
<b>Aleksei Yuryevich Perets</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019 2019–2020</b>	<b>39/39</b>
including in presentia			3/4
<b>Aleksandr Mikhaylovich Pyatigor</b>	Of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2019–2020</b>	<b>19/19</b>
including in presentia			3/3
<b>Alexey Viktorovitch Rakov</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019</b>	<b>18/18</b>
including in presentia			1/1
<b>Nikolay Ivanovich Sasin</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018; of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2018–2019 2019–2020</b>	<b>39/39</b>
including in presentia			1/4
<b>Olga Andreevna Sergeeva</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018; of June 25, 2019, Minutes No. 20 dd June 27, 2019	<b>2018–2019 2019–2020</b>	<b>38/39</b>
including in presentia			2/4
<b>Aleksei Yuryevich Serov</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019</b>	<b>17/17</b>
including in presentia			0/0

\* in presentia – meetings that the director attended in the form of joint presence

\*\*A/B–A – number of meetings that the director attended; B – number of meetings held for the period, when the person was a member of the Board of Directors.

### Involvement of Directors in Work of the Board of Directors in 2018

Director's name	Decision of the General Meeting of Shareholders on selecting composition of the Board of Directors	Corporate year when the person was a member of the Board of Directors	Number of meetings, pcs.
<b>Total number of meetings during 2018</b>			<b>40</b>
including meetings in presentia (in presentia/absentia)			<b>3</b>
<b>Dmitry Borisovich Akopyan</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017; of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2017–2018 2018–2019</b>	<b>39/40**</b>
including in presentia *			2/3
<b>Dmitry Borisovich Gvozdev</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019</b>	<b>21/21</b>
including in presentia			3/3
<b>Pavel Vladimirovich Grebtsov</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019</b>	<b>18/18</b>
including in presentia			1/1
<b>Denis Lvovich Guryanov</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017; of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2017–2018 2018–2019</b>	<b>38/39</b>
including in presentia			2/4
<b>Vitaliy Anatolievich Domnich</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019</b>	<b>39/39</b>
including in presentia			2/4
<b>Yury Viktorovich Zaytsev</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017; of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2017–2018 2018–2019</b>	<b>35/39</b>
including in presentia			1/4
<b>Aleksei Yuryevich Perets</b>	Of May 28, 2018, Minutes	<b>2018–2019</b>	<b>17/18</b>

Director's name	Decision of the General Meeting of Shareholders on selecting composition of the Board of Directors	Corporate year when the person was a member of the Board of Directors	Number of meetings, pcs.
including in presentia	No. 19 dd May 29, 2018		0/1
<b>Tatyana Alexandrovna Ivanova</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017	<b>2017–2018</b>	<b>21/21</b>
including in presentia			3/3
<b>Anton Sergeevich Kolesnikov</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017	<b>2017–2018</b>	<b>20/21</b>
including in presentia			3/3
<b>Alexey Viktorovitch Rakov</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017; of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2017–2018</b> <b>2018–2019</b>	<b>39/39</b>
including in presentia			3/4
<b>Nikolay Ivanovich Sasin</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017; of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2017–2018</b> <b>2018–2019</b>	<b>19/19</b>
including in presentia			3/3
<b>Olga Andreevna Sergeeva</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019</b>	<b>18/18</b>
including in presentia			1/1
<b>Aleksei Yuryevich Serov</b>	Of May 28, 2018, Minutes No. 19 dd May 29, 2018	<b>2018–2019</b>	<b>39/39</b>
including in presentia			1/4
<b>Vladimir Valeryevich Toschenko</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017	<b>2017–2018</b>	<b>19/19</b>
including in presentia			2/2
<b>Aleksandr Nikolayevich Fadeev</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017	<b>2017–2018</b>	<b>19/19</b>
including in presentia			2/2
<b>Dmitry Alexandrovich Chevkin</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017	<b>2017–2018</b>	<b>19/19</b>
including in presentia			1/2
<b>Anton Aleksandrovich Erdyniev</b>	Of June 15, 2017, Minutes No. 18 dd June 19, 2017	<b>2017–2018</b>	<b>9/19</b>
including in presentia			0/2

\* in presentia – meetings that the director attended in the form of joint presence

\*\*A/B–A – number of meetings that the director attended; B – number of meetings held for the period, when the person was a member of the Board of Directors.

### Performance Assessment of the Board of Directors

Special performance assessment of the Board of Directors of ROSSETI Northern Caucasus, PJSC, was not conducted in 2020. The proper method of assessment was not established in the Company. However, in 2020, performance assessment of corporate governance was conducted in the Company as a whole as well as within the "Board of Directors" component. The relevant report was reviewed by the Board of Directors of ROSSETI Northern Caucasus, PJSC, on November 20, 2020 (Minutes No. 444 dd November 24, 2020) after its preliminary consideration by the Audit Committee of the Board of Directors at the meeting held on October 27, 2020 (Minutes No. 125 dd October 27, 2020). Besides, in 2020, annual analysis of the Company's governance quality was performed by the rating agency Expert RA (RAEX). The analysis was performed on the "Management and Control Bodies" factor among other factors.

### Composition of the Board of Directors

The professional Board of Directors is a key element of the corporate governance system of ROSSETI Northern Caucasus, PJSC, affecting the performance of the Company and providing strategic governance and supervision of the executive bodies in the interests of shareholders and the Company itself.

In its activities, the Board of Directors is governed by Federal Law "On Joint Stock Companies", other regulations of the Russian Federation, the Charter of ROSSETI Northern Caucasus, PJSC, the Regulation on the Board of Directors, the principles and recommendations of the Corporate Governance Code recommended for application by the Bank of Russia, as well as the Corporate Governance Code of ROSSETI Northern Caucasus, PJSC, and the Corporate Code of Ethics of ROSSETI Northern Caucasus, PJSC.

We rigorously strive to ensure that a candidate for the Board of Directors of ROSSETI Northern Caucasus, PJSC, is a person who has an impeccable business and personal reputation, having the knowledge, skills and experience required for decision-making and effective management.

Election of the Board of Directors of ROSSETI Northern Caucasus, PJSC, members is carried out by transparent procedure (recorded in the Charter of the Company), allowing the shareholders to get information about the candidates, sufficient to form a picture of their personal and professional qualities. Information on the candidates, as well as shareholders proposing candidates for inclusion in the voting list for election to the Board of Directors are posted on the website of ROSSETI Northern Caucasus, PJSC, in the sections "For Shareholders and Investors/Corporate Governance/Materials for General Meetings of Shareholders" and "For Shareholders and Investors/Corporate Governance/Board of Directors".

According to the Corporate Governance Code recommended for application by the Bank of Russia, under the normal circumstances, a member of the Board of Directors associated with the Company, its major shareholder, material counterparties, competitors or the government may not be considered an independent member. In the literal sense of these criteria in the Board of Directors of ROSSETI Northern Caucasus, PJSC, there is one independent director – N.I. Sasin, Head of the Management Board, Coordinator of All-Russian Non-Governmental Organization of Small and Medium Business OPORA RUSSIA in the North Caucasian Federal District. However, ROSSETI Northern Caucasus, PJSC, believes that all persons elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, have sufficient professionalism, experience and independence to form their own position, and the ability to make objective and conscientious decisions.

Quantitative composition of the Board of Directors of ROSSETI Northern Caucasus, PJSC, comprises 11 people.

**Current composition of the Board of Directors** was elected by an unplanned General Meeting of Shareholders on November 23, 2020 (Minutes No. 23 dd November, 2020). In accordance with Article 55 of the Federal Law of December 26, 1995 No. 208-FZ "On Joint Stock Companies", an unplanned General Meeting of Shareholders was held by the decision of the Company's Board of Directors based on its own initiative. A decision was made by the Board of Directors of ROSSETI Northern Caucasus, PJSC, on September 18, 2020 (Minutes No. 435 dd September 22, 2020) to submit the matter of premature termination of powers of existing members and appointment of new members of the Board of Directors in ROSSETI Northern Caucasus, PJSC, for consideration to the unplanned General Meeting of Shareholders.

**Igor Vladimirovich Feoktistov**  
**Chairman of the Board of Directors**  
**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on November 23, 2020.

Born in 1964.

Education: NSEI HPE Academy IIUEPS, Jurisprudence.

Information on occupied positions:

since 2020 and as of the end of 2020 – Director of Internal Control and Risk Management – Head of the Internal Control and Risk Management Department of ROSSETI, PJSC.

Also, in 2017 and 2020, held positions within management bodies of the following companies:

in 2017 – member of the Board of Directors in Nurenergo, OJSC;

in 2020 – Chairman of the Board of Directors in ROSSETI Northern Caucasus, PJSC.

**Yuri Vladimirovich Goncharov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 29, 2020.

Born in 1977.

Education:

- Moscow State Mining University, Management, Master's Degree in Management;
- Moscow Institute of Economics, Politics and Law, Jurisprudence, Bachelor's Degree in Jurisprudence.

Information on occupied positions:

from April 2013 to September 2018 – Deputy General Director of Corporate Governance in ROSSETI, PJSC;

since 2018 and as of the end of 2020 – Chief Advisor of ROSSETI, PJSC.

Also, as of the end of 2020 – member of the Board of Directors in ROSSETI Northern Caucasus, PJSC, IDGC of Center and Volga Region, PJSC, Lenenergo, PJSC (since July 2020 known as ROSSETI Lenenergo, PJSC), IDGC of the North-West, PJSC, ROSSETI Tyumen, JSC, Chairman of the Board of Directors in IDGC of the Urals, JSC, Chairman of the Audit Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC, member of the Strategy Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

**Vitaliy Valerievich Ivanov**

**Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 25, 2019.

Born in 1970.

Education: Omsk Institute of Railway Engineers, “Automation, Telemechanics and Communication in Railway Transport”, Railway Engineer – Electrician.

Information on occupied positions:

from December 2014 to November 2016 – Deputy Director General of ROSSETI, PJSC;

from November 2016 to March 2019 – Director General, Chairman of the Management Board of IDGC of Siberia, PJSC;

since March 2019 and as of the end of 2020 – Director General, Chairman of the Management Board of ROSSETI Northern Caucasus, PJSC

Also, in 2018–2019, a member of the management bodies of the following companies:

in 2018-2019 – member of the Boards of Directors of Tyvaenergo, JSC, RES, JSC;

in 2019-2020 and as of the end of 2020 – a member of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

**Vladislav Albertovich Kapitonov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 29, 2020.

Born in 1978.

Education:

- Mari State Technical University, Finance and Credit;

- Ivanovo State University of Chemistry and Technology, graduate study, faculty – Money Turnover, Finance and Credit, Ph.D. in Economics.

Information on occupied positions:

since October 2019 and as of the end of 2020 – Director of Corporate Finance of ROSSETI, PJSC, previously (since 2019) held position of Director of the Finance Department of ROSSETI, PJSC.

Also, as of the end of 2020 – member of the Board of Directors, member of the Audit Committee of the Board of Directors, Chairman of the Strategy Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

**Daniil Vladimirovich Krainsky**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 29, 2020. Born in 1979.

Education: Moscow State Law University, Jurisprudence, lawyer.

Information on occupied positions:

from June, 2011 to September 2017 – First Deputy Director General, Deputy Director General of UNECO, JSC;

since September 2017 – Chief Adviser, Adviser of ROSSETI, PJSC, as of the end of 2020 – Deputy Director General of Legal Security of ROSSETI, PJSC;

since February 2018 and as of the end of 2020 – Deputy Director General of Legal and Corporate Governance, Adviser of Director General of Lenenergo, PJSC (since July 2020 known as ROSSETI Lenenergo, PJSC);

since May 2020 and as of the end of 2020 – Deputy Director General of Legal Security of FGC UES, PJSC.

Also, as of the end of 2020 – member of the Management Board of Lenenergo, PJSC (since July 2020 known as ROSSETI Lenenergo, PJSC), member of the Boards of Directors of ROSSETI Northern Caucasus, PJSC, Lenenergo, PJSC (since July 2020 known as ROSSETI Lenenergo, PJSC), IDGC of the Urals, JSC, IDGC of Siberia, PJSC (since August 2020 known as ROSSETI Siberia, PJSC), IDGC of Center, PJSC, MOESK, PJSC (since July 2020 known as ROSSETI Moscow Region, PJSC).

**Marina Aleksandrovna Lavrova**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on November 23, 2020.

Born in 1982.

Education: State University of Management, Management in the Electric Power Industry.

Information on occupied positions:

from 2008 to December 2018 – Head of the Subsidiaries and Affiliates Economics Division of the Economic Planning and Budgeting Department of ROSSETI, PJSC;

since December 2018 and as of the end of 2020 – Deputy Head of the Economics Department of ROSSETI, PJSC.

Also, in 2014-2020, a member of the management bodies and committees of the following companies:

in 2014-2015 – member of the Board of Directors of Dagestan Energy Supply Company, JSC;

in 2015-2016 – member of the Boards of Directors of IDGC of the North-West, PJSC, Yekaterinburg Power Grid Company, JSC, Kubanenergo, PJSC, Dagestan Energy Supply Company, PJSC;

in 2016-2017 – member of the Boards of Directors of Dagestan Energy Supply Company, PJSC, IDGC of the North-West, PJSC, member of the Strategy and Development Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2017-2019 – member of the Board of Directors of Dagestan Energy Supply Company, PJSC, member of the Strategy and Development Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2019-2020 and as of the end of 2020 – member of the Boards of Directors of Dagestan Energy Supply Company, PJSC, Sevkavkazenergo, JSC.

**Alexander Viktorovich Peshkov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on November 23, 2020.

Born in 1973.

Education: Amur State University, Electrical Engineer.

Information on occupied positions:

from April 2014 to December 2018 – Head of power metering and energy services of the Electric Power Balance Department of ROSSETI, PJSC;

since December 2018 and as of the end of 2020 – Head of development of intelligent power metering of the Sales of Services Department of ROSSETI, PJSC.

Also, in 2019-2020 – member of the Strategy Committee of the Board of Directors in ROSSETI Northern Caucasus, PJSC, as of the end of 2020 – member of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

**Egor Vyacheslavovich Prokhorov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 29, 2020.

Born in 1982.

Education: Saint Petersburg State University, Economic and Mathematical Methods in Economy, Candidate of Economic Sciences, Ph.D. in Economics

Information on occupied positions:

from December 2013 to April 2016 – Deputy Director General for Finance in ROSSETI, PJSC;

since April 2020 and as of the end of 2020 – Deputy Director General for Strategy in ROSSETI, PJSC.

Also, as of the end of 2020 – member of the Boards of Directors of ROSSETI Northern Caucasus, PJSC, IDGC of Center and Volga Region, PJSC, IDGC of Volga, PJSC (since August 2020 known as ROSSETI Volga, PJSC), IDGC of the Urals, JSC.

**Vasily Vladimirovich Rozhkov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 29, 2020.

Born in 1963.

Education:

- Irkutsk National Research Technical University, Power Stations, Electrical Engineer.
- Tomsk State University of Control Systems and Radioelectronics, Radio Technology, Radio Engineer.

Information on occupied positions:

in 2008- 2016 – Deputy Head of the Department of FGC UES, PJSC;

since December 2016 and as of the end of 2020 – Head of the Division, Deputy Chief Engineer of ROSSETI, PJSC.

Also, as of the end of 2020 – member of the Boards of Directors of ROSSETI Northern Caucasus, PJSC, Chechenenergo, JSC, IDGC of Center, PJSC, TsTZ, JSC.



**Nikolay Ivanovich Sasin**  
**Independent Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 20, 2016.  
 Born in 1969.

Education:

- Volsk Higher Military Base School of Red Star Order of Lenin Komsomol, Engineer-Economist;
- FSBEI HPE Moscow State University of Economics, Statistics, and Informatics, Assessment of the Business Value;
- FSBEI HPE Moscow Aviation Institute (NRU), Presidential Program of Professional Managers, Management;
- FSBEI HPE Stavropol State Agrarian University, Anti-Crisis Management, Manager-Economist.

Information on occupied positions:

from 2010 and as of the end of 2020 – Chairman of the Stavropol Regional Office of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA RUSSIA;

in 2014-2015 – Executive Director of TAIS LLC;

from 2014 and as of the end of 2020 – member of the Management Board, Coordinator in the North Caucasian Federal District of the All-Russian Public Organization for Small and Medium-Sized Enterprises OPORA RUSSIA;

from 2015 and as of the end of 2020 – Director for Investments in Agricultural Consumer Cooperative Goryachevodsky;

since 2017 and as of the end of 2020 – Deputy Director General at Market Line, LLC.

Also, in 2015–2020, a member of the management bodies and committees of the following companies:

in 2015-2016 – the Chairman of the Strategy and Development Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2016-2017 – member of the Board of Directors of IDGC of the Northern Caucasus, PJSC, the Strategy and Development Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2017 – Chairman of the Committee for Technological Connection to Power Grids of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2017-2018 – member of the Board of Directors, member of the Strategy and Development Committee of the Board of Directors, member of the Audit Committee of the Board of Directors, Chairman of the Committee for Technological Connection to Power Grids of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2018-2019 – member of the Board of Directors, member of the Audit Committee of the Board of Directors, the Committee for Technological Connection to Power Grids of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2019-2020 – member of the Board of Directors, member of the Audit Committee of the Board of Directors, the Committee for Technological Connection to Power Grids of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

as of the end of 2020 – member of the Board of Directors, member of the Audit Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

**Dmitry Alexandrovich Chevkin**  
**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 20, 2016.  
 Born in 1976.

Education: Financial University under the Government of the Russian Federation, economist.

Information on occupied positions:

since February 2019 and as of the end of 2020 – Deputy Director of the Personnel Management Department of ROSSETI, PJSC. Previously, since 2013, also held a position of Director of the Department for HR Policy and Organizational Development, Acting Director of the Personnel Management Department of ROSSETI, PJSC.

Also, in 2016-2020, a member of the management bodies and committees of the following companies:

in 2016-2020 – member of the Personnel and Remuneration Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC (since March 24, 2020 known as ROSSETI Northern Caucasus, PJSC);

as of the end of 2020 – member of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

### Structure of the Active Composition of the Board of Directors

Criteria	Value of the indicator
<b>Total Number</b>	<b>11 Directors</b>
<b>Status, including</b>	
Independent Directors	9% (1 Director)
Executive Directors	9% (1 Director)
Non-Executive Directors	82% (9 Directors)
<b>Age, including</b>	
35 years old or younger	0% (0 Directors)
from 36 to 65 years old	100% (11 Directors)
66 years old or older	0% (0 Directors)
<b>Length of service as a member of the Company's Board of Directors*, including</b>	
1 year	73% (8 Directors)
2–6 years	27% (3 Directors)
7 years and more	0% (0 Directors)

\* "Year" implies a corporate year. Length of service encompasses the whole period of service of the Company's Board of Directors.

### Composition of the Board of Directors elected by the Annual General Meeting of Shareholders on May 29, 2020 (Minutes No. 22 dd May 29, 2020) that Was in Effect Until New Composition of the Board of Directors was Elected by the Decision of the Unplanned General Meeting of Shareholders on November 23, 2020 (Minutes No. 23 dd November 27, 2020)

#### **Vasily Valerievich Varseev**

#### **Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 29, 2020.

#### Information on occupied positions:

as of the moment of appointment – Director of the Security Management Department of ROSSETI, PJSC.

Also, in 2020, was a member of the Board of Directors and Committees of ROSSETI Northern Caucasus, PJSC:

in May-November 2020 – member of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

in 2020 – member of the Personnel and Remuneration Committee of the Board of Directors, the Strategy Committee of the Board of Directors in ROSSETI Northern Caucasus, PJSC.

Data on the year of birth, education and other positions is not presented since the Company does not possess this information.

**Yuri Vladimirovich Goncharov**

Please refer to the Current Composition of the Board of Directors.

**Pavel Vladimirovich Grebtsov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 28, 2018. Born in 1976.

Education:

- Chelyabinsk Law Technical School of the MSPP of the Russian Federation, Law Science and Accounting in the Social Security System;
- Moscow State University, Management;
- Plekhanov Russian University of Economics, Management.

Information on occupied positions:

in 2011–2015 – Deputy Chairman, First Deputy Chairman, Chairman of the Regional Power Commission of the City of Moscow in the Government of Moscow;

in 2018 – Director of the Department of Tariff Policy of ROSSETI, PJSC;

in 2018-2019 – Deputy Director General of Economics of ROSSETI, PJSC;

since 2020 and as of the end of 2020 – Deputy Director General of Economics and Finance FGC UES, PJSC, Deputy Director General of Economics and Finance of ROSSETI, PJSC.

Also, in 2018–2020, a member of the management bodies and committees of the following companies:

in 2018–2019 – member of the Board of Directors of IDGC of the Northern Caucasus, PJSC, IDGC of Volga, PJSC, IDGC of Siberia, PJSC, member of the Audit Committee of the Board of Directors of IDGC of Siberia, PJSC;

in 2019-2020 – member of the Boards of Directors of IDGC of Volga, PJSC, IDGC of the South PJSC (since February 2020 known as ROSSETI Volga, PJSC), ROSSETI Northern Caucasus, PJSC (IDGC of the Northern Caucasus, PJSC, until March 24, 2020), MOESK PJSC, FGC UES, PJSC;

as of the end of 2020 – member of the Boards of Directors of IDGC of Volga (since August 2020 known as ROSSETI Volga), FGC UES, PJSC, MOESK PJSC (since July 2020 known as ROSSETI Moscow Region, PJSC), Lenenergo, PJSC (since July 2020 known as ROSSETI Lenenergo, PJSC), Chairman of the Board of Directors of IDGC of the South PJSC (since February 2020 known as ROSSETI South, PJSC);

May-November 2020 – member of the Board of Directors of ROSSETI Northern Caucasus, PJSC,

June-November 2020 – Chairman of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

**Vitaliy Valerievich Ivanov**

Please refer to the Current Composition of the Board of Directors.

**Vladislav Albertovich Kapitonov**

Please refer to the Current Composition of the Board of Directors.

**Sergey Vladimirovich Kiryukhin**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 25, 2019. Born in 1979.

Education:

- Tula Agricultural Vocational Education Institution, Law Science, Lawyer;
- Certification Commission at the Department for Licensing and Market Quota Arrangement at the Administration of the Tula Region for the certification of specialists involved in real estate activities, Specialist in Real Estate Activities;
- Tula State University, Legal Studies, Lawyer;
- Institute for Advanced Training of Senior Managers of the Academy of the General Prosecutor's Office of the Russian Federation, training for the heads of the Investigative Committee at the Prosecutor's Office of the Russian Federation on the topic: "Organization of Work of the City, District, Inter-District Investigative Department of the Investigative Committee at the Prosecutor's Office of the Russian Federation";
- Oryol Regional Academy of Public Administration, State and Municipal Administration, Manager.

Information on occupied positions:

from September 2014 to June 2015 – Head of the Second Investigative Department of the First Office of Criminal Investigations of the Main Office of Criminal Investigations, Investigative Committee of the Russian Federation;

from July 2015 to August 2016 – Deputy Head of the Internal Investigations Division of the Head Office for Interdepartmental Interaction and Internal Investigations – Head of the Internal Investigations Unit, Investigative Committee of the Russian Federation;

in January-March 2017 – Advisor to the Director General of the FSBI All-Union Research Institute of Labor, Ministry of Labor of Russia;

from March 2017 to April 2018 – Deputy Head of the Control and Analytical Office, Head of the Organizational and Analytical Office of the Federal Service for Ecological, Technological and Nuclear Supervision;

since April 2018 to May 2020 – Senior Advisor, Director of the Department of Organizational Support (internal secondary job), Acting Deputy Director General – Head of the Executive Office of ROSSETI, PJSC.

since June 2020 – Director General of Oboronenergo, JSC.

Also, in 2018–2019, held positions in the management and control bodies of the following organizations:

in 2018-2019 – Member of the Revision Commission of Karachaevo-Cherkesskenergo, JSC, Kalmenergosbyt, JSC;

in 2018 – Chairman of the Board of Directors of Dagestan Grid Company JSC;

in 2019-2020 – member of the Board of Directors of IDGC of Volga, PJSC, Chairman of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

in 2019-2020 – member of the Boards of Directors of Dagestan Energy Supply Company, PJSC, Sevkavkazenergo, JSC, Kabbalkenergo, JSC, Karachaevo-Cherkesskenergo, JSC, Kalmenergosbyt, JSC, Kubanenergo, PJSC, Tyvaenergosbyt, JSC; Chairman of the Audit Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC, Chairman of the Personnel and Remuneration Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

**Daniil Vladimirovich Krainsky**

Please refer to the Current Composition of the Board of Directors.

**Andrey Vladimirovich Mayorov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 29, 2020.

Information on occupied positions:

from December 2018 to April 2020 – Deputy Director General – Chief Engineer of ROSSETI, PJSC;

since April, 2020 and as of the end of 2020 – First Deputy Director General – Chief Engineer of ROSSETI, PJSC.

Also, in May-November 2020 – member of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

Data on the year of birth, education and other positions is not presented since the Company does not possess this information.

**Egor Vyacheslavovich Prokhorov**

Please refer to the Current Composition of the Board of Directors.

**Nikolay Ivanovich Sasin**

Please refer to the Current Composition of the Board of Directors.

**Dmitry Alexandrovich Chevkin**

Please refer to the Current Composition of the Board of Directors.

**Composition of the Board of Directors elected by the Annual General Meeting of Shareholders on June 25, 2019 (Minutes No. 20 dd June 27, 2019) that Was in Effect Until New Composition of the Board of Directors was Elected by the Decision of the Annual General Meeting of Shareholders on May 29, 2020 (Minutes No. 22 dd May 29, 2020)**

**Sergey Vladimirovich Kiryukhin**

**Chairman of the Board of Directors**

Please refer to the Composition of the Board of Directors elected by the decision of the Annual General Meeting of Shareholders on May 29, 2020 (Minutes No. 22 dd May 29, 2020).

**Dmitry Mikhaylovich Andropov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 25, 2019. Born in 1975.

Education: Academy of National Economy under the Government of the Russian Federation, Manager, Master Degree.

Information on occupied positions:

from March 2012 to May 2014 – Deputy Director General (HR), Capital\*;

from August 2014 to November 2015 – Deputy Head of the Finance Division of ROSSETI, PJSC;

from November 2015 to March 2019 – Head of the Division of Credit and Structural Funding of ROSSETI, PJSC;

since March to October 2019 – Deputy Director of the Treasury Department of ROSSETI, PJSC.

since June 2020 – Head of the Finance Department of ROSSETI, PJSC.

In 2016–2020, also held positions in the management bodies and committees of the following organizations:

in 2016-2020 – a member of the Board of Directors of Karachaevo-Cherkesskenergo JSC;

in 2018-2019 – a member of the Board of Directors of Kabbalkenergo JSC;

in 2019-2020 – a member of the Board of Directors, Chairman of the Strategy Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

\* The company is a non-resident; therefore, the name is indicated in English in the Annual Report.

**Dmitry Alekseyevich Bobkov**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 25, 2019.

Born in 1982.

**Education:**

- Lomonosov Moscow State University, Philology, Philologist, Teacher of Spanish language and Foreign Literature;
- Russian Academy of Sciences, Institute of Social and Political Studies, Ph.D. in Economics.

**Information on occupied positions:**

from April 2013 to September 2019 – Director of the Department of Information Policy and Public Relations of ROSSETI, PJSC;

since September 2019 – Director of the Department for Public and Media Relations of ROSSETI, PJSC.

Also, in 2019-2020, he was a member of the Boards of Directors of IDGC of Center and Volga Region, PJSC, IDGC of the Urals, OJSC, ROSSETI Northern Caucasus, PJSC.

**Pavel Vladimirovich Grebtsov**

Please refer to the Composition of the Board of Directors elected by the decision of the Annual General Meeting of Shareholders on May 29, 2020 (Minutes No. 22 dd May 29, 2020).

**Denis Lvovich Guryanov****Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 18, 2010. Born in 1977.

Education: Peoples' Friendship University of Russia, Master of Laws.

**Information on occupied positions:**

from April 2013 to December 2018 – Director of the Corporate Governance and Shareholder and Investors Relations Department of ROSSETI, PJSC;

from December 2018 to 2020 – Director of the Corporate Governance Department of Rossetti, PJSC.

Also, in 2013–2020, a member of the management bodies and committees of the following companies:

in 2013–2014 – member of the Audit Committee at the Board of Directors of IDGC of the Northern Caucasus OJSC;

in 2014 and in 2017-2020 – member of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

in 2014 – member of the Strategy and Development Committee of the Board of Directors of IDGC of the Northern Caucasus, PJSC;

in 2014-2019 – member of the Board of Directors of Sevkavkazenergo, JSC;

in 2017-2019 – Chairman of the Audit Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

in 2019-2020 – member of the Audit Committee and the Strategy Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

in 2018-2020 – member of the Boards of Directors of FIC, PJSC, IDGC of Centre and Volga Region, PJSC, NIC EEC, JSC, VOLS OL Management, JSC.

**Vitaliy Anatolievich Domnich****Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 28, 2018. Born in 1977.

Education: State University of Management, Management.

**Information on occupied positions:**

from December 2013 to July 2017 – Deputy Head, referent, Head of the Tariff Regulation Division in the Power Supply of the Ministry of Economic Development of the Russian Federation;

from June 2017 to June 2018 – member of the Investment Committee at ROSSETI, PJSC;  
 from July 2017 to September 2019 – Head of the strategic projects development of the Strategic Development Department of ROSSETI, PJSC.

Also, in 2018–2020, a member of the management bodies and committees of the following companies:

in 2018-2020 – member of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

in 2018–2019 – member of the Board of Directors of IDGC of Centre and Volga Region, PJSC, Chairman of the Strategy and Development Committee at the Board of Directors of ROSSETI Northern Caucasus, PJSC.

### **Vitaliy Valerievich Ivanov**

Please refer to the Current Composition of the Board of Directors.

### **Aleksei Yuryevich Perets**

#### **Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 28, 2018.

Born in 1980.

Education:

- Saint Petersburg State University, lawyer;
- Saint Petersburg State University, MBA Program.

Information on occupied positions:

in 2011–2017 – own business projects in the fuel and energy complex;

in 2017-2020 – Chief Adviser of ROSSETI, PJSC;

since 2018 – member of the Supervisory Board, Chairman of the Supervisory Board of the NP TSO Association.

Also, in 2018–2020, a member of the management bodies and committees of the following companies:

in 2018-2020 – member of the Boards of Directors of ROSSETI Northern Caucasus, PJSC, IDGC of the South, PJSC (since February 2020 known as ROSSETI South, PJSC), NIC UES, JSC, Tyumenenergo, JSC (since December 2019 known as ROSSETI Tyumen, JSC);

in 2018–2019 – Chairman of the Board of Directors of ROSSETI Northern Caucasus, PJSC, TDC PJSC;

in 2019-2020 – member of the Board of Directors of TDC, PJSC.

### **Aleksandr Mikhaylovich Pyatigor**

#### **Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 28, 2018.

Born in 1980.

Education: Seyfulin Kazakh Agrarian University, Power Supply and Electrification of Agriculture, Electrical Engineer.

Information on occupied positions:

from August 2013 to June 2018 – Deputy Director General for Technological Connection and Service Development in MOESK, PJSC;

from June to November 2018 – Acting Deputy Director General for Development and Sale of Services of ROSSETI, PJSC;

since November 2018 to 2020 – member of the Management Board, Deputy Director General for Sale of Services of ROSSETI, PJSC.

Also, in 2019-2020 – member of the Boards of Directors of IDGC of Volga, PJSC (since August 2020 known as ROSSETI Volga), Dagestan Energy Supply Company, PJSC, Kabbalkenergo, JSC, Sevkavkazenergo, JSC, Karachaevo-Cherkessenergo, JSC, Kalmenergosbyt, JSC, ROSSETI Northern Caucasus, PJSC (until March 24, 2020 known as IDGC of the Northern Caucasus,

PJSC), Tyvaenergoby, JSC, Yantarenergoby, JSC, Pskovenergoby, JSC, Ekaterinburgenergoby, JSC, FOCL-OL Directorate, JSC, EnergoCenter, JSC; Chairman of the Board of Directors of Kabbalkenergo, JSC, Sevkvkazenergo, JSC, Karachaevo-Cherkesskenergo, JSC, Kalmenergoby, JSC, Dagestan Energy Supply Company, PJSC.

**Nikolay Ivanovich Sasin**

Please refer to the Current Composition of the Board of Directors.

**Olga Andreevna Sergeeva**

**Non-Executive Director**

First elected to the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 28, 2018. Born in 1985.

Education: Plekhanov Russian University of Economics, Enterprise Economics and Management (Construction), Engineer-Economist.

Information on occupied positions:

in 2012–2017 – held various positions in the Department of the Fuel and Energy Economy of Moscow (Head of the Executive Secretariat, Head of the Organizational and Legal Office, Deputy Department Head);

from September 2017 to 2019 – held various positions as ROSSETI, PJSC (Advisor, Chief Advisor, Deputy Director General – Head of the Executive Office);

in 2019-2020 – Chief Advisor to ROSSETI, PJSC;

from January 2018 to 2020 – member of the Management Board of ROSSETI, PJSC.

Also, in 2018–2020, a member of the management bodies and committees of the following companies:

in 2018-2020 – member of the Boards of Directors of ROSSETI Northern Caucasus, PJSC, IDGC of the North-West, PJSC, IDGC of the South, PJSC (since February 2020 known as ROSSETI South, PJSC);

in 2019-2020 – Chairwoman of the Board of Directors of IDGC of the North-West, PJSC, IDGC of the South, PJSC (since February 2020 known as ROSSETI South, PJSC);

in 2019-2020 – member of the Boards of Directors of MOESK, PJSC (since July 2020 known as ROSSETI Moscow Region, PJSC), Lenenergo, PJSC (since July 2020 known as ROSSETI Lenenergo, PJSC), Kubanenergo, PJSC (since August 2020 known as ROSSETI Kuban, PJSC), FGC UES, PJSC, NPF Otkrytie, JSC;

in 2018-2019 – Chairwoman of the HR and Remuneration Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC;

since October 2018 – member of the Supervisory Board, Chairwoman of the All-Russian Industry Association of Employers in the Power Sector, Power Industry Employment Association of Russia.

According to available data, members of the Board of Directors of ROSSETI Northern Caucasus, PJSC, do not participate in the authorized capital of ROSSETI Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of ROSSETI Northern Caucasus, PJSC, and its subsidiaries, and, in 2020, did not perform any operations in relation to purchase and/or alienation of the Company's shares. In the reporting year, the Company did not bear any losses from liability insurance of members of the Board of Directors due to the lack of this type of insurance in the Insurance Coverage Program, approved by the Board of Directors of ROSSETI Northern Caucasus, PJSC (Minutes No. 414 dd February 16, 2020). During 2020, the Company did not provide loan to the member of the Company's Board of Directors.



### 5.2.3. Committees of the Board of Directors

**Committees of the Board of Directors of ROSSETI Northern Caucasus, PJSC**, are established to increase the efficiency of the Company's Board of Directors activities, and to develop recommendations for the Board of Directors and the executive bodies of ROSSETI Northern Caucasus, PJSC.

In ROSSETI Northern Caucasus, PJSC, the following committees are established and operate:

- Audit Committee;
- HR and Remuneration Committee;
- Reliability Committee;
- Strategy Committee;
- Committee for Technological Connection to Power Grids.

In its activities the committees' members are guided by:

- Russian legislation;
- Charter of ROSSETI Northern Caucasus, PJSC;
- Regulations on the committees and bylaws of ROSSETI Northern Caucasus, PJSC;
- action plans for the committees.

#### Regulations on committees

Committee name	Information on the approval by the Board of Directors of the Regulation on the Committee as amended
Reliability Committee	Minutes No. 310 dd July 31, 2017
Audit Committee	Minutes No. 230 dd March 15, 2016, Amendments were made on November 9, 2016 (Minutes No. 266 dd November 11, 2016)
Personnel and Remuneration Committee	Minutes No. 172 dd August 4, 2014
Strategy Committee	Minutes No. 395 dd October 31, 2019
Committee of Technological Connection to Electric Power Grids	Minutes No. 306 dd July 10, 2017

The texts of the Regulations on committees are available on the website of ROSSETI Northern Caucasus, PJSC, in the section "For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents".

Committee meetings minutes are available on the website of ROSSETI Northern Caucasus, PJSC, in Section "To Shareholders and Investors/ Corporate Governance/Board Committees".

#### Audit Committee

For preliminary consideration of issues related to the control of financial and economic activity of the Company, the Board of Directors established the Audit Committee at the Board of Directors.

Key objectives of the Committee:

- consideration of accounting (financial) statements of the Company and supervision over the process of their preparation;
- control over the reliability and efficiency of the internal control system, the risk management system and the corporate governance practices;
- control over the external audit and auditor selection;

- ensuring of the independence and objectivity in the performance of the internal audit function;
- supervision over the efficiency of the system for prevention of fraud actions of the Company's employees and third parties.

### Compositions of the Audit Committee in 2020

Elected by the decision of the Board of Directors dd August 19, 2019 (Minutes No. 391 dd August 21, 2019)	Elected by the decision of the Board of Directors dd July 17, 2020 (Minutes No. 429 dd July 20, 2020)
<ul style="list-style-type: none"> <li>• Sergey Vladimirovich Kiryukhin, Acting Deputy Director General – Head of the Executive Office of ROSSETI, PJSC (Chairman)</li> <li>• Denis Lvovich Guryanov, Director of the Corporate Governance Department of Rossetti, PJSC</li> <li>• Nikolay Ivanovich Sasin, Head of the Representative Office of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA RUSSIA in the North Caucasian Federal District</li> </ul>	<ul style="list-style-type: none"> <li>• Yuri Vladimirovich Goncharov, Chief Advisor of ROSSETI, PJSC (Chairman)</li> <li>• Vladislav Albertovich Kapitonov, Director of Corporate Finance of ROSSETI, PJSC</li> <li>• Nikolay Ivanovich Sasin, Head of the Representative Office of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA RUSSIA in the North Caucasian Federal District</li> </ul>

*Comment.* The positions are presented as of the date of approval of the Committee's composition.

#### Report on the Committee's activity in 2020

14 meetings were held (in 2019 – 16 meetings, in 2018 – 15 meetings) and 3 of them were in the joint presence form (in 2019 – 8 meetings, in 2018 – 5 meetings). 35 issues were considered at the Committee's meetings in 2020, including following issues.

#### **A candidate was preliminary reviewed for the position of the external auditor of the Company for audit of accounting (financial) statements of the Company for 2020.**

##### Individual decisions and issued recommendations

Minutes No. 118 dd April 27, 2020, date of the meeting – April 24, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to suggest to the Annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, to approve Ernst and Young, LLC, which was recognized the winner based on the results of an open one-stage tender without preliminary qualification selection.

#### **The effectiveness of the external audit was evaluated, including the assessment of the accounting (financial) statements of the Company.**

##### Individual decisions and issued recommendations

Minutes No. 119 dd April 30, 2020, date of the meeting – April 30, 2020:

- the opinion of the Audit Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC, based on the results of the assessment of the external audit process and the audit report on the accounting (financial) statements of the Company for 2019 issued by Ernst & Young, LLC, was approved (the opinion of the Audit Committee);
- it was recommended to the Board of Directors of ROSSETI Northern Caucasus, PJSC, to include the opinion of the Audit Committee of the Board of Directors in the list of materials, provided by persons who have the right to participate in the Annual General Meeting of Shareholders of the Company.

**Written information provided by the external auditor on the main problems of the accounting (financial) statements of the Company was reviewed.**

Individual decisions and issued recommendations

Minutes No. 118 dd April 27, 2020, date of the meeting – April 24, 2020:

- based on review of the written information (audit report) of Ernst & Young LLC on the main issues of accounting and reporting based on the audit of accounting (financial) statements prepared in accordance with RAS and consolidated financial statements prepared in accordance with IFRS for 2019 filed to the management the Board of Directors of ROSSETI Northern Caucasus, PJSC, there were no significant issues noted by the external audit that were unresolved by the Company and that affect the opinion on authenticity of the statements.

**The information was discussed regarding non-standard operations and events within the Company, as well as the formation of a provision for doubtful debts and estimated liabilities.**

Individual decisions and issued recommendations

Minutes No. 118 dd April 27, 2020, date of the meeting – April 24, 2020:

- the information of the management of ROSSETI Northern Caucasus, PJSC, on non-standard operations and events, as well as on the formation of a provision for doubtful debts and estimated liabilities as of December 31, 2019 was taken into account.

**RAS accounting (financial) statements of the Company, as well as IFRS consolidated financial statements were reviewed on a regular basis.**

Individual decisions and issued recommendations

Minutes No. 118 dd April 27, 2020, date of the meeting – April 24, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to submit for approval to the Annual General Meeting of Shareholders of the Company the accounting (financial) statements of the Company for 2019 prepared in accordance with RAS;
- the consolidated financial statements of ROSSETI Northern Caucasus, PJSC, for 2019, prepared in accordance with IFRS, were take into account.

Minutes No. 120 dd May 18, 2020, date of the meeting – May 15, 2020:

- the interim accounting (financial) statements of ROSSETI Northern Caucasus, PJSC, for Q1 2020 prepared subject to the RAS were taken into account.

Minutes No. 123 dd September 4, 2020, date of the meeting – September 4, 2020:

- the accounting (financial) statements of ROSSETI Northern Caucasus, PJSC, for 6 months of 2020 prepared subject to the RAS were reviewed.

Minutes No. 126 dd December 14, 2020, date of the meeting – December 14, 2020:

- the accounting (financial) statements of ROSSETI Northern Caucasus, PJSC, for 9 months of 2020 prepared subject to the RAS were reviewed.

**The reports on execution of the action plan and internal audit activities results were considered on a regular basis.**

Individual decisions and issued recommendations

Minutes No. 114 dd February 3, 2020, date of the meeting – January 31, 2020:

- the Action Plan of the Internal Audit and Control Directorate of IDGC of the Northern Caucasus, PJSC, for 2020 was approved;

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to approve the Action Plan of the Internal Audit and Control Directorate of IDGC of the Northern Caucasus, PJSC, for 2020.

Minutes No. 116 dd March 4, 2020, date of the meeting – March 5, 2020:

- the Report on execution of the internal audit activity plan of IDGC of the Northern Caucasus, PJSC, for 2019 was agree upon, including results of self-assessment of the Internal Audit's performance for 2019;
- it was recommended to the Board of Directors of IDGC of the Northern Caucasus, PJSC, to approve the Report on execution of the internal audit activity plan of IDGC of the Northern Caucasus, PJSC, for 2019 was agree upon, including results of self-assessment of the Internal Audit's performance for 2019.

Minutes No. 120 dd May 15, 2020, date of the meeting – May 15, 2020:

- the Report of the Internal Audit and Control Directorate of ROSSETI Northern Caucasus, PJSC, on execution of the Action Plan and results of performance for Q1 2020 was approved.

Minutes No. 124 dd October 27, 2020, date of the meeting – October 26, 2020:

- the Report of the Internal Audit and Control Directorate of ROSSETI Northern Caucasus, PJSC, on execution of the Action Plan and results of performance for 6 months of 2020 was taken into consideration.

**The reports of the managers of the Company were heard on a regular basis regarding implementation of corrective actions to address deficiencies revealed by the Revision Commission, the Company's internal auditor, the external control (supervision) bodies, on the implementation of measures taken on the facts of notification about potential cases of fraudulent actions of employees as well as the results of the completed investigations.**

Individual decisions and issued recommendations

Minutes No. 116 dd March 5, 2020, date of the meeting – March 4, 2020:

- the information of the Company's management on the implementation of corrective actions to address deficiencies revealed by the Company's Revision Commission, internal auditor, external control (supervision) bodies, on the implementation of measures taken following the information received on potential cases of fraud actions by employees and based on the results of the completed investigations for 2019 was taken into account.

Minutes No. 124 dd October 27, 2020, date of the meeting – October 27, 2020:

- the information of the management board of ROSSETI Northern Caucasus, PJSC, on the implementation of corrective actions to address deficiencies revealed by the Revision Commission of ROSSETI Northern Caucasus, PJSC, internal auditor of ROSSETI Northern Caucasus, PJSC, external control (supervision) bodies, on the implementation of measures taken following the information received on potential cases of fraud actions by employees and based on the results of the completed investigations for six months of 2020 was taken into account

**The report on organization and functioning of the Internal Audit system, including information on implementation of measures for maintenance of the system.**

Individual decisions and issued recommendations

Minutes No. 117 dd April 2, 2020, date of the meeting – March 31, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to take into account the report of the sole executive body on organization and functioning of the internal control system for results of 2019, including information on implementation of

measures for maintenance of the effective internal control system and its development, as well as include measures into the Action Plan for internal control system development in relation to updating design of control procedures and implementation of new control procedures for 2020.

**The information from assessment by the internal audit regarding non-core assets discovery and sale in 2019 was preliminarily considered.**

Individual decisions and issued recommendations

Minutes No. 114 dd February 3, 2020, date of the meeting – January 31, 2020:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to take into account the audit report No. 01-2020-SK "Assessment of the Process of Discovery and Sale of Non-Core Assets of the Company for 2019".

**The report on performed operations by the Audit Committee of the Company's Board of Directors was considered.**

Individual decisions and issued recommendations

Minutes No. 120 dd May 18, 2020, date of the meeting – May 15, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to take into account the report of the Audit Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC, on the operations performed in the 2019-2020 corporate year.

**The amount of the remuneration for the auditor's services for the audit of the Company's accounting (financial) statements for 2020 was preliminary considered.**

Individual decisions and issued recommendations

Minutes No. 120 dd May 18, 2020, date of the meeting – May 15, 2020:

- the Company's Board of Directors was recommended to fix the amount of remuneration for the Company's auditor services in connection with auditing the accounting (financial) statements for 2020 prepared subject to the RAS, auditing the consolidated financial statements prepared subject to the IFRS for the year ending on December 31, 2020 in the amount of 5,256,485 rubles, including VAT (20%) of 876,080.84 rubles, provided that it would be approved at the Annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, by the auditor Ernst and Young, LLC.

**The report on implementation of measures for compliance with the requirements of legislation on insider information control was considered.**

Individual decisions and issued recommendations

Minutes No. 115 dd February 17, 2020, date of the meeting – February 14, 2020:

- the report on implementation of measures in IDGC of the Northern Caucasus, PJSC, for compliance with the requirements of legislation on insider information control by the end of 2019 was taken into consideration.

**The Action Plan for developing and improving the internal audit activities of the Company was preliminary reviewed.**

Individual decisions and issued recommendations

Minutes No. 116 dd March 5, 2020, date of the meeting – March 4, 2020:

- the Action Plan for developing and improving the internal audit activities of IDGC of the Northern Caucasus, PJSC, for 2020-2024 was agreed upon;
- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to approve this plan.

**The budget of the Internal Audit and Control Directorate of ROSSETI Northern**

### **Caucasus, PJSC, for 2021 was preliminary reviewed.**

#### Individual decisions and issued recommendations

Minutes No. 127 dd December 29, 2020, date of the meeting – December 29, 2020:

- the budget of the Internal Audit and Control Directorate of ROSSETI Northern Caucasus, PJSC, for 2021 was agreed upon;
- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to approve the budget of the Internal Audit and Control Directorate of ROSSETI Northern Caucasus, PJSC, for 2021.

### **Matters regarding implementation of the Company's Anti-Corruption Policy were under consideration.**

#### Individual decisions and issued recommendations

Minutes No. 115 dd February 17, 2020, date of the meeting – February 14, 2020:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to take into account the report on the results of anti-corruption monitoring for 2019.

Minutes No. 121 dd June 4, 2020, date of the meeting – June 3, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve the revised Anti-Corruption Policy of ROSSETI, PJSC, and its subsidiaries and affiliates as an internal document of ROSSETI Northern Caucasus, PJSC.

Minutes No. 123 dd September 4, 2020, date of the meeting – September 4, 2020:

- information on execution of the Company's Anti-Corruption Policy was taken into consideration, including results of anti-corruption monitoring for the first half of 2020.

### **Participation of Members of the Audit Committee at Meetings of the Committee in 2020**

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
<b>Total number of meetings during 2020</b>			<b>14</b>
including meetings in presentia (in presentia/absentia)			<b>3</b>
<b>Yuri Vladimirovich Goncharov</b>	Of July 17, 2020, Minutes No. 429 dd July 20, 2020	2020–2021	<b>6/6**</b>
including in presentia*			<b>3/3</b>
<b>Denis Lvovich Guryanov</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019	2019–2020	<b>7/8</b>
including in presentia			<b>0/1</b>
<b>Vladislav Albertovich Kapitonov</b>	Of July 17, 2020, Minutes No. 429 dd July 20, 2020	2020–2021	<b>6/6</b>
including in presentia			<b>3/3</b>
<b>Sergey Vladimirovich Kiryukhin</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019	2019–2020	<b>8/8</b>
including in presentia			<b>1/1</b>
<b>Nikolay Ivanovich Sasin</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 17, 2020, Minutes No. 429 dd July 20, 2020	2019–2020	<b>14/14</b>
including in presentia		2020–2021	<b>3/3</b>

\* in presentia – meetings that the person attended in the form of joint presence.

\*\*A/B–A – number of meetings that the person attended, B – number of meetings held for the period, when the person was a member of the Committee.

### **HR and Remuneration Committee**

#### Key objectives of the Committee:

- elaboration of recommendations on the amount of remuneration payable to members of the Board of Directors of the Company;
- elaboration of principles and criteria for determination of the amount of remuneration payable to members of the Board of Directors, members of the collegial executive body and the person discharging the functions of Sole Executive Body of the Company, including a management company or executive manager;
- elaboration of proposals on determination of essential conditions of contracts concluded with members of the Board of Directors, members of the collegial executive body and the person discharging the functions of Sole Executive Body of the Company;
- determination of the criteria for selection of candidates for membership in the Board of Directors, the collegial executive body and for the position of Sole Executive Body of the Company as well as preliminary assessment of such candidates;
- regular evaluation of the activities of the person discharging the functions of Sole Executive Body (management organization, executive manager) and members of the collegial executive body of the Company, and also preparation of proposals on their re-appointment possibility for the Board of Directors.

### **Compositions of the HR and Remuneration Committee in 2020**

<b>Elected by the decision of the Board of Directors dd August 19, 2019 (Minutes No. 391 dd August 21, 2019)</b>	<b>Elected by the decision of the Board of Directors dd July 17, 2020 (Minutes No. 429 dd July 20, 2020)*</b>
<ul style="list-style-type: none"> <li>• Larisa Anatolyevna Romanovskaya, Deputy Director General for Relations with State Authorities, ROSSETI, PJSC (Chairwoman)</li> <li>• Sergey Vladimirovich Kiryukhin, Acting Deputy Director General – Head of the Executive Office of ROSSETI, PJSC</li> <li>• Dmitry Alexandrovich Chevkin, Acting Deputy Director of the Personnel Management Department of ROSSETI, PJSC</li> </ul>	<ul style="list-style-type: none"> <li>• Larisa Anatolyevna Romanovskaya, Deputy Director General for Relations with State Authorities, ROSSETI, PJSC (Chairwoman)</li> <li>• Vasily Valerievich Varseev, Director of the Security Management Department of ROSSETI, PJSC</li> <li>• Nataliya Ilyinichna Erpsher, Director of the Directorate of Recruitment and Development of Personnel Reserve of the Personnel Management Department of ROSSETI, PJSC</li> </ul>

*Comment.* The positions are presented as of the date of approval of the Committee's composition.

\* This Composition of the Committee was relevant until December 22, 2020.

#### Report on the Committee's activity in 2020

14 meetings were held (7 meetings in 2019, 4 meetings in 2018), all in absentia (as well as in 2019 and 2018). At the meetings of the Committee in 2020, 20 issues were addressed, including following issues.

#### **The revised list of top managers of IDGC of the Northern Caucasus, PJSC was approved.**

##### Individual decisions and issued recommendations

Minutes No. 75 dd February 6, 2020, date of the meeting – February 5, 2020:

- the revised list of top managers of IDGC of the Northern Caucasus, PJSC was preliminary approved;
- The Board of Directors was recommended to approve and bring into force the revised list of top managers from the date of enactment of the organizational structure of the Company's Executive Office: First Deputy Director Generals, Deputy Director Generals, chief accountant – Head of the Accounting, Tax Accounting and Reporting Department,

and declare inactive the list of top managers of IDGC of the Northern Caucasus, PJSC approved by the decision of the Company's Board of Directors on April 21, 2017 (Minutes No. 294 dd April 24, 2017) from the moment of bringing the revised list of top managers into force.

**Modification of the organizational structure was approved.**

Individual decisions and issued recommendations

Minutes No. 76 dd March 25, 2020, date of the meeting – March 25, 2020:

- to amend the model organizational structure of the Executive Office for the branch of ROSSETI Northern Caucasus, PJSC, approved by the HR and Remuneration Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC, on May 31, 2017 (Minutes No. 58 dd May 31, 2017) in relation to exclusion of the position of the First Deputy Director of the ROSSETI Northern Caucasus, PJSC, branch Sevkavkazenergo;
- the Company's Director General was recommended to approve the organizational structure of the Executive Office for the branch of ROSSETI Northern Caucasus, PJSC, Sevkavkazenergo and bring it into force in the timespan allowed by legislation of the Russian Federation regarding modification and termination of employment contracts with employees.

Minutes No. 78 dd May 19, 2020, date of the meeting – May 18, 2020:

- the Director General of ROSSETI Northern Caucasus, PJSC, was recommended to approve the organizational structure of the Executive Office for the branch of ROSSETI Northern Caucasus, PJSC, Kabbalkenergo and bring it into force in the timespan allowed by legislation of the Russian Federation regarding modification and termination of employment contracts with employees.

Minutes No. 80 dd July 22, 2020, date of the meeting – July 21, 2020:

- the the organizational structure of the Executive Office for the branch of ROSSETI Northern Caucasus, PJSC, Dagenengo, was approved and the Director General of ROSSETI Northern Caucasus, PJSC, was recommended to approve this organizational structure.

**The Board of Directors was recommended to consider candidates for separate positions, as well as recommended to terminate powers of members of the Company's Executive Office and appoint new members.**

Individual decisions and issued recommendations

Minutes No. 77 dd April 17, 2020, date of the meeting – April 17, 2020:

- the Board of Directors was recommended to consider a candidate A.V. Medelyanov for the position of the Director of Dagenengo, a branch of ROSSETI Northern Caucasus, PJSC.

Minutes No. 78 dd May 19, 2020, date of the meeting – May 18, 2020:

- the Board of Directors was recommended to consider a candidate V.M. Abaimov for the position of the First Deputy Director General – Chief Engineer of ROSSETI Northern Caucasus, PJSC, and approve the organizational structure of the Executive Office of Kabbalkenergo, a branch of ROSSETI Northern Caucasus, PJSC.

Minutes No. 79 dd May 25, 2020, date of the meeting – May 22, 2020:

- the Board of Directors was recommended to consider a candidate S.A. Usevich for the position of the Deputy Director General of Corporate Governance in ROSSETI Northern Caucasus, PJSC.



Minutes No. 80 dd July 22, 2020, date of the meeting – July 21, 2020:

- due to expiration of the term of office of A.V. Chernov, Deputy Director General of Economics and Finance of ROSSETI Northern Caucasus, PJSC, taking into account the performance for the period of his work occupying this position, it was recommended to V.V. Ivanov, the Director General of ROSSETI Northern Caucasus, PJSC, to renew the employment agreement with A.V. Chernov for a term through April 28, 2022.

Minutes No. 81 dd August 21, 2020, date of the meeting – August 20, 2020:

- the Board of Directors was recommended:
  - to consider a candidate E.V. Kalenyuk for the position of the Deputy Director General of Relations with Power Market and D.Y. Zverkov for the position of the Deputy Director General of Sale and Development of Services in ROSSETI Northern Caucasus, PJSC.
  - to terminate powers of B.K. Misirov, a member of the Company's Executive Office, ahead of time and appoint V.M. Abaimov, Acting First Deputy Director General – Chief Engineer of ROSSETI Northern Caucasus, PJSC.

Minutes No. 82 dd September 23, 2020, date of the meeting – September 22, 2020:

- the Board of Directors was recommended to consider a candidate A.P. Lysenko for the position of the Director of Karachaevo-Cherkesskeno, a branch of ROSSETI Northern Caucasus, PJSC.

Minutes No. 83 dd October 26, 2020, date of the meeting – October 23, 2020:

- V.V. Ivanov, the Director General of ROSSETI Northern Caucasus, PJSC, was recommended to renew employment contracts through April 28, 2022, due to expiration of the term of office of a number of the Company's executives taking into account the performance results of the Company during their term of service, including following executives;
  - S.A. Polyakov, Deputy Director General of Relations with State Authorities and Institutes of Civil Society;
  - M.A. Karov, Director of the Kabbalkenergo branch;
  - I.V. Demchak, Director of the Stavropolenergo branch.

Minutes No. 84 dd October 30, 2020, date of the meeting – October 29, 2020:

- the Board of Directors was recommended to consider a candidate M.K. Abdurashidov for the position of the Director of Dageno, a branch of ROSSETI Northern Caucasus, PJSC, for a six months term.

Minutes No. 86 dd November 27, 2020, date of the meeting – November 27, 2020:

- the Board of Directors was recommended to terminate powers of E.V. Kalenyuk, a member of the Company's Executive Office, and appoint O.V. Solodovnik, Deputy Director General of Security of ROSSETI Northern Caucasus, PJSC.

Minutes No. 87 dd November 27, 2020, date of the meeting – November 27, 2020:

- due to expiration of the term of office of S.K. Masaev, Deputy Director General – Head of the Power Grid Complex of ROSSETI Northern Caucasus, PJSC, in the Chechen Republic, taking into account the performance for the period of his work occupying this position, it was recommended to V.V. Ivanov, the Director General of ROSSETI Northern Caucasus, PJSC, to renew the employment agreement with S.K. Masaev for a term through April 28, 2022.

**Amendments to the Regulation on Financial Incentives for the Director General and to the Regulation on Financial Incentives and Social Package of Top Managers were reviewed.**

Individual decisions and issued recommendations

Minutes No. 88 dd December 22, 2020, date of the meeting – December 21, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, is recommended to make the following amendments:
  - amendments to the Regulation on Financial Incentives of Director General of IDGC of the Northern Caucasus, PJSC, approved by the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, of June 10, 2011 (Minutes No. 76 dd June 15, 2011), extending time of their effect to the period from January 1, 2020 to December 31, 2020, as well as make amendments to the Regulation on Financial Incentives of Director General of IDGC of the Northern Caucasus, PJSC, approved by the decision of the Board of Directors of IDGC of the Northern Caucasus, PJSC, of June 10, 2011 (Minutes No. 76 dd June 15, 2011), extending time of their effect to the period starting January 1, 2021.
  - amendments to the Regulation on Financial Incentives and Social Package of Top Managers of IDGC of the Northern Caucasus, PJSC, approved by the Board of Directors of IDGC of the Northern Caucasus, PJSC, of June 10, 2011 (Minutes No. 76 dd June 15, 2011), extending time of their effect to the period from January 1, 2020 to December 31, 2020, as well as make amendments to the Regulation on Financial Incentives and Social Package of Top Managers of IDGC of the Northern Caucasus, PJSC, approved by the Board of Directors of IDGC of the Northern Caucasus, PJSC, of June 10, 2011 (Minutes No. 76 dd June 15, 2011), extending time of their effect to the period from June 1, 2021.

**The decisions were made in relation to organization of the Company's activity.**

Individual decisions and issued recommendations

Minutes No. 81 dd August 21, 2020, date of the meeting – August 20, 2020:

- the Action Plan of the HR and Remuneration Committee of the Board of Directors of ROSSETI Northern Caucasus, PJSC, was approved for the 2020-2021 corporate year.

Minutes No. 85 dd November 10, 2020, date of the meeting – November 9, 2020:

- the Board of Directors was recommended to approve the budget of the HR and Remuneration Committee of the Board of Directors for the second half of 2020 and first half of 2021.

**Participation of Members of the HR and Remuneration Committee at Meetings of the Committee in 2020**

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
<b>Total number of meetings during 2020</b>			<b>15</b>
including meetings in presentia (in presentia/absentia)			<b>0</b>
<b>Larisa Anatolyevna Romanovskaya (Chairwoman)</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 429 dd July 31, 2020	2019–2020	<b>15/15**</b>
including in presentia*		2020–2021	<b>0/0</b>
<b>Vasily Valerievich Varseev</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019	2020–2021	<b>2/10</b>
including in presentia			<b>0/0</b>
<b>Sergey Vladimirovich Kiryukhin</b>	Of August 19, 2019, Minutes	2019–2020	<b>5/5</b>

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
including in presentia	No. 391 dd August 21, 2019		0/0
<b>Dmitry Aleksandrovich Chevkin</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019	2019–2020	5/5
including in presentia			0/0
<b>Nataliya Ilyinichna Erpsher</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 429 dd July 31, 2020	2019–2020 2020–2021	10/10
including in presentia			0/0

\* in presentia – meetings that the person attended in the form of joint presence.

\*\*A/B–A – number of meetings that the person attended, B – number of meetings held for the period, when the person was a member of the Committee.

## Reliability Committee

### Key objectives of the Committee

Elaboration and presentation of recommendations (conclusions) to the Board of Directors of the Company on the following aspects of the activities of the Board of Directors:

- expert evaluation of production programs, plans for technical re-equipment, reconstruction, new construction and repair of electrical power grid complex facilities, analysis of their elaboration and execution from the point of view of ensuring satisfaction of the requirements to the reliability of functioning and technical condition of electric power grids;
- assessment of the completeness and sufficiency of measures taken based on the results of accident investigation in accordance with the Rules for Investigation into the Causes of Accidents in Power Industry (approved by Decree of the Government of the Russian Federation dd October 28, 2009, No. 846), and their implementation control;
- expert evaluation of the quality of investigation into causes of technological disturbances (accidents);
- expert evaluation of the Company's activities in the field of accident prevention work (ensuring preparedness, organization and conductance of emergency recovery works at electric power industry facilities);
- expert assessment of the programs for prevention of the injury risks the Company's personnel and third parties are exposed to at the Company's power units, as well as control over their implementation;
- control and evaluation of the Company's technical services activities to the extent of ensuring reliable functioning of electric power grids and production safety;
- expert assessment of the internal control system within the Company;
- expert assessment of the occupational health and safety management system within the Company;
- expert evaluation of the environmental policy implementation program;
- expert assessment of fire and industrial safety.

### Compositions of the Reliability Committee in 2020

Elected by the decision of the Board of Directors dd August 19, 2019 (Minutes No. 391 dd August 21, 2019)	Elected by the decision of the Board of Directors dd July 29, 2020 (Minutes No. 430 dd July 31, 2020)*
<ul style="list-style-type: none"> <li>• Igor Dmitrievich Alyushenko, Director of the Situation and Analytical Center – Deputy Chief Engineer of ROSSETI, PJSC (Chairman)</li> </ul>	<ul style="list-style-type: none"> <li>• Igor Dmitrievich Alyushenko, Deputy Chief Engineer – Chief Dispatcher of ROSSETI, PJSC (Chairman)</li> <li>• Mikhail Vladimirovich Smaga, Deputy</li> </ul>

<ul style="list-style-type: none"> <li>• Mikhail Vladimirovich Smaga, Deputy Director of the Technical Supervision Center of the branch of ROSSETI, PJSC</li> <li>• Zurab Kazinpashaevich Mammadayev, Chairman of the Dagestan Republican Branch of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA RUSSIA</li> <li>• Boris Khyzyrovich Misirov, First Deputy Director General – Chief Engineer of ROSSETI Northern Caucasus, PJSC</li> <li>• Egor Vladimirovich Kalenyuk, Deputy Director General of Sale and Development of Services, ROSSETI Northern Caucasus, PJSC</li> </ul>	<p>Director of the Technical Supervision Center of the branch of ROSSETI, PJSC</p> <ul style="list-style-type: none"> <li>• V.M. Abaimov, Acting First Deputy Director General – Chief Engineer of ROSSETI Northern Caucasus, PJSC</li> <li>• Egor Vladimirovich Kalenyuk, Deputy Director General of Sale and Development of Services, ROSSETI Northern Caucasus, PJSC</li> </ul>
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*Comment.* The positions are presented as of the date of approval of the Committee's composition.

\* This Composition of the Committee was relevant until December 22, 2020.

#### Report on the committee's activity in 2020

9 meetings were held, all in absentia (7 meetings in 2019, 7 meetings in 2018), all in absentia (as well as in 2019 and 2018). At the meetings of the Committee in 2020, 19 issues were addressed, including following issues.

#### **Reports and reported information on the performance results of the Company were reviewed.**

##### Individual decisions and issued recommendations

##### Minutes No. 65 dd January 31, 2020, date of the meeting – January 30, 2020:

- the Board of Directors was recommended to take into account the report of the Director General of the Company on execution of target programs of IDGC of the Northern Caucasus, PJSC, regarding its production activity for 2018.

##### Minutes No. 66 dd February 28, 2020, date of the meeting – February 26, 2020:

- the Company took into account the report on analysis of investigation quality of causes for technological faults (accidents), assessment of completeness and sufficiency of measures developed on the basis of quality of technological faults (accidents) investigation.

##### Minutes No. 67 dd March 16, 2020, date of the meeting – March 13, 2020:

- reports on implementation of measures for prevention of faulty and improper actions of the personnel, prevention programs for risk of injury reduction in 2019, as well as execution progress of action plan for implementation of the Environmental Policy Implementation Program within the Power Grid Complex in 2019;

- the Company's Board of Directors was recommended:

- to take into account information of the Company's Director General regarding indicators of Reliability Level concerning provided services across the Company, which are subject to tariff regulation on the basis of long-term parameters of activity regulation for 2019;

- to take into account the report of the Director General of the Company on implementation of the Action Plan for Development of the Production Assets Management System of the Company for 2016-2018, in 2019.

Minutes No. 68 dd April 24, 2020, date of the meeting – April 23, 2020:

- the report on the progress of the Company's preparation for operation during the flood season of 2020 was taken into account.

Minutes No. 69 dd May 21, 2020, date of the meeting – May 20, 2020:

- the Company's report on the progress of the Company's preparation for operation during the storm season of 2020 was taken into account.

Minutes No. 70 dd October 13, 2020, date of the meeting – October 12, 2020:

- the Company's Board of Directors was recommended to take into account information of the Company's Director General regarding indicators of Reliability Level concerning provided services across the Company, which are subject to tariff regulation on the basis of long-term parameters of activity regulation for six months of 2020.

Minutes No. 71 dd November 10, 2020, date of the meeting – November 9, 2020:

- the report of the Company's performance results for the flood season of 2020 was taken into account.

Minutes No. 72 dd December 4, 2020, date of the meeting – December 3, 2020:

- reports were taken into consideration regarding the Company's preparedness to organize and conduct emergency and recovery works during the autumn-winter period of 2020-2021, as well as progress of the Company's preparation to operate during the autumn-winter period of 2020-2021 and the Company's preparedness to operate during the autumn-winter period of 2020-2021.

**The decisions on organisation of the Committee's activities were made.**Individual decisions and issued recommendationsMinutes No. 70 dd October 13, 2020, date of the meeting – October 12, 2020:

- M.V. Smaga, Deputy Director of the Technical Supervision Center of the branch of ROSSETI, PJSC, was appointed Deputy Chairman of the Committee;  
- the Action Plan of Committee on reliability of the Board of Directors in ROSSETI Northern Caucasus, PJSC, for the 2020-2021 corporate year was approved.

Minutes No. 71 dd November 10, 2020, date of the meeting – November 9, 2020:

- the Company's Board of Directors was recommended to approve their budget of the Reliability Committee of the Board of Directors in ROSSETI Northern Caucasus, PJSC, for the second half of 2020 and the first half of 2021.

**Participation of Members of the Reliability Committee at Meetings of the Committee in 2020**

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
<b>Total number of meetings during 2020</b>			<b>9</b>
including meetings in presentia (in presentia/absentia)			<b>0</b>
<b>Igor Dmitrievich Alyushenko (Chairman)</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 429 dd July 31, 2020	2019–2020	<b>9/9**</b>
including in presentia*		2020–2021	<b>0/0</b>
<b>Victor Mikhaylovich Abaimov</b>	Of July 29, 2020, Minutes No. 429 dd July 31, 2020	2020–2021	<b>4/4</b>
including in presentia			<b>0/0</b>
<b>Egor Vladimirovich Kalenyuk</b>	Of August 19, 2019, Minutes	2019–2020	<b>8/9</b>

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
including in presentia	No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 429 dd July 31, 2020	2020–2021	0/0
<b>Zurab Kazinpashaevich Mammadayev</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019	2019–2020	5/5
including in presentia			0/0
<b>Boris Khyzyrovich Misirov</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019	2019–2020	5/5
including in presentia			0/0
<b>Mikhail Vladimirovich Smaga</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 429 dd July 31, 2020	2019–2020 2020–2021	9/9
including in presentia			0/0

\* in presentia – meetings that the person attended in the form of joint presence.

\*\*A/B–A – number of meetings that the person attended, B – number of meetings held for the period, when the person was a member of the Committee.

### Strategy Committee

The Committee objectives are the development and submission of recommendations (opinions) to the Board of Directors of the Company on the areas of activity of the Board of Directors that are within the competence of the Committee, in particular: strategic development and priority activity areas, innovative development, organization of business processes, business planning, dividend policy, risk management, performance assessment for the Company and its subsidiaries, as well as other objectives and areas determined by the Corporate Governance Code recommended for application by the Letter of the Bank of Russia No. 06-52/2463 “On the Corporate Governance Code” dd April 10, 2014.

### Compositions of the Strategy and Development Committee in 2020

Elected by the decision of the Board of Directors dd October 28, 2019 (Minutes No. 395 dd October 31, 2019)	Elected by the decision of the Board of Directors dd August 7, 2020 (Minutes No. 431 dd August 10, 2020)
<ul style="list-style-type: none"> <li>• Dmitry Mikhaylovich Andropov, member of the Board of Directors of ROSSETI Northern Caucasus, PJSC, Deputy Director of the Treasury Department of ROSSETI, PJSC (Chairman)</li> <li>• Yulia Gennadievna Obrezkova, Deputy Director of the Strategy Department of ROSSETI, PJSC</li> <li>• Tatyana Alexandrovna Ivanova, Deputy Director of the Tariff Policy Department of ROSSETI, PJSC</li> <li>• Alexander Viktorovich Peshkov, Head of the Division for the Developing Intelligent Power Metering and Power Service Activities of the Department of the Sale of Services of ROSSETI, PJSC</li> <li>• Dmitry Alekseyevich Bobkov, member of the Board of Directors of ROSSETI Northern Caucasus, PJSC, Director of the</li> </ul>	<ul style="list-style-type: none"> <li>• Vladislav Albertovich Kapitonov, Director of Corporate Finance of ROSSETI, PJSC (Chairman)</li> <li>• Alexey Igorevich Pavlov, Head of the Strategy Department of ROSSETI, PJSC</li> <li>• Vasily Valerievich Varseev, Director of the Security Management Department of ROSSETI, PJSC</li> <li>• Yuri Vladimirovich Goncharov, Chief Advisor of ROSSETI, PJSC</li> <li>• Pavel Borisovich Dynkin, First Deputy Director General, ROSSETI Northern Caucasus, PJSC</li> </ul>

<p>Department for Public and Media Relations of Rosseti, PJSC</p> <ul style="list-style-type: none"> <li>• Anna Leonidovna Zvyagintseva, Chief Expert of the Division for Business Planning at Subsidiaries and Affiliates of the Department of Economics of ROSSETI, PJSC</li> <li>• Elena Nikolaevna Osipova, Head of the Financial Analysis Division, Finance Department of ROSSETI, PJSC</li> <li>• Denis Lvovich Guryanov, member of the Board of Directors of ROSSETI Northern Caucasus, PJSC, Director of the Corporate Governance Department of ROSSETI, PJSC</li> <li>• Pavel Borisovich Dynkin, First Deputy Director General, ROSSETI Northern Caucasus, PJSC</li> <li>• Albert Izatovich Kilchukov, Chairman of the branch of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA RUSSIA in the Kabardino-Balkarian Republic</li> </ul>	
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*Comment.* The positions are presented as of the date of approval of the Committee's composition.

#### Report on the Committee's activity in 2020

11 meetings were held (9 meetings in 2019, 11 meetings in 2018), all in absentia (one – in the form of joint attendance in 2019, all in absentia in 2018). At the meetings of the Committee in 2020, 30 issues were addressed, including the following issues.

#### **Reports and reported information on the performance results of the Company were reviewed.**

##### Individual decisions and issued recommendations

##### Minutes No. 153 dd January 21, 2020, date of the meeting – January 20, 2020:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to take into account reports for Q4 2019 on progress of implementation of investment projects of IDGC of the Northern Caucasus, PJSC, which are included in the list of priority objects, as well as reports on approval of amendments to the investment program of IDGC of the Northern Caucasus, PJSC, approved by the Order of the Ministry of Energy of Russia No. 1035 dd December 25, 2015, which includes amendments by the Order of the Ministry of Energy of Russia No. 24@ dd December 20, 2018.

##### Minutes No. 155 dd March 13, 2020, date of the meeting – March 12, 2020:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended:
  - to approve reports on achieving KPIs of the Director General of IDGC of the Northern Caucasus, PJSC, for Q1 and Q2 2019;
  - to take into account information on the progress of conducting public discussion of project of the Company's investment program.

Minutes No. 156 dd April 20, 2020, date of the meeting – April 17, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve the report on achieving KPIs of the Director General of IDGC of the Northern Caucasus, PJSC, for Q3 2019 and updated the Register of Non-Core Assets of ROSSETI Northern Caucasus, PJSC.

Minutes No. 157 dd May 15, 2020, date of the meeting – May 14, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to take into account reports on execution of the Company's Business Plan for 2019, execution of the Company's investment program for Q4 2019 and 2019, as well as report for Q1 2020 regarding progress of investment projects' implementation in ROSSETI Northern Caucasus, PJSC, which are included in the list of priority objects.

Minutes No. 158 dd September 18, 2020, date of the meeting – September 17, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended:
  - to approve the report on execution of KPIs of the Director General in ROSSETI Northern Caucasus, PJSC, for Q4 2019;
  - to take into account reports for Q2 2020 on progress of implementation of the Company's investment projects, which are included in the list of priority objects, and reports on execution of the Company's investment project for Q1 2020, as well as execution of estimated costs of the Company for Q1 2020, including the report on financial and economical activity of the Company for Q1 of 2020.

Minutes No. 161 dd November 13, 2020, date of the meeting – November 12, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to take into account the report on management of key operational risks of ROSSETI Northern Caucasus, PJSC.

Minutes No. 162 dd December 10, 2020, date of the meeting – December 9, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to take into account reports for Q3 2020 on progress of implementation of investment projects of the Company which are included in the list of priority objects, a report on financial and economical activity of the Company for the first half of 2020, including a report on execution of estimated costs of the Company for Q2 2020, and also approve of the Business Plan of the ROSSETI Northern Caucasus Group for 2020 aggregated on the RAS principles and consolidated by the IFRS principles, and take into account predicted values of indicators for 2021-2024.

Minutes No. 161 dd November 13, 2020, date of the meeting – November 12, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to take into account the report on management of key operational risks of ROSSETI Northern Caucasus, PJSC.

**Reports on achievement of KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, was reviewed and their target values were approved.**Individual decisions and issued recommendationsMinutes No. 163 dd December 18, 2020, date of the meeting – December 18, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve the report on achieving KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, for 2019, as well as approve target values of KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, for 2021.



Minutes No. 158 dd September 18, 2020, date of the meeting – September 17, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve the report on achieving KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, for Q4 2019.

Minutes No. 159 dd October 23, 2020, date of the meeting – October 23, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve target values of KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, for 2020 and the Method of calculation and evaluation of KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, in order to apply it on January 1, 2020, as well as the updated register of non-core assets of ROSSETI Northern Caucasus, PJSC.

Minutes No. 163 dd December 18, 2020, date of the meeting – December 18, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve the report on achieving KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, for 2019, as well as approve target values of KPIs of the Director General of ROSSETI Northern Caucasus, PJSC, for 2021.

**Amendments to the Investment Program of the Company were reviewed.**

Individual decisions and issued recommendations

Minutes No. 154 dd February 17, 2020, date of the meeting – February 14, 2020:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended:
  - to approve draft amendment to modify the Investment Program of IDGC of the Northern Caucasus, PJSC, for 2016-2022, approved by the Order of the Ministry of Energy of Russia No. 1470 dd December 30, 2016 (revision by the Order of the Ministry of Energy of Russia No. 28@ dd December 20, 2019);
  - to instruct the sole executive body of IDGC of the Northern Caucasus, PJSC, to organize approval of the draft amendment to modify the Investment Program of IDGC of the Northern Caucasus, PJSC, for 2016-2022, approved by the Order of the Ministry of Energy of Russia No. 1470 dd December 30, 2016 (revision by the Order of the Ministry of Energy of Russia No. 28@ dd December 20, 2019), in the Ministry of Energy of Russia through the procedure established by the Regulation of the Government of the Russian Federation No. 977 dd December 1, 2009 "On Investment Programs of Electric Power Industry Facilities", as well as submit a report on execution of this decision to consideration by the Company's Board of Directors while specifying reasons for deviation of the approved investment program from the project of investment program approved by the Company's Board of Directors (provided that there are deviations).

Minutes No. 158 dd September 18, 2020, date of the meeting – September 17, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to take into account reports for Q3 2020 on progress of implementation of investment projects of the Company which are included in the list of priority objects, a report on financial and economical activity of the Company for the first half of 2020, including a report on execution of estimated costs of the Company for Q2 2020, and also approve of the Business Plan of the ROSSETI Northern Caucasus Group for 2020 aggregated on the RAS principles and consolidated by the IFRS principles, and take into account predicted values of indicators for 2021-2024.

**The register of non-core assets of the Company was reviewed.**

Individual decisions and issued recommendationsMinutes No. 153 dd January 21, 2020, date of the meeting – January 20, 2020:

- the Board of Directors of IDGC of the Northern Caucasus, PJSC, was recommended to approve the updated register of non-core assets of the Company.

Minutes No. 158 dd September 18, 2020, date of the meeting – September 17, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve the updated register of non-core assets of ROSSETI Northern Caucasus, PJSC.

**The Business Plan and Estimated Values of the Company's Indicators were reviewed.**Individual decisions and issued recommendationsMinutes No. 160 dd November 3, 2020, date of the meeting – November 3, 2020:

- the Board of Directors of ROSSETI Northern Caucasus, PJSC, was recommended to approve the Business Plan of ROSSETI Northern Caucasus, PJSC, for 2020 and take into account estimated indicators for 2021-2024.

**Decisions were made in relation to organization of the Committee's activities.**Individual decisions and issued recommendationsMinutes No. 158 dd September 18, 2020, date of the meeting – September 17, 2020:

- the Board of Directors was recommended to approve the budget of the Strategy Committee of the Board of Directors for the second half of 2020 and first half of 2021.

Minutes No. 159 dd October 23, 2020, date of the meeting – October 23, 2020:

- the Action Plan of the Strategy Committee of the Board of Directors for the 2020-2021 corporate year was approved.

Minutes No. 161 dd November 13, 2020, date of the meeting – November 12, 2020:

- Alexey Igorevich Pavlov, Head of the Strategy Department of ROSSETI, PJSC, was appointed the Deputy Chairman of the Strategy Committee of the ROSSETI Northern Caucasus, PJSC, Board of Directors.

**Participation of Members of the Strategy Committee at Meetings of the Committee in 2020**

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
<b>Total number of meetings during 2020</b>			<b>11</b>
including meetings in presentia (in presentia/absentia)			<b>0</b>
<b>Dmitry Mikhaylovich Andropov</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	<b>5/5**</b>
including in presentia*			<b>0/0</b>
<b>Vladislav Albertovich Kapitonov</b>	Of August 7, 2020, Minutes No. 431 dd August 10, 2020	2020–2021	<b>6/6</b>
including in presentia			<b>0/0</b>
<b>Dmitry Alekseyevich Bobkov</b>	Of August 7, 2020, Minutes No. 431 dd August 10, 2020	2020–2021	<b>5/5</b>
including in presentia			<b>0/0</b>
<b>Vasily Valerievich Varseev</b>	Of August 7, 2020, Minutes No. 431 dd August 10, 2020	2020–2021	<b>0/5</b>
including in presentia			<b>0/0</b>
<b>Yuri Vladimirovich Goncharov</b>	Of August 7, 2020, Minutes	2020–2021	<b>6/6</b>

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
including in presentia	No. 431 dd August 10, 2020		0/0
<b>Denis Lvovich Guryanov</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	3/5
including in presentia			0/0
<b>Pavel Borisovich Dynkin</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019; of August 7, 2020, Minutes No. 431 dd August 10, 2020	2019–2020 2020–2021	11/11
including in presentia			0/0
<b>Anna Leonidovna Zvyagintseva</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	5/5
including in presentia			0/0
<b>Tatyana Alexandrovna Ivanova</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	5/5
including in presentia			0/0
<b>Albert Izatovich Kilchukov</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	5/5
including in presentia			0/0
<b>Yulia Gennadiyevna Obrezkova</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	5/5
including in presentia			0/0
<b>Elena Nikolaevna Osipova</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	4/5
including in presentia			0/0
<b>Alexey Igorevich Pavlov</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	6/6
including in presentia			0/0
<b>Alexander Viktorovich Peshkov</b>	Of October 28, 2019, Minutes No. 395 dd October 31, 2019	2019–2020	5/5
including in presentia			0/0

\* in presentia – meetings that the person attended in the form of joint presence.

\*\*A/B–A – number of meetings that the person attended, B – number of meetings held for the period, when the person was a member of the Committee.

## Committee for Technological connection to Electric Grids

### Key objectives of the Committee:

Elaboration and presentation of recommendations (conclusions) to the Board of Directors of the Company on the following aspects of the activities of the Board of Directors:

- elaboration of proposals on improving the legal base of anti-monopoly legislation and provide consumers with non-discriminatory access to technological connection to the power grids;
- development of proposals on improving the bylaws and standards of the Company on providing consumers with non-discriminatory access to technological connection to power grids;
- development of the principles and criteria for assessment of the Company's performance on technological connection of consumers to power grids;
- assessment of the Company's performance on technological connection of consumers to power grids;
- assessment of the Company's performance on improving the quality of planning the power grid development;
- analysis of the current situation of the Company and preparation of proposals for the Company's Board of Directors concerning the technological connection of consumers to power grids and prospective development of power grids;

- elaboration of proposals on improving internal regulations and standards of the Company in relation to sale of the Company's additional (non-tariff) services;
- development of proposals on optimization, improvement of effectiveness of provided services, expansion of the list of non-tariff services and additional services for consumers in relation to other types of activities taking into account the Digital Transformation – 2030 Concept;
- development of the principles and criteria for assessment of the Company's performance regarding development and sale of additional services;
- assessment of the Company's performance regarding development and sale of additional services
- analysis of the current situation of the Company and preparation of proposals for the Company's Board of Directors concerning development and sale of additional (non-tariff) services, additional digital services for consumer.

### **Compositions of the Committee for Technological Connection to Power Grids in 2020**

<b>Elected by the decision of the Board of Directors dd August 19, 2019 (Minutes No. 391 dd August 21, 2019)</b>	<b>Elected by the decision of the Board of Directors dd July 29, 2020 (Minutes No. 430 dd July 31, 2020)</b>
<ul style="list-style-type: none"> <li>• Alexander Yuryevich Korneev, Acting Director of the Sale of Services Department of ROSSETI, PJSC (Chairman)</li> <li>• Dmitry Nikolayevich Skripalshchikov, Head of the Division for Power Grid Future Development of the Department of the Sale of Services of ROSSETI, PJSC</li> <li>• Egor Vladimirovich Kalenyuk, Deputy Director General of Sale and Development of Services, ROSSETI Northern Caucasus, PJSC</li> <li>• Nikolay Ivanovich Sasin, Director of the Representative Office, member of the Management Board of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA RUSSIA in the North Caucasus Federal District</li> </ul>	<ul style="list-style-type: none"> <li>• Alexander Yuryevich Korneev, Head of the Technological Connection and Development of Infrastructure Department of ROSSETI, PJSC (Chairman)</li> <li>• Stanislav Mikhailovich Kuryavyi, Head of the Division for Monitoring Operation of Subsidiaries and Affiliates, the Technological Development Department of ROSSETI, PJSC</li> <li>• Dmitry Nikolayevich Skripalshchikov, Head of the Division for Power Grid Infrastructure Future Development of the Technological Connection and Development of Infrastructure Department of ROSSETI, PJSC</li> <li>• Egor Vladimirovich Kalenyuk, Deputy Director General of Sale and Development of Services, ROSSETI Northern Caucasus, PJSC</li> </ul>

*Comment.* The positions are presented as of the date of approval of the Committee's composition.

#### Report on the Committee's activity in 2020

5 meetings were held (4 meetings in 2019, 3 meetings in 2018), all in absentia (one in presentia and in absentia in 2019, all in absentia in 2018). At the meetings of the Committee in 2020, 11 issues were addressed, including the following issues.

#### **Reports and reported information on the performance results of the Company were reviewed.**

##### Individual decisions and issued recommendations

Minutes No. 37 dd March 25, 2020, date of the meeting – March 24, 2020:

- the Company's Board of Directors was recommended to take into account reports "On Current Activity for Technological Connection of Consumers to Power Grids as of the

end of 2019, as well as on progress of implementation of the Action Plan of IDGC of the Northern Caucasus, PJSC, aimed at prevention and avoidance of violations of the legislative requirements of the Russian Federation for the Electric Power Industry, in Q4 2019;

- reports were taken into account:
  - achievement of KPIs in relation to compliance with the timeframe for conduction of technological connection, as well as achievement of KPIs in terms of increase in the load capacity of power grid equipment prepared for 2019;
  - on execution of the Schedule of overdue contracts for performing technological connection in 2019;
  - on the Company's participation in development of schemes and development programs for the Electric Power Industry of the constituent entities of the Russian Federation for 2019.

Minutes No. 39 dd November 3, 2020, date of the meeting – November 2, 2020:

- the Board of Directors was recommended to take into account the report of the Director General of the Company "On the Current Situation in the Company's Operation regarding the Technological Connection of Consumers to Power Grids for six months of 2020".

Minutes No. 41 dd December 30, 2020, date of the meeting – December 29, 2020:

- reports were taken into account regarding the Company's participation in development of schemes and development programs for the Electric Power Industry of the constituent entities of the Russian Federation for nine months of 2020, and also achievement of KPIs for nine months of 2020 in relation to compliance with the timeframe for conduction of technological connection.

### **Decisions were made in relation to organization of the Committee's activities.**

#### Individual decisions and issued recommendations

Minutes No. 38 dd October 19, 2020, date of the meeting – October 19, 2020:

- D.N. Skripalshchikov, Head of the Division for Power Grid Infrastructure Future Development of the Technological Connection and Development of Infrastructure Department of ROSSETI, PJSC, was appointed Deputy Chairman of the Committee for Technological Connection to Power Grids of the Board of Directors in ROSSETI Northern Caucasus, PJSC;
- the Action Plan for the Committee of Technological Connection to Power Grids was approved by the Board of Directors of ROSSETI Northern Caucasus, PJSC, for the 2020-2021 corporate year.

Minutes No. 40 dd November 10, 2020, date of the meeting – November 9, 2020:

- the Board of Directors was recommended to approve the budget of the Committee for Technological Connection to Power Grids of the Board of Directors in ROSSETI Northern Caucasus, PJSC, for the first half of 2021.

### **Participation of Members of the Committee for Technological Connection to Power Grids in 2020**

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
<b>Total number of meetings during 2020</b>			<b>5</b>
including meetings in presentia (in presentia/absentia)			<b>0</b>

Name of the Member of the Committee	Decision of the Board of Directors on selecting composition of the Committee	Corporate year when the person was a member of the Committee	Number of meetings, pcs.
<b>Egor Vladimirovich Kalenyuk</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 430 dd July 31, 2020	2019–2020 2020–2021	<b>3/5**</b>
including in presentia*			<b>0/0</b>
<b>Alexander Yuryevich Korneev (Chairman)</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 430 dd July 31, 2020	2019–2020 2020–2021	<b>5/5</b>
including in presentia			<b>0/0</b>
<b>Stanislav Mikhailovich Kuryavyi</b>	Of July 29, 2020, Minutes No. 430 dd July 31, 2020	2020–2021	<b>4/4</b>
including in presentia			<b>0/0</b>
<b>Nikolay Ivanovich Sasin</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019	2019–2020	<b>1/1</b>
including in presentia			<b>0/0</b>
<b>Dmitry Nikolayevich Skripalshchikov</b>	Of August 19, 2019, Minutes No. 391 dd August 21, 2019; of July 29, 2020, Minutes No. 430 dd July 31, 2020	2019–2020 2020–2021	<b>5/5</b>
including in presentia			<b>0/0</b>

\* in presentia – meetings that the person attended in the form of joint presence.

\*\*A/B–A – number of meetings that the person attended, B – number of meetings held for the period, when the person was a member of the Committee.

#### 5.2.4. Corporate Secretary

A Corporate Secretary was elected for ROSSETI Northern Caucasus, PJSC, ensuring the proper compliance with the procedure for preparation and holding the General Meeting of Shareholders and operations of the Board of Directors. The Corporate Secretary status, requirements for a candidate for this position, procedure of appointment and termination of powers in relation to the Corporate Secretary, their subordination and the procedure for interaction with management bodies and structural subdivisions of the Company, as well as other matters concerning the Corporate Secretary's activities are established by the Regulation on the Corporate Secretary approved by the Company's Board of Directors (Minutes No. 268 dd November 21, 2016).

According to the Regulation on the Corporate Secretary of ROSSETI Northern Caucasus, PJSC, functions of the Company's Corporate Secretary include:

- participation in the Company's relations with the regulatory bodies, organizers of trade, registrars, other professional participants of the securities market;
- notifying the Company's Board of Directors of detected violations of legislation of the Russian Federation and Regulations of the Company's internal documentation, compliance with which being one of the functions of the Company's Corporate Secretary;
- participation in the Company's interactions with shareholders, prevention of corporate conflicts, execution of procedures established by legislation of the Russian Federation and internal documents of the Company, which ensure protection of rights and legitimate interests of shareholders, monitoring of their fulfillment;
- participation in organization of preparation and conduct of the Company's General Meetings of Shareholders;
- participation in implementation of the Information Disclosure Policy, record-keeping of the Company's corporate documents within the limits of authority;
- participation in improving the system of corporate governance practice of the Company;
- making sure of ongoing activities of the Board of Directors;
- contribution to the ongoing activities of the Board of Directors' Committees.

The Company's Corporate Secretary has a right to:

- request and receive documents of the Company;
- submit issues to the Company's management bodies for consideration following an Instruction of a Chairman of the Company's Board of Directors and within the Secretary's limits of authority;
- monitor compliance of officials and employees of the Company with the Company's Charter and internal documents in relation to matters that are within functions of the Company's Corporate Secretary;
- interact with the Chairman of the Company's Board of Directors and the Committees' chairmen of the Company's Board of Directors;
- notify the Chairman of the Board of Directors and/or the Company's Director General of possible obstacles for the Corporate Secretary's ability to execute their functions.

In accordance with the decision of the Board of Directors of December 13, 2019 (Minutes No. 402 dd December 16, 2019), Sergey Viktorovich Chistov, Chief Expert of the Corporate Governance Department of ROSSETI, PJSC, was appointed the Corporate Director of ROSSETI Northern Caucasus, PJSC.

Ensuring independence from the executive bodies of the Company

A Company's Corporate Secretary is elected by the Company's Board of Directors following the procedure, established in the Charter and the Regulation on the Corporate Secretary of the Company. The Corporate Secretary of the Company is functionally subordinate to the Board of Directors. However, ROSSETI Northern Caucasus, PJSC, is not the main place of work for S.V. Chistov, the Corporate Secretary of the Company. The Corporate Secretary status, requirements for a candidate for this position, procedure of appointment and termination of powers in relation to the Corporate Secretary, their subordination and the procedure for interaction with management bodies and structural subdivisions of the Company, as well as other matters concerning the Corporate Secretary's activities are established by the Regulation on the Corporate Secretary approval of which falls within the competence of the Company's Board of Directors.

Nomination for the position of the Company's Corporate Secretary is carried out by the Chairman of the Company's Board of Directors bearing in mind requirements established by the Regulation on the Corporate Secretary of the Company. The HR and Remuneration Committee of the Company's Board of Directors formulates recommendations to the Company's Board of Directors in relation to candidates, the size of remuneration and principles of awarding bonus to the Company's Corporate Secretary. The Company's Board of Directors makes a decision in regards to election of the Company's Corporate Secretary, determination of the size of remuneration, principles of awarding bonus to the Company's Corporate Secretary taking into account recommendations of the HR and Remuneration Committee.

The Corporate Secretary reports results of their activity to the Company's Board of Directors, which assesses their work and approves the report on the Company's Corporate Secretary's activities every year.

## Information on the Company's Corporate Secretary

### **Sergey Viktorovich Chistov** **Corporate Secretary**

He was elected as the Corporate Secretary of ROSSETI Northern Caucasus, PJSC, in December 2019.

Born in 1986.

Education:

- Kostroma State Technological University, Law Institute, Lawyer;
- Kostroma State Technological University, Institute of Continuing Professional Education, Accounting, Analysis and Audit.

#### Positions held over the past 5 years:

since 2013 – Chief Expert of the Division for Organization and Control of Corporate Events of Subsidiaries and Affiliates of the Corporate Governance Department of ROSSETI, PJSC.

He does not participate in the authorized capital of ROSSETI Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of ROSSETI Northern Caucasus, PJSC, and its subsidiaries. In 2020, the Corporate Secretary of ROSSETI Northern Caucasus, PJSC, did not make transactions on acquisition and/or disposal of the Company's shares.

### **5.2.5. Management Bodies of the Company**

The Company's activities are led by the sole executive body – Director General and Collegial Executive Body – the Management Board of the Company. The Director General and the Management Board of the Company report to the General Meeting of Shareholders and the Company's Board of Directors.

#### **The Management Board is a Collegial Executive Body of the Company**

Election and the size of the Management Board are determined by the Board of Directors of ROSSETI Northern Caucasus, PJSC, upon presentation of the Director General.

The competence of the Management Board is established in the Article 22 of the Charter of ROSSETI Northern Caucasus, PJSC, and includes following matters:

- development and presentation of the Company's development strategy for consideration to the Board of Directors;
- development of the business plan and a quarterly report on implementation of the business plan, and approval of cash flow (budget) of the Company;
- development of the Company's Annual Report, a report on execution by the Management Board of the decisions made by the General Meeting of Shareholders and the Company's Board of Directors;
- review of reports (information) made by Deputy Director Generals of the Company, Heads of separate structural subdivisions of the Company on the Company's activities and activities of its subsidiaries and affiliates, submitted for consideration to the Company's Management Board in accordance with the Instruction of the Management Board of the Company's Board of Directors;
- making decisions regarding matters that fall within the competence of supreme management bodies of companies, 100% of their authorized capital belongs to the Company;
- making decisions regarding deals over property, work and services value of which is 1-25% of carrying value of the Company's assets according to an accounting (finance) report of the last reporting date;
- effective risk management within the current activity of the Company, approval of the

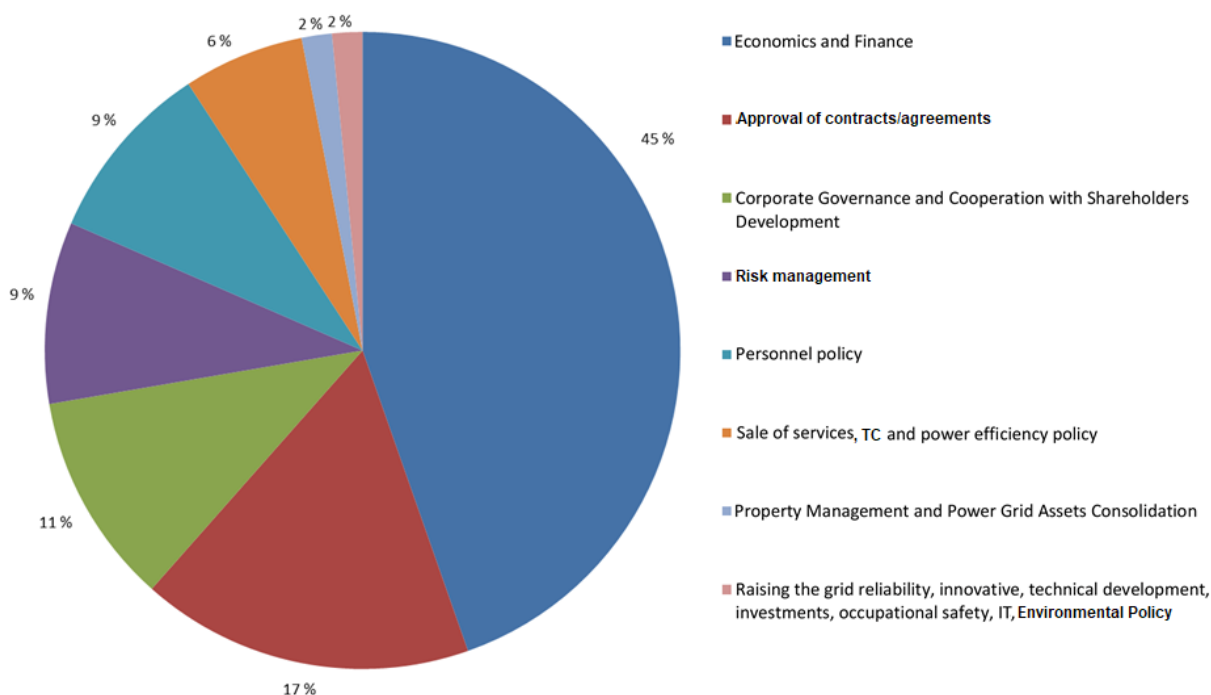


budget for measures on risk management in the Company to the extent that was agreed upon by a decision of the Company's Board of Directors, undertaking of cross-functional (performed by several structural subdivisions) tasks for risk management;

- resolution of other management issues of the Company's ongoing activity in accordance with decisions of the General Meetings of Shareholders, the Company's Board of Directors, and matters submitted for consideration to the Management Board by the Director General of the Company.

21 meetings of the Management Board of ROSSETI Northern Caucasus, PJSC, were held in 2020 (39 meetings in 2019, 50 meetings in 2018), including one meeting in the form of joint presence, (2 meetings in 2019, 2 meetings in 2018), 65 issues were addressed (188 issues in 2019, 181 issues in 2018).

**Categories of Matters Considered by the Board of Directors in 2020, %**



### **Composition of the Management Board of ROSSETI Northern Caucasus, PJSC, as of December 31, 2020**

#### **Vitaliy Valerievich Ivanov Chairman (since March 28, 2019)**

To find information on V.V. Ivanov please refer to the Current Composition of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

#### **Victor Mikhaylovich Abaimov**

First elected to the Management Board of ROSSETI Northern Caucasus, PJSC, in September 2020.

Born in 1972.

Education:

- Novocherkassk State Technical University, Power Supply of Industrial Enterprises, Electrical engineer;

- South-Russian State Technical University (Novocherkassk Polytechnic Institute), Economics and Management in Industry (Electric Power Industry), Economist-manager.

Positions held over the past 5 years:

from December 2014 to June 2015 – Deputy Director on Technical Issues – Chief Engineer of the Karachay-Cherkess branch of IDGC of the Northern Caucasus, OJSC (since 2015 – of IDGC of the Northern Caucasus, PJSC);

from June 2015 to October 2016 – Deputy Director - Chief Engineer of the Karachay-Cherkess branch of IDGC of the Northern Caucasus, PJSC;

from October 2016 to April 2020 – Deputy Chief Engineer for Operation – Technological Connection Department Head at IDGC of the North-West, PJSC;

from May to September 2020 – Acting First Deputy Director General – Chief Engineer at ROSSETI Northern Caucasus PJSC;

since September 2020 and as of the end of 2020 – First Deputy Director General – Chief Engineer, a member of the Management Board of ROSSETI Northern Caucasus PJSC;

from July to December 2020 – member of the Reliability Committee of the Board of Directors in ROSSETI Northern Caucasus, PJSC.

**Pavel Borisovich Dynkin**

First elected to the Management Board of ROSSETI Northern Caucasus, PJSC, in June 2019.

Born in 1973.

Education:

- Far Eastern Federal University, Regional Studies, Economist-Orientalist, translator of the Chinese language;
- Financial Academy under the Government of the Russian Federation, Regional Studies, Master Degree in Business Administration.

Positions held over the past 5 years:

from April 2014 to May 2016 – Advisor, Deputy Director General for Economics and Finance, Financial Advisor of IDGC of the Northern Caucasus, OJSC;

from December 2016 to April 2019 – Advisor to the Director General, Chief Advisor to the Director General, Deputy Director General for Economics and Finance of IDGC of Siberia, PJSC;

from April to June 2016 – Acting First Deputy Director General of ROSSETI Northern Caucasus, PJSC;

since June 2019 and as of the end of 2020 – a member of the Management Board, First Deputy Director General of ROSSETI Northern Caucasus, PJSC.

Also, earlier (in 2014-2015), the Chairman of the Board of Directors of Energoservis, OJSC (since April 2015 known as Dagestan Grid Company, JSC). In 2019-2020 and as of the end of 2020 – member of the Strategy Committee of the Board of Directors in ROSSETI Northern Caucasus, PJSC.

**Roman Andreyevich Novoselov**

Elected to the Management Board of ROSSETI Northern Caucasus, PJSC, in June 2019.

Born in 1984.

Education:

- SEI HPE Omsk Academy of the Ministry of Internal Affairs of the Russian Federation, Jurisprudence, Lawyer;
- NSEI HPE Omsk Law Institute, Jurisprudence, Master Degree.

Positions held over the past 5 years:

from January 2014 to September 2015 – Lead Engineer, Lead Legal Counsel, Head of the Land Use and Property Relations Division of Public Roads Administration in the Omsk Region being the Omsk Region Government Agency;

from October 2015 to September 2017 – Deputy Director for General Affairs of Public Roads Administration in the Omsk Region being the Omsk Region Government Agency;  
 from October 2017 to April 2019 – Head of the Department of Business Management, Acting Deputy Director General – Head of the Executive Office of IDGC of Siberia, PJSC;  
 from April to June 2019 – Acting Deputy Director General – Head of the Executive Office of ROSSETI Northern Caucasus, PJSC;  
 since June 2019 and as of the end of 2020 – Deputy Director General – Head of the Executive Office, member of the Management Board of ROSSETI Northern Caucasus, PJSC.

**Oleg Vladimirovich Solodovnik**

Elected to the Management Board of ROSSETI Northern Caucasus, PJSC, in December 2020.

Born in 1972.

Education: The Border Guard Service Command Academy of Alma-Ata named after F.E. Dzerzhinsky, Team Tactics, Civil Defense.

Positions held over the past 5 years:

from June 2012 to April 2019 – Director of Gedon-Motors, LLC;

from 2013 to 2018 – Director of Alfa, LLC, Gedon-Pyatigorsk, LLC, and Gedon-Autotrade, LLC (part-time);

since June 2019 and as of the end of 2020 – Deputy Director General for Security at ROSSETI Northern Caucasus, PJSC;

since December 2020 and as of the end of 2020 – member of the Management Board of ROSSETI Northern Caucasus, PJSC.

**Also, the Management Board of ROSSETI Northern Caucasus, PJSC, in 2020 included the following persons.**

**Egor Vladimirovich Kalenyuk**

Elected to the Management Board of ROSSETI Northern Caucasus, PJSC, in June 2019. Following the decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC, of December 30, 2020 (Minutes No. 446 dd January 11, 2021), powers of a member of the Management Board belonging to E.V. Kalenyuk were terminated.

Born in 1970.

Education:

- Khabarovsk Polytechnic Institute, Economics and Management in Engineering Industry, Engineer-Economist;
- Far Eastern State Transport University, Electric Power Systems and Grids, Engineer;
- VIPkenergo, Academy of National Economy under the Government of the Russian Federation, Akveduk Company, OJSC, Coordination Business Center for Vocational Training and Tourism, LLC, Tomsk Polytechnic University (advanced training).

Positions held over the past 5 years:

in January-April 2014 – public service in the Ministry of H&U and the fuel and energy complex of the Volgograd Region;

in April 2014 – January 2015 – Adviser, IDGC of the Northern Caucasus, OJSC;

from March 2016 to June 2016 – Advisor to the Director General of the Executive Office of Lenenergo, PJSC;

from June 2016 to March 2018 – Director General of Energy Service Company Lenenergo, JSC;

in March-May 2018 – Advisor to the Director General of Energy Service Company Lenenergo, JSC;

in June-December 2018 – Chief Advisor to the Director General of IDGC of Siberia, PJSC;

in December 2018 – April 2019 – Deputy Director General for Sales and Development of Services of IDGC of Siberia, PJSC;

in April-June 2019 – Acting Deputy Director General for Sale and Development of Services, IDGC of the Northern Caucasus, PJSC;

from June 2019 to September 2020 – member of the Management Board of ROSSETI Northern Caucasus, PJSC.

Also, in 2014–2015 and 2019, a member of the management bodies and committees of the following companies:

in 2014–2015 – a member of the Board of Directors of Energoservis, OJSC (since April 2015 known as Dagestan Grid Company, JSC), a member of the Committee for Technological Connection to Power Grids at the Board of Directors of IDGC of the Northern Caucasus, OJSC; 2019-2020 – a member of the Board of Directors of Dagestan Grid Company, JSC, a member of the Committee for Technological Connection to Power Grids at the Board of Directors of ROSSETI Northern Caucasus, PJSC, a member of the Reliability Committee at the Board of Directors of ROSSETI Northern Caucasus, PJSC.

### **Boris Khyzyrovich Misirov**

Elected to the Management Board of ROSSETI Northern Caucasus, PJSC, in February 2014. Following the decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC, of September 7, 2020 (Minutes No. 433 dd September 9, 2020), powers of a member of the Management Board belonging to B.K. Misirov were terminated.

Born in 1963.

Education:

- Kalinin Leningrad Polytechnic Institute, Electric Power Stations;
- training under the programs: “Practice of arrangement and performance of regulated purchases of RAO UES of Russia, OJSC, “Arrangement and management of operation and maintenance service of electric distribution grids”.

Positions held over the past 5 years:

from July 2013 to 2019 – First Deputy Director General – Chief Engineer of ROSSETI Northern Caucasus, PJSC;

from February 2014 to September 2020 – member of the Management Board of ROSSETI Northern Caucasus, PJSC;

since May 2020 and as of the end of 2020 – Adviser on Technical Issues in ROSSETI Northern Caucasus, PJSC.

Also, in 2014–2020, a member of the management bodies and committees of the following companies:

in 2014-2020 – member of the Reliability Committee at the Board of Directors of ROSSETI Northern Caucasus, PJSC;

in 2014-2017 – Chairman of the Board of Directors of Dagenergoset, OJSC;

in 2014–2015 – member of the Board of Directors of Energoservis, OJSC (since April 2015 known as Dagestan Grid Company, JSC);

in 2017 – member of the Committee for Technological Connection to Power Grids at the Board of Directors of ROSSETI Northern Caucasus, PJSC.

According to the available information, members of the Management Board of ROSSETI Northern Caucasus, PJSC, do not participate in the authorized capital of ROSSETI Northern Caucasus, PJSC, and its subsidiaries and does not own ordinary shares of ROSSETI Northern Caucasus, PJSC, and its subsidiaries, also, in 2020, they did not make any transactions on acquisition and/or disposal of the Company’s shares.

During 2020, the Company did not provide loan to the member of the Management Board of the Company.

## **Director General – Sole Executive Body of the Company**

The Director General provides guidance of the current activity of the Company in accordance with decisions of the General Meeting of Shareholders, The Board of Directors and the Management Board of the Company, approved in accordance with their competence.

The Director General acts without a power of attorney, taking into account limitations provided for by the legislation, the Charter and decisions of the Board of Directors.

Competence of the Company's Director General includes all matters related to guidance of the current activity of the Company, excluding matters that fall within the competence of the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company. The Director General's competence is established in the Article 23 of the Charter of ROSSETI Northern Caucasus, PJSC.

The Director General is guided by:

- Federal Law “On Joint Stock Companies” and other regulations of the Russian Federation;
- Charter of ROSSETI Northern Caucasus, PJSC;
- labor contract.

The Director General is elected by the Company's Board of Directors by a majority vote, voting is conducted among members of the Board of Directors, taking part in the meeting. Nomination for the position of the Director General of the Company for election by the Company's Board of Directors is carried out following the procedure, established in the internal document, that regulates the process of convening and holding meetings of the Company's Board of Directors.

In accordance with the decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC, dd March 28, 2019 (Minutes No. 375 dd March 28, 2019), **Vitaliy Valerievich Ivanov\*** was elected Director General of ROSSETI Northern Caucasus, PJSC. Information on V.V. Ivanov is presented within the information on the current composition of the Board of Directors.

\* In accordance with the decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC, dd April 2, 2021 (Minutes No. 457 dd April 5, 2021), the powers of Vitaliy Valerievich Ivanov, Director General of ROSSETI Northern Caucasus, PJSC, were terminated ahead of time. Roman Alekseevich Levchenko, Deputy Director General for Relations with Electricity Market Entities of ROSSETI Northern Caucasus, PJSC, was appointed Acting Director General of ROSSETI Northern Caucasus, PJSC, on April 6, 2021, until the decision on appointment of the sole executive body is made by the Board of Directors of ROSSETI Northern Caucasus, PJSC.

In 2020, the Director General of ROSSETI Northern Caucasus, PJSC, did not make transactions on acquisition and/or disposal of shares of ROSSETI Northern Caucasus, PJSC, and/or its subsidiaries and affiliates, does not own the Company's shares.

## 5.2.6. System of Remuneration of Management Bodies and Committees of the Company's Board of Directors

### System of Remuneration of Members of the Board of Directors

Remuneration due to members of the Board of Directors fits with the market conditions and is established so that to ensure attraction of highly qualified specialists to participate in the Company's work and to motivate such specialists for honest and efficient activities.

The procedure for determining and payment of remuneration to members of the Board of Directors is reflected in detail in the Regulation on Payment of Remuneration and Compensations to Members of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

The general procedure for determining and payment of remuneration set forth in the Regulation on Payment of Remuneration and Compensations to Members of the Board of Directors of ROSSETI Northern Caucasus, PJSC, approved by the annual General Meeting of Shareholders on June 25, 2019 (Minutes No. 20 dd June 27, 2019)

#### Remuneration criteria

The principal criterion is participation in meetings and work of the Board of Directors.

Payment of remuneration to a member of the Board of Directors is made on the basis of the work results for the period from the time of the candidate election as a member of the Board of Directors to the time of termination of their power.

Remuneration to each member of the Board of Directors is paid quarterly.

The amount of quarterly remuneration for participation in the Board of Directors of the Company of each member of the Board of Directors of the Company shall be calculated subject to the total number of meetings of the Board of Directors of the Company for the reporting quarter and the number of meetings attended by the relevant member of the Board of Directors.

#### Additional charges and remuneration

The following bonuses shall be additionally determined:

30% of S(1) <sup>1</sup> – to the Chairman of the Board of Directors of the Company;

20% of S(1) – to the Chairman of the Specialized Committee at the Board of Directors of the Company;

10% of S(1) – for membership in the Specialized Committee at the Board of Directors of the Company.

Bonuses for chairmanship and (or) membership in a specialized committee under the Board of Directors of the Company are not paid if no Committee meetings were held in the reporting quarter.

Remuneration shall not be paid, if the member of the Board of Directors of the Company did not attend more than 50% of the meetings held in the reporting quarter.

Remuneration is paid at the expense of the profits from unregulated activities.

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<sup>1</sup> S(1) – amount of quarterly remuneration for participation at the meetings of the Board of Directors

The members of the Board of Directors are also provided with the reimbursement of expenses associated with participation in the meetings of the Board of Directors, a specialized committee under the Board of Directors and General Meetings of Shareholders of the Company, according to the standards for reimbursement of travel expenses established for Top Managers of the Company in force at the time of the meeting.

The text of the regulation is available on the website of ROSSETI Northern Caucasus, PJSC, in the section “For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents”.

**Amount of Paid Remuneration and Costs Compensated to Members of the Board of Directors of ROSSETI Northern Caucasus, PJSC, During 2018-2020, thousand rubles**

Indicator	2020	2019	2018
Remuneration for participation in the management body work	6,572.78	7,073.77	6,123.08
Salary	–	–	–
Bonuses	–	–	–
Fees	–	–	–
Benefits	–	–	–
Other types of remuneration	–	–	–
<b>Total</b>	<b>6,572.78</b>	<b>7,073.77</b>	<b>6,123.08</b>

<b>Reimbursement of expenses</b>	–	103.44	32.69
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**Remuneration to Members of the Management Board**

Management Board members as staff members of ROSSETI Northern Caucasus, PJSC, receive the payment for their work on the positions held in accordance with the labor contracts.

The main document governing the remuneration of Deputy Directors General of ROSSETI Northern Caucasus, PJSC, is the Regulation on Financial Incentives and Social Package of Top Managers of ROSSETI Northern Caucasus, PJSC (approved by the Board of Directors of ROSSETI Northern Caucasus, PJSC, on June 10, 2011, Minutes dd June 15, 2011, No. 76). For work as a part of the governing body, members of the Management Board may receive a monthly allowance of up to 15% of the salary. The amount of such allowance is established by Order of the Director General.

**The amount of the remuneration paid and costs compensated to members of the Management Board of ROSSETI Northern Caucasus, PJSC, during 2018-2020, thousand rubles**

Indicator	2020	2019	2018
Remuneration for participation in the management body work	1,208.68	566,60	441,94
Salary	29,966.67	29,108.5	28,820.79
Bonuses	13,964.30	3,577.87	10,888.94
Fees	–	–	–
Benefits	–	–	–
Other types of remuneration	–	–	–
<b>Total</b>	<b>45,139.65</b>	<b>33,252.97</b>	<b>40,151.67</b>

<b>Reimbursement of expenses</b>	3,470.24	3,141.16	1,920.00
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### **Director General Remuneration**

The Director General's employment conditions, guarantees, and compensation for the period of fulfillment of duties shall be determined by the employment agreements, which terms and conditions are determined by the person authorized by the Board of Directors. The amount of salary and material incentives (remuneration) of the Director General of ROSSETI Northern Caucasus, PJSC, shall be determined in accordance with the Regulation on Financial Incentives for the Director General of ROSSETI Northern Caucasus, PJSC, as approved by the decision of the Board of Directors of IDGC of the Northern Caucasus, OJSC on June 10, 2011 (Minutes No. 76 dd June 15, 2011), and certain decisions of the Board of Directors of the Company.

The Regulation on Financial Incentives for the Director General of ROSSETI Northern Caucasus, PJSC, regulates the amount of the quarterly bonus based on the results of personal efficiency assessment of the activity and annual bonus for achieving KPIs and also considers additional special bonus and lump sum payments for performing especially important tasks (work).

### **Remuneration to Members of the Committees under the Board of Directors**

Payment of remunerations to members of the committees at the Board of Directors shall be made in compliance with the Regulations on Payment of Remuneration and Compensations to Members of the Committees. The texts of the Regulations are available on the website of ROSSETI Northern Caucasus, PJSC, in the section "For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents".

### **Remuneration for Participation in Each Meeting Held in the Form of Joint Presence**

A member of the Committee shall receive the remuneration in the amount equivalent to two minimal monthly wages of the first category worker established by the sectoral tariff agreement in the power complex of the Russian Federation (the Agreement) on the day of the committee meeting, taking into account indexation established by the Agreement.

To the Chairman (Deputy Chairman) for the meeting where he or she served as Chairman of the Committee, remuneration was increased by 50%.

### **Remuneration for participation in each meeting held in absentia**

A member of the Committee shall be paid remuneration in the amount equivalent to a minimum monthly tariff rate of the first category worker subject to indexation established by the Agreement.

For Chairman (Deputy Chairman) of the Committee for the meeting where he or she acted as Chairman of the Committee, the remuneration was increased by 50%. In case the Chairman and (or) members of the Committees at the Board of Directors are simultaneously members of the Board of Directors of the Company, payment of the remuneration due to them shall be affected following the procedure and in the amount as stipulated by the bylaws of the Company governing payment of remuneration and compensations to members of the Board of Directors of the Company as approved by the General Meeting of Shareholders of the Company.



**Remuneration paid to members of the committees of the Board of Directors of ROSSETI Northern Caucasus, PJSC, in 2018-2020, thousand rubles**

<b>Committee</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Strategy Committee	51.86	572.58	38.78
Personnel and Remuneration Committee	–	107.46	55.38
Reliability Committee	30.25	90.48	137.64
Audit Committee	–	–	–
Committee for Technological Connection to Electric Power Grids	25.93	41.68	66.47
<b>Total</b>	108.04	812.20	298.27

Remuneration payment was made in cash.

### 5.2.7. Conflict of Interest Prevention

ROSSETI Northern Caucasus, PJSC, in 2020, updated the organizational and administrative document, regulating prevention, detection and regulation of conflict of interest (Order No. 22 dd January 24, 2020 "On Amendment to the Order No. 834 dd December 29, 2018").

Within the task of the annual declaration of conflict of interest, in the first half of 2020 the campaign was carried out on the annual declaration of conflict of interest of employees of administrative personnel of the executive office of the Company and controlled Companies for 2019 in accordance with Order of IDGC of the Northern Caucasus, PJSC, of March 2017, 2016, No. 834 "On Measures to Prevent Corruption – to Prevent and Settle the Conflict of Interest in IDGC of the Northern Caucasus, PJSC, and Controlled Companies". In total, 2,043 employees were declared. In the course of declaring one case of pre-conflict situations (conflict of interest) was discovered regarding the Company's employees in connection with their nearest relatives working under their direct control, i.e., one of the relatives in the course of its employment duties performing participates in decisions making that may result in material or non-material benefit for another relative. Results of the declaration campaign for 2019 were considered on April 28, 2020, at the meeting of the Commission of ROSSETI Northern Caucasus, PJSC, and controlled companies on the compliance with corporate ethics and settlement of the conflict of interest (Minutes No. 2 dd April 29, 2020).

As a part of implementation of standards and procedures aimed at ensuring conscientious work into in order to detect acts of affiliation and other misconduct, in Q1 2020, measures on verification of income, property and property obligations data were implemented in relation to employees replacing positions in ROSSETI Northern Caucasus, PJSC, and managed companies, and their close relatives in 2019.

Number of declarants who filed their income, property and property obligations certificates for verification is 95 people.

As a result of verification, no affiliation, conflict of interest, pre-conflict situations, and other misconduct regarding occupied positions were detected.

In 2020, declarations of conflicts of interest and biographical details were verified in regard of 2,953 candidates when hiring or transferring to work, as a result of which the relevant opinions were made. 79 opinions that influenced the decision on non-conclusion of the employment agreement with the candidate for the vacant position.

### **5.3. Internal Control, Risk Management and Internal Audit**

#### **Internal Control System**

The Company's Internal Control System (ICS) is an element of the Company's general management system aimed at providing reasonable guarantees for achieving the objectives in the following areas:

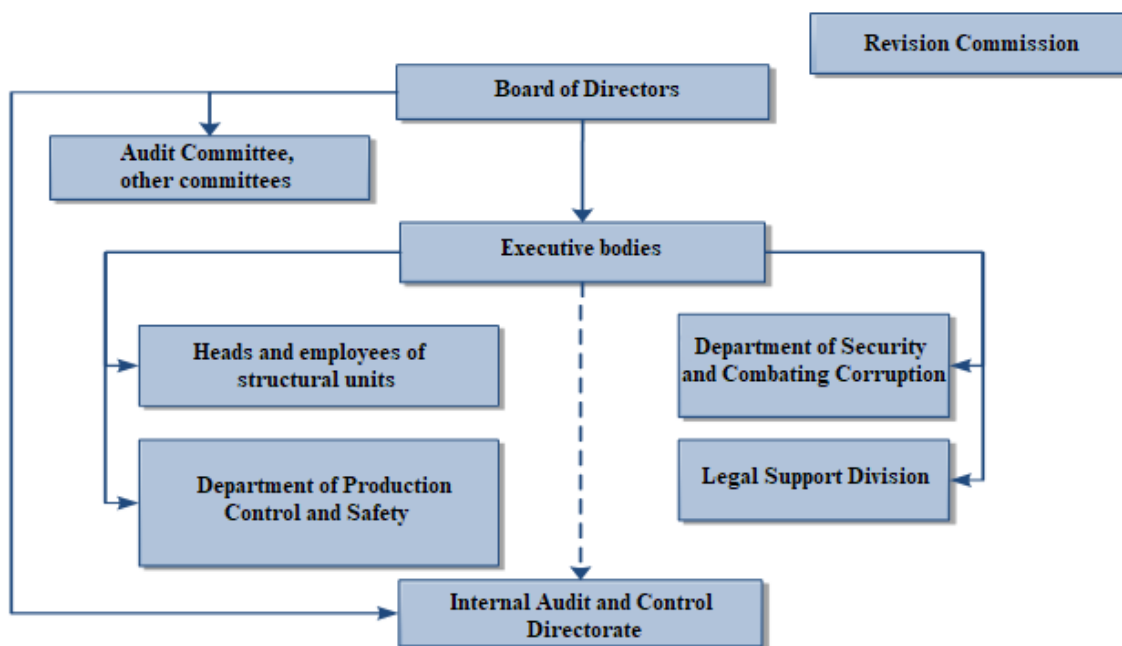
- efficiency and effectiveness of the Company's operations, including achievement of financial and operating indicators, safety of the Company's assets;
- compliance with the legal requirements applicable to the Company and the local regulations of the Company, including in the performance of business activities and maintenance of accounting records;
- ensuring consistency and timeliness of accounting (financial) and other statements.

The Internal Control System is risk-oriented, control procedures are developed taking into consideration the risks and are established to provide the reasonable guarantee that reaction to any appearing risk happens effectively and timely.

The Internal Control System covers all areas of the Company's activities; control procedures shall be complied with continuously within all the processes (areas of activities) of the Company at all the management levels subject to the three-line protection model:

- at the level of management bodies (sole executive body and collective executive body), the Company's units and subdivisions implementing the control procedures to perform their functions and official duties – the first line of protection;
- at the level of the Company's control subdivisions – the second line of protection;
- at the level of the internal audit subdivision – the third line of protection.

## Participants of the Internal Control System



Functions of participants of the Internal Control System are established in the Internal Control Policy of the Company, by regulations on structural subdivisions and presented in the table (Appendix No. 5 to the Russian version of the Annual Report).

To ensure implementation and support of the effective system of the internal control operating complying with generally accepted practices and performance standards in the sphere of internal control and with the requirements made by controllers and assisting to achieve the Company's operations goals the Decision made by the Board of Directors on March 14, 2016 (Minutes No. 230) ratified the Internal Control Policy of ROSSETI Northern Caucasus, PJSC (as amended). The internal control policy defines the objectives, principles of operation and elements of the Internal Control System of the Company, main functions and responsibility of the Internal Control System participants, procedure to assess efficiency of the Internal Control System.

The Company has the Procedure for Implementation of the Requirements of the Internal Control Policy, which explains the practical aspects of the application of the standards established by the Internal Control Policy.

Control procedures for processes and sub-processes of the core and ancillary activities, as well as the management processes of the Company are documented in the control and risk matrices.

To guarantee that the Internal Control System is efficient and conforms to the objectively changing requirements and conditions, the Company's internal auditor assesses the efficiency of the Internal Control System for conformity to the target condition and maturity level.

The report of the internal auditor on assessing the efficiency of the Internal Control System in 2020 was preliminarily reviewed by the Audit Committee of the Board of Directors on April 19, 2021 (Minutes No. 132 dd April 19, 2021) and will also be considered at a meeting of the Company's Board of Directors. At year-end 2019, the the Internal Control System maturity level was at the "Moderate" maturity level (average score 3.8; total score – 210.0).

**Key measures, aimed at improvement of effectiveness of the Internal Control System in the Company, implemented in 2020:**

- improvement of effectiveness of the Risk Assessment component and its full implementation in the Internal Control System;
- development of the functional KPIs system in relation to objectives of business processes;
- adaptation of standard risks of business processes in the regulatory documents on business processes;
- elimination of design flaws of separate control procedures noted in the report in relation to a number of business processes;
- synchronization of implementation of automated monitoring procedures with automation of business processes;
- full and timely elimination of internal control system's flaws, detected by internal auditor, the Revision Commission, external control and supervision bodies.

**Measures for improvement of the Internal Control System in 2021:**

- implementation of model and passports for business processes of ROSSETI Northern Caucasus, PJSC;
- implementation of matrix of cross-cutting conditions for effectiveness and performance assessment of business processes owners in ROSSETI Northern Caucasus, PJSC;
- development of methods for calculation and achievement assessment of KPIs by management of the Company taking into account identified risks (approved register of risks of the Company) in accordance with approved business processes passports and matrix of cross-cutting conditions for effectiveness and performance assessment of business processes owners with calculation of KPI's share in the bonus system;
- updating normative and methodological base in the area of internal control;
- updating regulations on structural units, development and updating of regulatory documents (including documents that regulate information exchange between a customer and a contractor during business processes) in accordance with approved passports of business processes;
- implementation of an effective system of anti-corruption compliance into the general system of internal control and risk management system;
- implementation of monitoring mechanism for financial stability, support of liquidation procedures and bankruptcy of the Company's counteragents.

**Risk Management System**

The Company has the Risk Management System (RMS) aimed at ensuring reasonable confidence in achieving of the Company's objectives, established in the Development Strategy of the Power Grid Complex, program documents on development and the Company's Charter, and ensuring increase in the Company's value while keeping the balance of interest of all stakeholders.

The Risk Management System of the Company is based on the following principles:

- risk management is a necessary part of all organizational processes;
- risk management is a part of decision-making process;
- risk management is systematic, structured and timely;
- risk management is based on the best information available;
- risk management is transparent and takes into account interest of stakeholders;

- risk management is dynamic, iterative (repeating) and responsive to changes;
- risk management is beneficial for constant improvement of organisation;

- all participants of the Risk Management System are responsible for detection, assessment, analysis and constant monitoring of risks within their area of operation, development and implementation of necessary measures for risk management, constant monitoring of the risk management measures effectiveness.

For the purpose of the Risk Management System functioning in ROSSETI Northern Caucasus, PJSC, the Board of Directors of ROSSETI Northern Caucasus, PJSC, approved the Risk Management Policy (Minutes No. 231 dd March 25, 2016). The Risk Management Policy determines objectives, principles of functioning and elements of the Risk Management within the Company, main functions and responsibilities of participants of the Risk Management System, type of assessment of the Risk Management System effectiveness.

Besides, the following methodological documents related to risk management are in effect in the Company (Order No. 176 dd April 23, 2020):

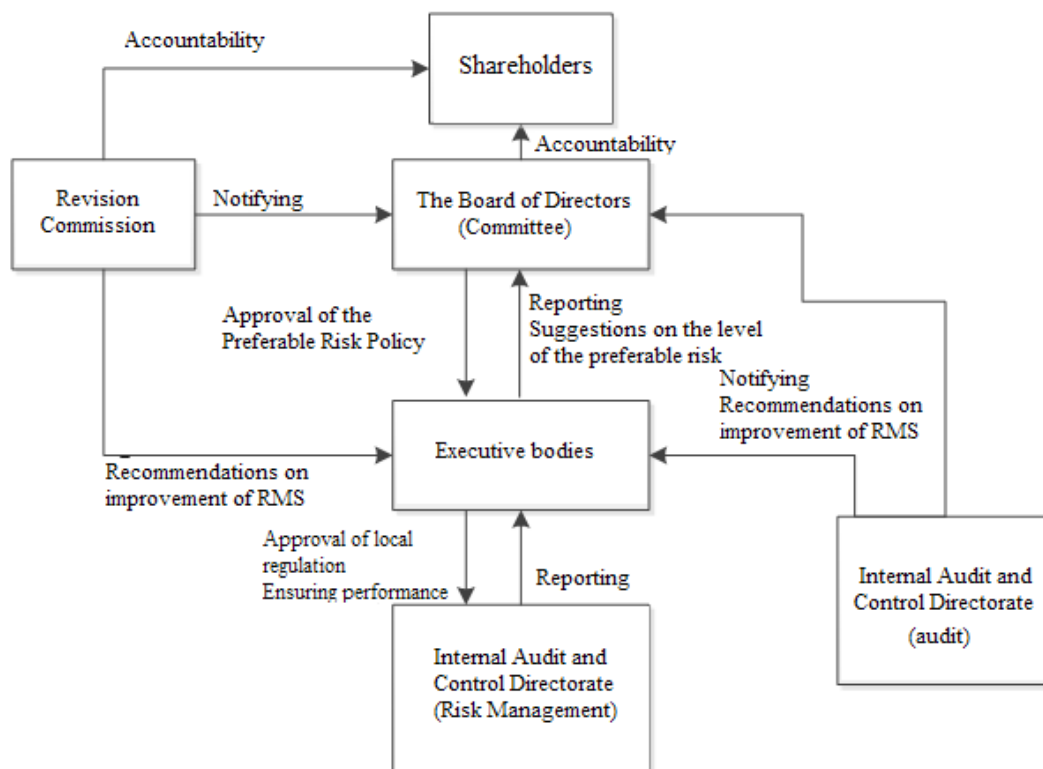
- Regulation on Risk Management of the Company;
- risk-tree model;
- maturity of the Risk Management System model.

### **Participants of the Risk Management System**

The Company established the Internal Audit and Control Directorate, which, in accordance with the Risk Management System and the Regulation on the Unit, was assigned functions of implementation and application of common approaches for development, management and coordination in the Risk Management System of the Company.

Functions of participants in the Risk Management System are established in the Risk Management Policy of the Company, Regulations on structural units, instructions of officials, and are presented in the Appendix No. 6 to the Russian version of the Annual Report.

The interaction between participants of the Risk Management System within the Company is presented in the figure.



To ensure that the Risk Management System is in effect and is in line with objectively changing requirements and conditions, the internal auditor of the Company assesses performance of the Risk Management System – its correspondence with the target state and level of maturity.

The issue of performance assessment of RMS for 2020 was preliminarily reviewed at the meeting of the Audit Committee of the Board of Directors in ROSSETI Northern Caucasus, PJSC, on April 19, 2021 (Minutes No. 132 dd April 19, 2021), and is going to be considered at the meeting of the Board of Directors of ROSSETI Northern Caucasus, PJSC.

For 2019, the level of maturity of the Risk Management System was at the "Moderate" level of maturity (average score is 3.8).

#### **Key measures aimed at improvement of the Risk Management System performance, implemented in 2020:**

- establishment of a risk register, a risk map, a plan of risk management measures of ROSSETI Northern Caucasus, PJSC, for 2020, and approval by the Company's Management Board (Minutes No. 239 dd October 15, 2020);
- approval of methodological documents in the area of identification, analysis and assessment of the Company's risks, response to risks, and documentation of information on them, as well as internal documents related to assessment of the maturity level of the Company's risk management.

#### **Measures for improvement of the Risk Management System for 2021:**

- updating the Risk Management Policy on the basis of principles of the COSO concept "Risk Management of organisation. Integration with the strategy and effectiveness of activity", and standard ISO 31000-2018 "Management of risks - guide";
- implementation of control measures for assessment of sufficiency, effectiveness and result of risk management measures;

- implementation of common methodology for determining risk appetite in accordance with standards of the ROSSETI Group of Companies;
- implementation of training measures for management and employees in relation to matters of organization and functioning of the Risk Management System.

### Indicators of Risk Management and Internal Control

Indicators	Measure ment unit	Time period			
		2018	2019	2020	Variation 2020/2019, %
Risks of critical level if significance	pcs.	–	–	1	–
Risks of moderate level if significance	pcs.	–	–	14	–
Internal assessment of ICS performance	points	4.3	3.8	–	–
Internal assessment of RMS performance	points	4.2	3.8	–	–
Control measures aimed at corruption prevention, detection of corruption risks, official investigation, complex review of financial and economic activity of branches, during which presence of corruption activity was checked	pcs.	4,604	5,329	5,484	1.02
Anti-corruption monitoring of procurement stages (inspection of analytical notes, issues reviewed at the meeting of the Central Procurement Body (Central Tender Commission), conduct of anti-corruption examination of drafts of contracts, verification of procurement participants for potential affiliation with employees of the Company	pcs.	3,122	3,398	3,665	1.07
Prevented financial loss as a result of the conducted work	million rubles	20.8	305.1	340.8	1.11
Number of counteragents subject to bankruptcy procedures	pcs.	33	34	38	11.76
Size of requirements of the Company, included in the register of creditor requirements or aimed at debtors who are in the process of bankruptcy procedures, on current payments	million rubles	8,225.68	8,270.65	9,327.85	12.78
Total amount of money added to the budget of the Company after receiving it for counteragents who are in the process of bankruptcy procedures	million rubles	11.719	41.349	39.369	–4.79
Amount of money for overdue accounts payable of counteragent who are in the process of bankruptcy procedures	million rubles	40.8	32.2	498.1	1,446.89
Amount of money saved by the Company in relation to purchase of own debt at the auction in front of debtors who are in the process of bankruptcy procedures	million rubles	0	0	0	0
Total amount for transactions between the Company and counteragents who are in the process of bankruptcy procedures, that were declared invalid	million rubles	0	0	0	0

### Internal Auditing

Business unit responsible for the implementation of the internal audit function in the Company is the Internal Audit and Control Directorate.

Internal Audit functionally reports to the Board of Directors of the Company, which means that the Board of Directors implements control and organization of the internal audit function, including approval of the plan of the internal audit activity, report on implementation of the plan

of the internal audit and the budget of the internal audit business unit, the approval of the appointment decision, removal from office and determination of the remuneration of the head of the internal audit business unit.

The goal of Internal Audit is assisting the Board of Directors and Executive Bodies of the Company in enhancement of efficiency of the Company management, improvement of their financial and economic activities, inter alia – by way of a systemic and consistent approach to analysis and assessment of the systems of risk management, internal control and corporate governance as instruments for ensuring reasonable assuredness of achievement of the goals set by the Company.

Targets and objectives, main principles of organization and operation of internal audit, functions and responsibilities of internal audit are defined in the Internal Audit Policy of ROSSETI Northern Caucasus, PJSC (as amended), approved by the decision of the Board of Directors on December 13, 2019. (Minutes No. 402 dd December 16, 2019).

In 2020, the average number of employees that perform the internal audit function was 4 persons.

The Company approved the following documents that regulate internal audit function:

- Internal Audit Policy of the Company and Code of Ethics for Internal Auditors approved by the decision of the Board of Directors dd December 13, 2019 (Minutes No. 402);
- Regulation on the Internal Audit and Control Directorate approved by the decision of the Board of Directors of the Company dd April 21, 2017 (Minutes No. 294);
- Internal Audit Quality Guarantee and Improvement Program approved by the decision of the Board of Directors dd December 26, 2016 (Minutes No. 274);
- internal standards of internal audit activity and standards of practical application developed in accordance with the International Standards for the Professional Practice of Internal Auditing.

The feedback from the Audit Committee is provided by the head of internal audit in various forms during the interaction with the Audit Committee, including analysis of decisions/recommendations of the Audit Committee on issues falling within the competence of the internal audit, as well as through polling of members of the Audit Committee.

The indicator of satisfaction of the Audit Committee at the Board of Directors of the Company with the performance of the Internal Audit Business Unit (the average weighted points on the questionnaires of voted members of the Audit Committee to the number of voted members) according to the results of 2020 corresponds to the assessment “conformity” in accordance with the Internal Audit Quality Guarantee and Improvement Program of the Company approved on December 26, 2016 (Minutes No. 274).

In 2019, KPMG, JSC, conducted an external independent assessment of the internal audit activity of the Company. Based on the results of this assessment, a report by KPMG, JSC, was received, according to which the internal audit activity of the Company does not meet the requirements of the International Professional Standards of Internal Audit, the Code of Ethics and the Internal Audit Policy. Also, KPMG, JSC, received recommendations to improve the internal audit activity were made.



The Action Plan for development and improvement of the Company's internal audit performance for 2020-2024, based on directions of improvement noted by members of the Audit Committee and recommendations provided by an external independent expert, the plan was approved by the decision of the Company's Board of Directors No. 417 dd April 8, 2020.

### **Revision Commission**

For the purpose of exercising control over financial and economic activities of the Company the General Meeting of Shareholders elects the Revision Commission of the Company.

Objectives of the Revision Commission are as follows:

- exercise of control over financial and economic activities of the company;
- independent assessment of the data contained in the company's annual report and annual financial statements, report on transactions with interest.

The competence of the Revision Commission is established by Article 85 of Federal Law dd December 26, 1995, No. 208-FZ “On Joint Stock Companies” and Article 24 of the Charter of ROSSETI Northern Caucasus, PJSC.

The Revision Commission functions as set forth in the Regulation on the Revision Commission of ROSSETI Northern Caucasus, PJSC approved by the resolution of the Annual General Meeting of Shareholders (Minutes dd June 19, 2017, No. 18). The text of the regulation is available on the website of ROSSETI Northern Caucasus, PJSC, in the section “For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents”.

Competence of the Revision Commission of the Company includes:

- inspection (revision) of financial, accounting, payment and other documentation of the Company, related to financial and economic activities of the Company, for the purpose of checking for compliance with legislation of the Russian Federation, the Charter and internal documents of the Company;
- inspection and analysis of financial situation of the Company, its capacity to pay, performance of the Internal Control System and Risk Management System, liquidity of assets, ratio between own funds and leverage, proper and timely of accrual and payment of interest on bonds, income from other securities;
- monitoring of the Company's expenditure in accordance with approved business plan and budget of the Company;
- monitoring of use of reserve and other special funds of the Company;
- monitoring of timeliness and validity of processing of banking operations with counterparties and budget, as well as operations for remuneration, social insurance, dividend calculation and payments and other banking operations;
- monitoring compliance with the established procedure for write-off of the Company's losses due to insolvent debtors;
- inspection of economic operations of the Company performed in accordance with concluded contracts;
- inspection of compliance with regulations, approved estimates and other documentation, regulating the Company's activities, while utilizing material, labour and financial resources during financial and economic activities of active contracts;
- monitoring preservation and use of fixed assets;

- inspection of funds and property of the Company, effectiveness of use of assets and other resources of the Company, identification of causes of non-production losses and expenses, finding reserves to improve financial situation of the Company;
- inspection of compliance with requirements for elimination of violations and flaws previously identified by the Revision Commission of the Company;
- development of recommendations for management bodies of the Company;
- performance of other actions (measures) in relation to inspection of financial and economic activity of the Company.

The Revision Commission has a right (and if a serious violation within financial and economic activity of the Company is found, it is required) to demand an unplanned General Meeting of Shareholders.

In 2020, in accordance with the decision of the Revision Commission of ROSSETI Northern Caucasus, PJSC, of March 20, 2020 (Minutes No. 2) revision was conducted by the Revision Commission in regards to financial and economic activity of ROSSETI Northern Caucasus, PJSC, for 2019, for a period of time from March 23, 2020 to April 15, 2020. The revision program of financial and economic activity of the Company for 2019 was approved by the decision of the Revision Commission of ROSSETI Northern Caucasus, PJSC, of March 20, 2020 (Minutes No. 2).

Said program includes following areas:

- analysis of main indicators of production, financial and economic activity of the Company (trends in indicators, execution of target indicators, etc.);
- inspection of the Company's activity in the area of preservation of assets;
- authenticity assessment of the annual accounting (financial) report;
- assessment of the financial situation of the Company;
- authenticity assessment of the Annual Report of the Company;
- authenticity assessment of data provided in the report on transactions performed during the reporting year by the Company, which the Company had interest in;
- inspection of elimination of violations and flaws, detected during previous revisions of the Company;
- analysis of technological price audit results regarding reports on implementation of the investment program;
- other issues identified during the revision.

Opinion (act) of the Revision Commission was approved by the Revision Commission of ROSSETI Northern Caucasus, PJSC (Minutes No. 3 dd April 15, 2020), which states about authenticity of data, provided in the Annual Report for 2019, accounting (financial) report of the Company for 2019, report on transactions performed in 2019, which the Company had interest in, in all significant aspects. This Opinion was added to documentation, provided to shareholders of ROSSETI Northern Caucasus, PJSC, when preparing for Annual General Meeting of Shareholders of the Company in 2020.

The Action Plan of the Revision Commission of ROSSETI Northern Caucasus, PJSC, for 2020-2021 was approved by the Revision Commission of the Company on June 5, 2020 (Minutes of the Meeting No. 1) and December 7, 2020 (Minutes of the Meeting No. 1ns/2020).

### Composition of the Revision Commission

Quantitative composition of the Revision Commission – 5 persons.

At the end of 2020, the composition of the Revision Commission elected by the Annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, on November 23, 2020, was in effect (Minutes No. 23 dd November 27, 2020).

Item No.	Full name	Position (as of the candidate nomination)
1	Svetlana Nikolaevna Kovaleva (Chairwoman of the Revision Commission)	Director for Internal Audit - Head of the Internal Audit Department at FGC UES, PJSC; also, Director for Internal Audit – Head of the Internal Audit Department at ROSSETI, PJSC
2	Olga Gennadevna Pyatakova	Chief Expert of the Operational Audit Directorate of the Internal Audit Department at FGC UES, PJSC; also, Chief Expert of the Operational Audit Directorate of the Internal Audit Department at ROSSETI, PJSC
3	Oleg Nikolaevich Totmjanin	Chief Expert of the Methodology and Reporting Division of the Internal Audit Department at FGC UES, PJSC; also, Chief Expert of the Methodology and Reporting Division of the Internal Audit Department at ROSSETI, PJSC
4	Svetlana Mikhailovna Trishina	Deputy Head of the Internal Audit Department – Head of the Corporate Audit and Control Department of the Subsidiary of the Internal Audit Department FGC UES, PJSC; also, Deputy Head of the Internal Audit Department – Head of the Corporate Audit and Control Department of the Subsidiary of the Internal Audit Department ROSSETI, PJSC
5	Victor Vladimirovich Tsarkov	First Deputy Head of the Internal Audit Department at FGC UES, PJSC; also, First Deputy Head of the Internal Audit Department at ROSSETI, PJSC

#### **Svetlana Nikolaevna Kovaleva**

#### **Chairwoman of the Revision Commission of ROSSETI Northern Caucasus, PJSC**

Born in 1980.

Education: 2002, higher education, University of Civil Aviation, jurisprudence.

#### Information on occupied positions:

since 2013 and as of the end of 2020 – First Deputy Head Law Department, Director of Internal Audit – Head of the Internal Audit Department in FGC UES, PJSC;

since June 2020 and as of the end of 2020 – Director for Internal Audit – Head of the Internal Audit Department at ROSSETI, PJSC.

In 2020, is a member of Revision Commissions in Centre for Engineering and Construction Management of EUS, JSC (Chairwoman of the Revision Commission), Moscow Communications Centre for Power Industry, JSC (Chairwoman of the Revision Commission),

Tomsk Trunk Grids, JSC (Chairwoman of the Revision Commission), Elektrosetservice UNEG, JSC (Chairwoman of the Revision Commission), Kuban Trunk Grids, JSC (Chairwoman of the Revision Commission), Association Russian National Committee (RNC CIGRE) (Chairwoman of the Revision Commission), Inter RAO UES, PJSC, Association Digital Energy Industry (Auditor), Association Russian National Committee of World Energy Council (Chairwoman of the Revision Commission), Dagestan Energy Supply Company, PJSC (Chairwoman of the Revision Commission), ROSSETI Northern Caucasus, PJSC (Chairwoman of the Revision Commission), Sevkavkazenergo, JSC (Chairwoman of the Revision Commission), Kalmenergosbyt, JSC (Chairwoman of the Revision Commission), Karachaevo-Cherkessenergo, JSC (Chairwoman of the Revision Commission), ROSSETI Tyumen, JSC, Yantarenergo, JSC, Tyvaenergosbyt, JSC (Chairwoman of the Revision Commission), FOCL-OL Directorate, JSC (Chairwoman of the Revision Commission), NIC UES, JSC (Chairwoman of the Revision Commission), Infrastructure Investments – 3, LLC (Auditor), Center of Technical Customer, JSC (Chairwoman of the Revision Commission).

### **Olga Gennadevna Pyatakova**

Born in 1974.

Education:

- 1996, higher education, Volgograd State University of Architecture and Civil Engineering, Industrial and Civil Construction, Civil Engineer;
- 2007, higher education, Plekhanov Russian University of Economics, Enterprise Economics and Management, Finance and Credit, Economist.

#### Information on occupied positions:

- since February 2014 and as of the end of 2020 – Chief Expert – Head of Construction Audit and Investment Projects Expertise Group, Internal Control and Risk Management Department; Chief Expert of Operation Audit Division, Chief Expert on Operational Audit Management, Internal Audit Department in FGC UES, PJSC;
- since June 2020 and as of the end of 2020 – Chief Expert on Operational Audit Management, Internal Audit Department of ROSSETI, PJSC.

Since November 2020 – member of the Revision Commissions of Sevkavkazenergo, JSC, ROSSETI Northern Caucasus, PJSC, Tyvaenergosbyt, JSC, MUS ENERGETIKI, JSC.

### **Oleg Nikolaevich Totmjanin**

Born in 1981.

Education:

- 2003, higher education, Udmurt State University, Technology and Entrepreneurship;
- 2009, higher education, Udmurt State University, Jurisprudence.

#### Information on occupied positions:

- since October 2017 and as of the end of 2020 – Chief Expert of the Methodology and Reporting Department, Head of the Project of Methodology and Reporting Department, Chief Expert on Operational Audit Management, Internal Audit Department in FGC UES, PJSC;
- since June 2020 and as of the end of 2020 – Chief Expert on Operational Audit Management, Internal Audit Department in ROSSETI, PJSC.

In 2020, member of the Revision Commission of Tomsk Trunk Grids, JSC, Dagestan Energy Supply Company, PJSC, ROSSETI Northern Caucasus, PJSC.

**Svetlana Mikhailovna Trishina**

Born in 1979.

Education: Amur State University, Finance and Credit, Economist of Financial Aspect, bank employee.

Information on occupied positions:

- from January 2007 to February 2017 – Head of the Record-Keeping of the Corporate Record-Keeping and Reporting Department in RusHydro, PJSC;
- since March 2017 and as of the end of 2020 – Head of Financial Audit Department; Head of Financial Audit, Methodology and Reporting Department; Head of the Corporate Audit and Subsidiaries Control Department; Deputy Head of the Internal Audit Department, Head of the Internal Audit Department – Head of Corporate Audit and Subsidiaries Control of the Internal Audit Department in FGC UES, PJSC;
- since June 2020 and as of the end of 2020 – Deputy Head of the Internal Audit Department – Head of Corporate Audit and Subsidiaries Control of the Internal Audit Department in ROSSETI, PJSC.

In 2020, member of Revision Commission of IT Energy Services, LLC (Chairwoman of the Revision Commission), G. M. Khrzhizhanovsky Power Engineering Institute, JSC, Mobile Gas-Turbin Power Plant, JSC (Chairwoman of the Revision Commission), R&D Centre of UES, JSC, Energostroysnabkomplekt of Unified Energy System, JSC, Kuban Trunk Grids, JSC, Tomsk Trunk Grids, JSC, Elektroservice UNEG, JSC, ROSSETI Northern Caucasus, PJSC, Dagestan Energy Supply Company, PJSC, ROSSETI Tyumen, JSC, Yantarenergo, JSC (Chairwoman of the Revision Commission), Karachaevo-Cherkesskenergo, JSC, Kalmenergosbyt, JSC, Tyvaenergosbyt, JSC, Center of Technical Customer, JSC, FOCL-OL Directorate, JSC, NIC UES, JSC.

**Victor Vladimirovich Tsarkov**

Born in 1977.

Education:

- 2005, higher education, Moscow University of Economics, Management and Law, Economist;
- 2007, higher education, Russian Academy of Public Administration under the President of the Russian Federation, Manager.

Information on occupied positions:

- 2013-2016 – Adviser to the Director of System Operator of Unified Energy System, PJSC;
- since 2017 and as of the end of 2020 – Deputy Head of the Department, First Deputy Head of the Internal Audit Department of FGC UES, PJSC;
- since June 2020 and as of the end of 2020 – First Deputy Head of the Internal Audit Department of ROSSETI, PJSC.

In 2020, member of Revision Commissions of ROSSETI Tyumen, JSC, Yantarenergo, JSC, Dagestan Energy Supply Company, PJSC, Sevkvkazenergo, JSC, Karachaevo-Cherkesskenergo, JSC, Kalmenergosbyt, JSC, Tyvaenergosbyt, JSC, CTZ, JSC, FOCL-OL Directorate, JSC, NIC UES, JSC, ROSSETI Northern Caucasus, PJSC, Chitatehenergo, JSC, Mobile Gas-Turbin Power Plant, JSC, Elektroservice UNEG, JSC, Energostroysnabkomplekt of Unified Energy System, JSC, Tomsk Trunk Grids, JSC, Kuban Trunk Grids, JSC.

Since the date of the Annual General Meeting of Shareholders, held on May 29, 2020, until unplanned General Meeting of Shareholders was held on November 23, 2020, the following composition of the Revision Commission elected by the Annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC, on May 29, 2020, was in effect (Minutes No. 22 dd May 29, 2020).

<b>Item No.</b>	<b>Full name</b>	<b>Position (as of the candidate nomination)</b>
1	Lelekova Marina Alekseyevna (resigned from the positions of Chairwoman of the Revision Commission and member of the Revision Commission on July 17, 2020)	Director for Internal Control and Risk Management Department, ROSSETI, PJSC
2	Kim Svetlana Anatolyevna	Head of Oversight Activities of the Internal Control and Risk Management Department of ROSSETI, PJSC
3	Kabizskina Yelena Alexandrovna	Chief Expert on Oversight Activities Management of the Internal Control and Risk Management Department of ROSSETI, PJSC
4	Kirillov Artem Nikolayevich	Chief Expert on Oversight Activities Management of the Internal Control and Risk Management Department of ROSSETI, PJSC
5	Malyshev Sergey Vladimirovich	Leading Expert on Oversight Activities Management of the Internal Control and Risk Management Department of ROSSETI, PJSC

As of beginning of 2020 (until the date of Annual General Meeting of Shareholders), composition of the Revision Commission was in effect, chosen by the Annual General Meeting of Shareholder of ROSSETI Northern Caucasus, PJSC, of June 25, 2019 (Minutes No. 20 dd June 27, 2019), similar to the composition, chosen by the Annual General Meeting of Shareholder of ROSSETI Northern Caucasus, PJSC, on May 29, 2020 (Minutes No. 22 dd May 29, 2020).

According to the information available, in 2020, the members of the Revision Commission did not participate in the authorized capital of ROSSETI Northern Caucasus, PJSC, and its subsidiaries and did not own ordinary shares of ROSSETI Northern Caucasus, PJSC, and its subsidiaries.

### **Remuneration of Members of the Revision Commission**

In May 2018, the Annual General Meeting of Shareholders approved the revised Regulation on Payment of Remuneration and Compensations to Members of the Revision Commission (Minutes No. 19 dd May 29, 2018).

The remuneration is paid to a member of the Company Revision Commission based on the results of work for the corporate year and depends on the degree of their participation in the work of the Revision Commission.

Compensation to a member of the Revision Commission is determined by the base portion of remuneration. The basic remuneration to a member of the Revision Commission is established on the basis of the Company revenue calculated according to the Russian Accounting Standards for a fiscal year. The personal participation coefficient is also taken into account, as it reflects the participation of a member of the Revision Commission in the meetings of the Revision Commission, as well as their performance of additional duties as the Chairperson or the Secretary of the Revision Commission. A member of the Revision Commission who did not participate in more than half of the meetings held during their membership in the Revision Commission shall not

be paid any remuneration. If, during the corporate year, a member of the Revision Commission actively participated in additional reviews carried out by the Audit Commission or control actions undertaken by the Audit Commission or control actions dedicated to individual issues that were made by decision of the General Meeting of Shareholders, the Board of Directors of the Company or upon demand of the shareholder(s) of the Company jointly holding at least 10 % of voting shares of the Company, Chairman of the Revision Commission shall be entitled to solicit from the General Meeting of Shareholders the increase in the actual amount of remuneration.

The Company shall reimburse the documented expenses associated with participation in the activities of the Revision Commission of the Company to the members of the Revision Commission who are not subject to any restrictions or a ban on receiving any payments from commercial organizations in accordance with federal laws, in case of visiting the Company's facilities, participating in the meetings of the Revision Commission of the Company held at the actual location of the Company, as well as performing other tasks of the Revision Commission of the Company.

The text of this Regulation is available on the corporate website of ROSSETI Northern Caucasus, PJSC, in the section "For Shareholders and Investors/Charter and Bylaws/Corporate Governance Procedures Documents".

In 2020, payments to members of the Revision Commission amounted to 707.64 thousand rubles. Remuneration payment was made in cash.

This Regulation also provides for payment to members of the Revision Commission of the Company of expenses related to participation in the activities of the Company's Revision Commission. In 2020, such compensation of the Company's expenses was not paid.

#### **5.4. Auditor**

##### **Key information on the auditor of ROSSETI Northern Caucasus, PJSC**

Full business name Ernst and Young, Limited Liability Company

Abbreviated business name Ernst and Young, LLC

TIN [Taxpayer's Identification Number] 7709383532.

PSRN [Principal State Registration Number]: 1027739707203

Location: 77 Sadovnicheskaya Embankment, Building 1, 115035 Moscow

Website: <http://ey.com/>

E-mail: [rfp@ru.ey.com](mailto:rfp@ru.ey.com)

Reception phone/fax: +7 (495) 755-97-00/755-97-01

Ernst & Young, LLC, is a member of the Self-Regulatory Organization of Auditors of the Association "Sodruzhestvo", abbreviated name – SRO AAS (main registration record number in the register of audit organizations: 12006020327).

Ernst and Young, LLC, is the member of the Big Four of the international companies being trusted leaders in the sphere of consulting and audit.

Ernst and Young, LLC, has been operating in Russia from 1989. The Company has sufficient industry practice both an auditor and a consultant in the industry. Besides, Ernst and Young, LLC, audited the financial statements of ROSSETI Northern Caucasus, PJSC, for 2014, 2018 and 2019.

## **Auditor Selection Procedure**

Ernst and Young, LLC, was claimed the winner of an open one-stage tender without qualification pre-selection for the right to conclude an agreement to make the binding annual audit of the statements of ROSSETI, PJSC subsidiaries and affiliates for 2018–2020 (Minutes No. 13/595r of the meeting held by Tender Commission of ROSSETI, PJSC).

The nominee for an auditor shall be determined in the course of an auditors tender by the issuer.

To participate in such tender auditing companies shall comply with the following requirements:

- have civil capacity in full to enter and perform the agreement;
- shall not undergo liquidation procedure;
- there shall be no valid decision made by the arbitration court to declare the bidder a bankrupt and to open the bankruptcy proceedings;
- the bidder's property in the part being essential to execute the agreement shall not be arrested;
- the bidder's economic operations participant shall not be suspended (for a legal person);
- it shall not be included to the Register of Mala Fide Suppliers kept subject to Federal Law No. 223-FZ dd July 18, 2011 "About Procuring the Goods, Works, Services by Certain Legal Persons Types" or to the Register of Mala Fide Suppliers kept subject to Federal Law No. 44-FZ dd April 05, 2013 "About the Contract System in the Sphere of Goods, Works, Services Procurement for Government and Municipal Needs";
- the bidder shall provide the information about all its chain of ownership including beneficiaries (including ultimate) confirming thereof by extracts from the Unified State Register of Legal Persons certified by the bidder, for joint-stock companies by additional certified extracts from the shareholders registers, documents about state registration of a foreign legal person or a natural person as a self-employed entrepreneur issued subject to a respective state legislation (for foreign persons) attaching properly certified translation thereof into Russian. The validity term of extracts from the Unified State Register of Legal Persons, from the shareholders register shall not exceed 60 days as of issuing thereof, the documents about state registration of a foreign legal person or a natural person as a self-employed entrepreneur issued subject to a respective state legislation (for foreign persons) attaching properly certified translation thereof into Russian and received not earlier than 90 days from the date fixed for bids receiving closing.

The cost of services for ROSSETI Northern Caucasus, PJSC, for 2020 was fixed in the amount of 5,256,485.00 rubles, including 20% VAT.

The specified auditor is also approved by decision of the Annual General Meeting of Shareholders of ROSSETI Northern Caucasus, PJSC (Minutes dd May 29, 2020 No. 22).

The amount of payment for services of the auditor was approved by the Board of Directors of ROSSETI Northern Caucasus, PJSC (Minutes dd July 17, 2020, No. 428).

In 2020, the auditors did not provide other (non-audit) services to ROSSETI Northern Caucasus, PJSC.



## 5.5 Registrar

By decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC (Minutes dd April 20, 2007, No. 8), Registrar Society STATUS Joint Stock Company (License No. 10-000-1-00304 dd March 12, 2004 (unlimited) issued by the Federal Securities Market Commission of the Russian Federation) was approved as a registrar.

The information about transfer agents is published at: <https://rostatus.ru>.

## 5.6. Authorized Capital

### General Information on Shares

Type and category of shares	Ordinary shares
Location in accordance with the Charter	889,313,596 rubles
Nominal value of one share	1 ruble
Authorized shares	6,565,560,627 pcs
Stock exchange platform	Moscow Stock Exchange (Russia, Moscow)
Security code	MRKK
ISIN code	RU000A0JPPQ7
number and date of state registration	1-01-34747-E dd December 27, 2006
Date of commencement of trading at Moscow Stock Exchange	June 19, 2008
Entry in index calculation base	Moscow Stock Exchange index of shares of companies with regulated activities

### Information on the Share Issues

The initial placement of shares was effected on the date of state registration of ROSSETI Northern Caucasus, PJSC, on August 4, 2006, through the acquisition of shares of a sole founder – RAO UES of Russia OJSC.

Issue (additional issue)	Date of registration of the Securities Prospectus	State registration date and state registration number of the issue (additional issue)	State registration date of the report (provision of a notification) on the share issue (additional issue)	Number of placed shares of the issue (additional issue), pcs.	Nominal value of each share, rubles
1	Not registered	December 27, 2006 1-01-34747-E	December 27, 2006	150,000	1
2	March 20, 2008	March 20, 2008 1-01-34747-E-001D	May 6, 2008	9,644,385	1
3	March 20, 2008	March 20, 2008 1-01-34747-E-002D	May 6, 2008	2,695,250	1
4	March 20, 2008	March 20, 2008 1-01-34747-E-003D	May 6, 2008	8,352,060	1
5	March 20, 2008	March 20, 2008 1-01-34747-E-004D	May 6, 2008	8,690,357	1
6	February 28, 2012	February 28, 2012 1-01-34747-E-005D	August 30, 2012	26,560,436	1
7	May 30, 2013	May 30, 2013 1-01-34747-E-006D	November 14, 2013	98,469,787	1
8	December 15, 2016	December 15, 2016 1-01-34747-E	December 18, 2019	734,751,321	1
<b>Total</b>				889,313,596	

On March 20, 2020, the Bank of Russia registered an additional issue of securities of ROSSETI Northern Caucasus, PJSC, – ordinary shares (registration number 1-01-34747-E) in the amount of 6,565,560,627 pcs.

Main conditions for placement of shares of this additional issue:

- way of placement – open subscription, shareholders of the Company receive a beneficial right to purchase additional shares;
- price of placement (including to persons, who are included in the list of people with the beneficial right for purchasing placed additional shares) of one share is 32.44 rubles (established by a decision of the Board of Directors on March 11, 2020, Minutes No. 413 dd March 13, 2020);
- way of payment for additional shares – additional shares can be paid for with money in rubles of the Russian Federation in non-cash form.

Goals of the issue: improvement of financial stability, reduction of debt burden of issuer.

Areas of use of funds received as a result of securities placement:

- increase in working capital of the issuer;
- debt repayment;
- funding survey and planning activities;
- funding power loss reduction program;
- construction of substations;
- fulfilment of the obligations for technological connection;
- reconstruction of power grid facilities;
- modernization and optimization of the information infrastructure.

Mentioned areas of use are provided for by the Development Plan of the Company and are related to improvement of reliability and development of the power grid infrastructure of the North Caucasian Federal District, by creating necessary conditions for social and economic development of the region as a whole. The Company's Development Plan was approved by the Board of Directors of ROSSETI, PJSC on February 11, 2019 (Minutes No. 342 dd February 14, 2019). Successful implementation of the Development Plan will benefit achievement of directions of the power grid complex development, established by the Development Strategy of the Power Grid Complex of the Russian Federation, approved by Regulations of the Government of the Russian Federation No. 511-r dd April 3, 2013.

As of the end of 2020, placement of shares of this additional issue was not completed.

### **Structure of the Authorized Capital**

**As of December 31, 2020**

#### **Information on Number of Registered Persons in Register of Shareholders (Without Disclosure of data on Nominal Holders Customers)\***

Share holder type	Number of accounts	Number of shares, pcs	Share of placed shares, %
Owners – individuals	2,204	807,295	0.08
Owners – legal entities	55	848,205,696	84.87
Common Property	9	6,393	0.001

Share holder type	Number of accounts	Number of shares, pcs	Share of placed shares, %
Nominal holders	1	150,360,244	15.05
Securities of unknown person	1	13,904	0.001
<b>Total</b>	<b>2,270</b>	<b>999,393,532</b>	<b>100</b>

\* Taking into account actually placed shares of current additional issue of March 20, 2020 No. 1-01-34747-E. As of the end of 2020, notification on the results of additional issue of securities of March 20, 2020 No. 1-01-34747-E was not provided to the Bank of Russia.

#### Information on Shareholders with a Share in the Authorized Capital of more than 5%\*

Shareholder, location	Reporting date	Number of shares, pcs.	Share in the authorized capital, %
ROSSETI, PJSC Russia, Moscow	As of December 31, 2018**	839,086,356	98.55
	As of December 31, 2019	876,947,614	98.61
	As of December 31, 2020**	987,027,550	98.76

\* The Company does not possess information on existence of percentage of shares owned by a shareholder, that would be higher than 5%, except for already disclosed one by the Company. Changes to composition of shareholders with shares in the authorized capital for more than 5% did not happen in 2020.

\*\* Taking into account actually placed shares of current issue (as of December 31, 2018 – issue of additional shares of December 15, 2016 No. 1-01-34747-E, as of December 31, 2020 – issue of additional shares of March 20, 2020 No. 1-01-34747-E). As of the end of 2020, notification on the results of additional issue of securities of March 20, 2020 No. 1-01-34747-E was not provided to the Bank of Russia.

#### Information on the Participation of Residents and Non-Residents in the Authorized Capital of ROSSETI Northern Caucasus, PJSC (as for September 29, 2020 – the Date of Making the List of Persons Entitled to Be Present at the Annual General Meeting of Shareholders)

Share holder type	Number of shareholders	Number of shares, pcs.	Share in the authorized capital, %
Residents	4,084	889,118,975	99.98
Non-residents	25	180,732	0.02

#### Information on the Share of the Russian Federation, Constituent Entities of the Russian Federation, Municipal Entities in the Authorized Capital\*

Shareholder category	Russian Federation	Constituent entities of the Russian Federation	Municipal entities	Total
	No share in the authorized capital		Ministry of Property Relations of the Stavropol Territory	
Number of voting shares		488	405,105	405,593
Share in the authorized capital		0.00005	0.04	0.04

\* Taking into account actually placed shares of current issue (issue of additional shares of March 20, 2020 No. 1-01-34747-E). As of the end of 2020, notification on the results of additional issue of securities of March 20, 2020 No. 1-01-34747-E was not provided to the Bank of Russia.

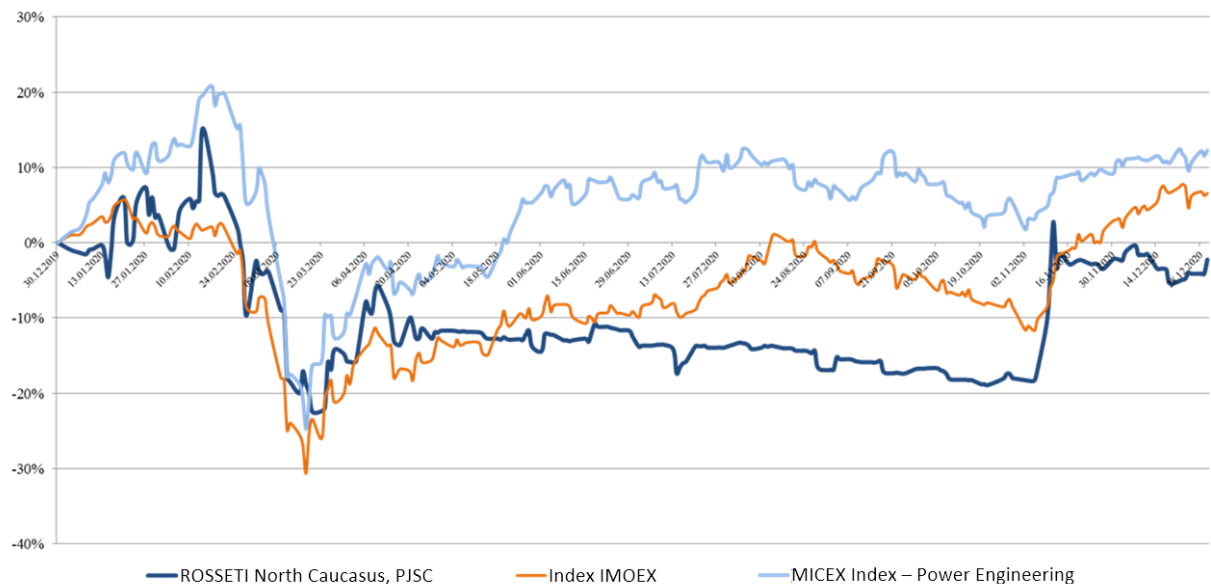
The Company does not have shares of ROSSETI Northern Caucasus, PJSC. The controlled legal entities of ROSSETI Northern Caucasus, PJSC, do not own shares in the Company. Preference shares were not issued by the Company.

### 5.7. Company on the Stock Market

#### Capitalization, Value and Dynamics of Shares of ROSSETI Northern Caucasus, PJSC, for 2018–2020 on the Basis of Trading on Moscow Stock Exchange, PJSC

Indicator	December 29, 2018	December 30, 2019	December 30, 2020	Dynamics for 12 months (2020), %
Market Price, rubles	13.78	30.12	29.44	-2.26
Capitalization, million rubles	2,129.9	4,655.4	26,181.39	462.39
Indicator	2018	2019	2020	Dynamics for 12 months (2020), %
Maximum price per year, rubles	20.15	48.2	37,42	-22.37
Minimum price per year, rubles	13.02	13.74	21,08	53.42
Average daily trading amount, million rubles	0.11	1.24	0,7	-43.55
Average daily trading amount , thousand pcs	6.71	43.49	22,5	-48.26
Average daily volume of trading, transactions	41	240	111	-53.75

#### Dynamics of market value of shares in ROSSETI Northern Caucasus, PJSC, Index MICEX-Power Industry and Index IMOEX in 2020



In 2020, the market value of ROSSETI Northern Caucasus, PJSC, shares saw a decreased of 2.3%. Meanwhile, market capitalization had an increase of 462% due to approval of addition issue of shares, placement of which was completed in December 2019. The index of the companies in the power sector MICEX-Power Engineering (MOEXEU) increased by 14% for the same period and the Moscow Exchange Index (IMOEX) increased by 8%. Daily average of

transactions of ROSSETI Northern Caucasus, PJSC, shares in 2020 amounted to 0.7 million rubles, which is smaller than it was in 2019 by 43.6%. The dynamics of shares of ROSSETI Northern Caucasus, PJSC, for the most part of the period overall matched the dynamics of indices MICEX-Power Engineering and Moscow Exchange.

In 2020, investors' mood was constantly under influence of the coronavirus pandemic. The uncertain situation in many respects had an impact on the negative dynamics of ROSSETI Northern Caucasus, PJSC, shares and indices IMOEX and MOEXEU, which emerged during the period from the middle of February to the middle of March this year.

One of the factors, that impacted the dynamics of the Company's shares, which are part of the basis of MOEXEU calculation, during the first half of 2020, was news coming from these companies about payment of shareholder dividends within campaigns on convening Annual General Meetings of Shareholders. However, due to having loss of shareholder dividends, ROSSETI Northern Caucasus, PJSC, did not appear, which was expected for investors and did not have a significant impact on the dynamics of the Company's shares market value.

In 2020, ROSSETI Northern Caucasus, PJSC, continued purposeful implementation of the Information Policy of the Company, which, in the Company's opinion, is on the most important tools for relations with shareholders, investors and other stakeholders, it contributes to building long-term relationships and trust, as well as improvement of investment attractiveness of the Company.

### 5.8. Relations with Shareholders and Investors

Activities of ROSSETI Northern Caucasus, PJSC, involve responsibility to shareholders, as well as Government, suppliers, consumers, employees, and society in general. Purpose and mission of the Company are connected with expectations from its main participants of the market, including for the investment community the Company is a tool for investment, which is aimed at ensuring return on them, reliability, profitability and liquidity.

The Company performs its activities taking into account interests of the shareholders. The Company strives to support an effective dialogue with shareholders, basing it on common goals of the Company and its shareholders. The Company's shareholders possess rights in relation to the Company, respect and protection of which should be provided by the Board of Directors and executive bodies of the Company. Rights of the Company's shareholders are regulated by current legislation, provisions of the Charter and internal documents of the Company.

#### Main shareholder rights

Right	Reference to a provision of the regulation and the Charter of ROSSETI Northern Caucasus, PJSC	Ownership interest of shareholder (shareholders*) in voting shares				
		any	1%	2%	10%	25%
Participation in the General Meeting of Shareholders personally or by proxy and vote on all issues falling within its competence	Sub-Para. 1 of Para. 6.2 of Art. 6, Para. 11.8 of Clause 11 of the Charter, Sub-Para. 2 of Art. 31 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Disposal of shares owned by them without consent of other shareholders and ROSSETI Northern Caucasus, PJSC	Sub-Paragraph 4 of Para. 2.5 of Clause 2 of the Charter; Sub-Paragraph 4 of Para. 1 of Art. 2 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓

Right	Reference to a provision of the regulation and the Charter of ROSSETI Northern Caucasus, PJSC	Ownership interest of shareholder (shareholders*) in voting shares				
		any	1%	2%	10%	25%
Entry of a proposal to the agenda of the General Meeting of Shareholders	Sub-Para. 2 of Para. 6.2 of Art. 6, Para. 13.1 of Clause 13 of the Charter; Para. 1 of Art. 53 of Federal Law "On Joint Stock Companies"	X	X	✓	✓	✓
Obtaining of information on the activities of ROSSETI Northern Caucasus, PJSC, and familiarization with documents	Sub-Para. 3 of Para. 6.2 of Art. 6, Para. 26.5 of Art. 26 of the Charter, Para. 4 of Art. 11, Art. 91 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Receipt of dividends declared	Sub-Para. 4 of Para. 6.2 of Art. 6 of the Charter, Sub-Para. 2 of Art. 31 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Exercise of the right of pre-emptive purchase of shares and issuable securities convertible into shares which are issued by subscription, in amounts proportional to the number of ordinary shares they own	Para. 5.5 of Art. 5, Sub-Para. 5 of Para. 6.2 of Clause 6 of the Charter; Sub-Para. 1 of Para. 1 of Art. 40 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
In case of liquidation of ROSSETI Northern Caucasus, PJSC, obtaining of a part of its property	Sub-Para. 6 of Para. 6.2 of Art. 6 of the Charter, Sub-Para. 2 of Art. 31 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Familiarization with the list of persons having the right to participate in the General Meeting of Shareholders	Para. 4 of Art. 51 of Federal Law "On Joint Stock Companies"	X	✓	✓	✓	✓
Nomination of candidates to the Board of Directors	Para. 13.1 of Art. 13, Sub-Para. 14.9.2 of Para. 14.9 of Art. 14 of the Charter, Para. 1 of Art. 53 of Federal Law "On Joint Stock Companies"	X	X	✓	✓	✓
Nomination of candidates to the Revision Commission	Para. 13.1 of Art. 13 of the Charter; Para. 1 of Art. 53 of Federal Law "On Joint Stock Companies"	X	X	✓	✓	✓
Initiation of the Extraordinary General Meeting of Shareholders	Sub-Para. 1 of Para. 14.3 of Art. 14 of the Charter, Para. 1 of Art. 55 of Federal Law "On Joint Stock Companies"	X	X	X	✓	✓
Initiation of the examination (audit) of the financial and economic activity of ROSSETI Northern Caucasus, PJSC	Para. 24.7 of Art. 24 of the Charter, Para. 3 of Art. 85 of Federal Law "On Joint Stock Companies"	X	X	X	✓	✓
Familiarization with the accounting documents and minutes of the meetings of the Management Board and request of copies of these documents	Art. 26 of the Charter, Para. 5 of Art. 91 of Federal Law "On Joint Stock Companies"	X	X	X	X	✓
Appeal of decisions of the management bodies of the Company entailing civil and legal consequences, in cases and in accordance with the procedure specified by the legislation of the Russian Federation	Sub-Para. 7 of Para. 6.2 of Art. 6 of the Charter, Para. 7 of Art. 49, Para. 6 of Art. 68 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓

Right	Reference to a provision of the regulation and the Charter of ROSSETI Northern Caucasus, PJSC	Ownership interest of shareholder (shareholders*) in voting shares				
		any	1%	2%	10%	25%
Claim for losses caused to the Company	Sub-Para. 8 of Para. 6.2 of Clause 6 of the Charter; Sub-Para. 4 of Para. 3 of Art. 6 of Federal Law "On Joint Stock Companies"	✓	✓	✓	✓	✓
Challenging of transactions made by the Company on the grounds specified by the legislation of the Russian Federation and claiming of application of effects of their invalidity, as well as application of effects of invalidity of null and void transactions of the Company	Sub-Para. 9 of Para. 6.2 of Art. 6 of the Charter, Para. 6 of Art. 79, Para. 1 of Art. 84 of Federal Law "On Joint Stock Companies"	X	✓	✓	✓	✓

\* Shareholders holding jointly the designated number of voting shares may jointly exercise the relevant right.

✓ - Right available.

X – Right unavailable.

For the purposes of ensuring shareholders' ability to apply their rights, the Company on a regular basis discloses and/or provides information to the Company's shareholders regarding various matters of the Company's activities. To ensure timely disclosure of information on the Company's activities is also one of the key factors of interaction with the investment community. Interaction with shareholders and investors and information disclosure are carried out by ROSSETI Northern Caucasus, PJSC, including on the basis of a corresponding plan, which is published on the corporate [website](#) of the Company in section "Shareholders and Investors / Investor calendar".

For more details on Information Disclosure Policy for Shareholders and Investors please refer to section "Information Disclosure on the Securities Market".

Contacts for shareholders and investors are presented on the Company's website – <https://www.rossetisk.ru> in sections "Company / Contacts and Details" or "To Shareholders and Investors / Contacts".

## 5.9. Distribution of Profit and Dividend Policy

### Dividend Policy

The Company's dividend policy is aimed at increasing the Company's investment attractiveness and increasing its market capitalization. The policy is based on the balance of interests of the Company and its shareholders.

The Company's dividend policy is determined by the Regulation on the Dividend Policy approved by the Decision of the Board of Directors of the Company on February 5, 2018 (Minutes No. 330 dd February 6, 2018). The text of the Regulation is published on the website of the Company in the section "For Shareholders and Investors/Charter and Bylaws/Dividend Policy Documents".

### Basic principles of the dividend policy of the Company:

- compliance of the practice of accrual and payment of dividends in the Company with the legislation of the Russian Federation and corporate governance standards (Instruction of the Government of the Russian Federation No. 1094-r dd May 29, 2017);
- optimal combination of interests of the Company and shareholders;
- determination of the amount of dividends as at least 50% of the net profit determined according to the financial statements, including consolidated financial statements, prepared in accordance with the International Financial Reporting Standards and calculated in the manner established by the Regulation;
- ensuring of the possibility of paying out dividends on shares on a quarterly basis, if the relevant criteria are met;
- ensuring of the maximum transparency (clarity) of the mechanism for determining the value of dividends and the procedure for their payment;
- ensuring of the positive dynamics of the amount of payments for dividends on shares subject to the growth of the Company's net profit;
- availability of information for shareholders and other stakeholders on the dividend policy of the Company;
- need to maintain the required level of financial and technical condition of the Company (implementation of the investment program), ensuring of the Company's development prospects.

### Distribution of profit for 2017–2019, million rubles\*

	For 2017 (Annual General Meeting of Shareholders in 2018)	For 2018 (Annual General Meeting of Shareholders in 2019)	For 2019 (Annual General Meeting of Shareholders in 2020)
Retained profit (loss) in the reporting period, including:	-2,386.138	-2,270.341	-9,779.321**
Reserve fund	–	–	–
Profit for development	–	–	–
Dividends	–	–	–
Coverage of losses from previous years	–	–	–
For reference: Retained profit with due regard for retrospective reflection of changes in the accounting policy of the Company			

\* Information on profit distribution in accordance with resolutions of Annual General Meetings of Shareholders:

- Annual General Meeting of Shareholders in 2018 (for 2017) – Minutes of the Annual General Meeting of Shareholders No. 19 dd May 29, 2018;
- Annual General Meeting of Shareholders in 2019 (for 2018) – Minutes of the Annual General Meeting of Shareholders No. 20 dd June 27, 2019;
- Annual General Meeting of Shareholders in 2020 (for 2019) – Minutes of the Annual General Meeting of Shareholders No. 22 dd May 29, 2020.

\*\* Due to the fact that the revised version of the Provision on Accounting 18/02 "Accounting of income tax calculations of organisations" came into effect on January 1, 2020, by the Company in accordance with Para. 15 of Provision on accounting 1/2008 "Accounting Policy of Organization", retrospective accounting of comparative indicators for 2018-2019.

In the reporting year, payment of dividends on shares was not performed.



In 2018-2020, the General Meeting of Shareholders did not make any decision on paying out dividends on shares of ROSSETI Northern Caucasus, PJSC, due to unprofitable situation of the Company.

A decision on distribution of net profit (loss) of the Company of performance results of 2020, will be made during the Annual General Meeting of Shareholders taking into account recommendations of the Company's Board of Directors.

## Contact Information

### Full corporate name

Публичное акционерное общество «Россети Северный Кавказ» (Russian)  
Public Joint Stock Company "ROSSETI Northern Caucasus" (English)

### Abbreviated corporate name

ПАО «Россети Северный Кавказ» (Russian)  
ROSSETI Northern Caucasus, PJSC (English)

### Postal address

13a Podstantsionnaya Str., Pyatigorsk, Stavropol Territory, 357506, Russian Federation

### Corporate Internet site

<https://www.rossetisk.ru/>

### Primary state registration number

1062632029778

### INN/KPP [Tax Registration Reason Code]

2632082033/785150001

### Telephone (reception)

+7 (8793) 40-17-11; 34-66-80; -81; -82

### Fax

+7 (8793) 40-18-20

### E-mail

[info@rossetisk.ru](mailto:info@rossetisk.ru)

### Acting Director General\*

Roman Alekseevich Levchenko

Telephone (reception): +7 (8793) 40-17-11; 34-66-80/81/82

Fax (reception): +7 (8793) 40-18-20

\* During 2020, Vitaliy Valerievich Ivanov was Director General of ROSSETI Northern Caucasus, PJSC. In accordance with the decision of the Board of Directors of ROSSETI Northern Caucasus, PJSC, dd April 2, 2021 (Minutes No. 457 dd April 5, 2021), the powers of Vitaliy Valerievich Ivanov, Director General of ROSSETI Northern Caucasus, PJSC, were terminated ahead of time. Roman Alekseevich Levchenko, Deputy Director General for Relations with Electricity Market Entities of ROSSETI Northern Caucasus, PJSC, was appointed Acting Director General of ROSSETI Northern Caucasus, PJSC, on April 6, 2021, until the decision on appointment of the sole executive body is made by the Board of Directors of ROSSETI Northern Caucasus, PJSC.

### Shareholders and Investors Service

Anna Fedorovna Kutsevich, Head of the Shareholder Relations Office of the Corporate Governance and Shareholder Relations Department

Telephone: +7 (8793) 40-17-90

E-mail: [kucevich-af@rossetisk.ru](mailto:kucevich-af@rossetisk.ru); [ir@rossetisk.ru](mailto:ir@rossetisk.ru)

Contacts for shareholders and investors are presented on the Company's website – <https://www.rossetisk.ru> in sections "Company / Contacts and Details" or "To Shareholders and Investors / Contacts".

**Corporate Secretary**

Sergey Viktorovich Chistov

Telephone: +7 (495) 995-5333

E-mail: [Chistov-SV@rosseti.ru](mailto:Chistov-SV@rosseti.ru)

**Press Center**

Zalina Taimurazovna Alborova, Director for the Public Relations Department

Telephone: +7 (8793) 40-19-63

E-mail: [alborova-zt@rossetisk.ru](mailto:alborova-zt@rossetisk.ru)

**Hot line for clients**

8 (800) 775-91-12

**Web Reception Officer**

[https://www.rossetisk.ru/customer\\_new/sistema-obsluzhivaniia-potrebitelei/internet-priemnaia/reception/](https://www.rossetisk.ru/customer_new/sistema-obsluzhivaniia-potrebitelei/internet-priemnaia/reception/)

**Registrar**

STATUS JSC

Address: 23 Novokhokhlovskaya Str., Building 1, Premise 1, 109052 Moscow

Address on the Internet: <http://www.rostatus.ru>

E-mail address: [office@rostatus.ru](mailto:office@rostatus.ru)

Telephone: +7 (495) 280-04-87

Fax: +7 (495) 678-71-10

License dd March 12, 2004 No. 10-000-1-00304 (unlimited), issued by the Federal Securities Market Commission

Relevant contacts and details of ROSSETI Northern Caucasus, PJSC, are published on the Company's website in "Company/Contacts and Details".

## Glossary

For the purposes of this Annual Report, the following basic concepts, definitions and abbreviations are used.

<b>Abbreviations and Acronyms</b>	
COVID-19	(abbreviation of CoronaVirus Disease 2019) — potentially harmful acute respiratory infection, caused by coronavirus SARS-CoV-2 (2019-nCoV)
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
MBA	Master of Business Administration
RAB	Regulatory Asset Base, a method of earning profit from invested capital
JSC	Joint-stock company
JSC-energo	Joint-stock company of the electric power industry
ASPAM	automated system for production assets management
ASSCR	automated system of statements collection and reviewing
ASCTCMP	Automated System of Consumers Technological Connection Management
OL	overhead lines
HEI	higher education institutions
GTRK	state television and radio broadcasting company
HPP	hydraulic power plant / city power networks (depending on the context)
pcs	pieces
UES of Russia	unified energy system of Russia
H&U	housing and utilities
CJSC	closed joint stock company
INN	taxpayer identification number
IT	information technology
km	kilometer
KPI	Key Performance Indicator
CS	complete switchgear
PTL	power transmission line
MIA of Russia	Ministry of Internal Affairs of the Russian Federation
MICEX	MICEX Stock Exchange Closed Joint Stock Company
IDGC	Interregional Distribution Grid Company
SME	small and medium entrepreneurship
IFRS	International Financial Reporting Standards
MUE	Municipal Unitary Enterprise
RGP	required gross proceeds
VAT	value added tax
NP	non-profit partnership
OJSC	open joint stock company
LLC	limited liability company

RAD	regulatory and administrative documents
WPCM	wholesale power and capacity market
PJSC	public joint stock company
SS	substation
RAS	Russian Accounting Standards
RTS	Russian Trading System Stock Exchange Open Joint Stock Company
DPG	district power grids
ICS	Internal Control System
ITCS	internal technical control system
NCFD	North Caucasian Federal District
RMS	risk management system
TS	transformer substation
TGC	territorial grid company
CPB	Central Procurement Body
PR	Public relations (public relations, public communication, public affairs, community connections, public interaction)
<b>Measurement units</b>	
Ampere (A)	unit of electric current measurement in the International System of Units (SI)
Watt (W)	unit of power measurement in the International System of Units (SI)
Watt-hour (Wh)	non-standard measurement unit of work or amount of generated energy. It is used primarily for measuring power consumption at home, in national economy and for measurement of power generation in the power industry
Volt (V)	unit of voltage measurement in the International System of Units (SI). It is equal to the electrical voltage causing a constant current in the circuit at 1 amp power output 1 Watt
Volt-ampere (VA)	non-standard measurement unit of full capacity of electric current
Liter (l)	metric unit of volume measurement
<b>Terms</b>	
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	Analytical index equal to the amount of profit before the deduction of interest expenses, taxes, depreciation and amortization
Dividend policy	set of principles and methods used by the Company to determine proportions between a capitalized part of the Company's profits and a part of the Company's profits paid out as dividends, as well as a system of relations and principles to determine the procedure and time frames for payment of dividends, to determine the Company's responsibility for non-fulfilment of obligation to pay dividends
Unified National (all-Russian) Power Grid	complex of power grids and other power grid facilities owned on the basis of the right of ownership or otherwise as stipulated by federal laws by power industry entities and ensuring the steady supply of power to consumers, operation of the wholesale market, as well as parallel operation of the Russian power system and power systems of foreign countries

Unified Energy System of Russia (UES of Russia)	set of production and other power property assets of a single production process (including production in the mode of combined production of power and heat), and power transmission under centralized operational dispatch management in the power industry
Sole Executive Body	official acting on behalf of the Company on the basis of the Company's charter and having the right to exercise legal capacity of the Company in all issues not within the competence of other bodies of the Company
Investment community	investors, analysts, professional participants of the securities market, rating agencies, other specialized and consulting organizations in the field of finance and investment
Interregional Distribution Grid Company (IDGC)	open joint stock companies created during the restructuring of the power industry, formed as operating (or operating and holding) companies within the framework of the reorganization of IDGC and DGC by merger
Required gross proceeds (RGP)	economically reasonable amount of funds necessary for a company to carry out regulated activities during the accounting regulation period
Distribution Grid Companies	open joint stock companies formed as a result of the division of AO-Energo by activity-based transmission facilities not belonging to the Unified National (All-Russian) Power Grid
Registrar	legal entity being a professional securities market participant, providing to joint stock companies services for maintenance of the register of shareholders, registration of transfer of the right of ownership to shares, distribution of materials to shareholders and other services
Market Capitalization	product of the number of shares of the relevant category (type) per market price of one share disclosed by the trading organizer in the stock market
<b>Editorial assumptions in the text of the report</b>	
Stakeholders (except for the information about transactions in case there is an interest in making thereof)	shareholders, customers, contractors and business partners, investors, public authorities, employees of ROSSETI Northern Caucasus, PJSC, and other natural and legal persons with an interest in financial and economic activity of ROSSETI Northern Caucasus, PJSC (definition of "stakeholders" is used in international practice to refer to this category of persons)
Executive Office (Management Office)	executive office (headquarters) of ROSSETI Northern Caucasus, PJSC, carrying out accounting and control functions, system-wide coordination and administration of branch offices and controlled companies
Executive Director	member of the executive body(bodies) of ROSSETI Northern Caucasus, PJSC
Company	Legal entity ROSSETI Northern Caucasus, PJSC (may also be mentioned under the previous names: YuSK, OJSC, IDGC of the Northern Caucasus OJSC, IDGC of the Northern Caucasus PJSC) <b>Additional information on the use of the Company name is set out in the "Limitation of Liability" block</b>
Corporate governance	is the system of relations between the Company's executive officers, its Board of Directors, shareholders and other stakeholders being the instrument of the Company's goals setting and the means for such goals achieving and of effective control ensuring for the Company's operations by its shareholders and other stakeholders
Independent Director	In accordance with the recommendations contained in the Corporate Governance Code (recommended by the Bank of Russia in accordance

	with the letter dd April 10, 2014 No. 06-52/2463), Independent Director is a person who has sufficient professionalism, experience and independence to have own opinion and is able to make objective and honest judgements, independent from the influence of executive bodies of the Company, separate groups of shareholders or other interested parties. Thus, in normal conditions a candidate may not be regarded as an independent candidate (elected member of the Board of Directors), if he or she is associated with the company, its major shareholder, major counterparty or competitor of the Company or is associated with the government. Additional conditions are contained in Sub-Para. 103–107 of the Code
Non-Executive Director	member of the Board of Directors, who is not a member of the executive bodies of the company and does not meet all the requirements for an independent director
Managed Company	legal person under the management of ROSSETI Northern Caucasus, PJSC, under the agreement on transfer of powers of the sole executive body. At the end of 2020, the controlled companies of ROSSETI Northern Caucasus, PJSC, were: grid: Chechenenergo, JSC; energy supply: Kabbalkenergo JSC, Kalmenergosbyt, JSC, Karachaevo-Cherkesskenenergo, JSC; other: Dagestan Energy Supply Company, PJSC, Dagestan Grid Company, JSC, Sevkavkazenergo, JSC.

### **Limitation of Liability**

This Annual Report of ROSSETI Northern Caucasus, PJSC, for 2020 is only for information purposes and does not present itself an advice or a convincing reason for carrying out transactions with the securities of ROSSETI Northern Caucasus, PJSC. The Annual Report was prepared on the basis of the information available to ROSSETI Northern Caucasus, PJSC, at the time of its preparation.

The Annual Report contains information on the results of ROSSETI Northern Caucasus, PJSC, activities for 2020 (in a number of cases for a longer period), assessments and predictions by ROSSETI Northern Caucasus, PJSC, authorized management bodies concerning future events, development prospects for ROSSETI Northern Caucasus, PJSC, and industry that ROSSETI Northern Caucasus, PJSC, is most involved in, as well as the likelihood of certain events or completion of certain actions.

Information in this Annual Report about executive officers and control bodies members is presented for the last 5 years, if information is available to the Company.

All statements of a forecast nature, which are in this Annual Report, as well as all following oral and written forecasts which ROSSETI Northern Caucasus, PJSC, or any person working on behalf of the Company may be responsible for, are categorically limited by the reservations set out below. Forecast statements may include statements concerning business activities, financial condition, income, economic indicators, results of business and production activities, production and consumption volume policies, disbursements, expenses, growth prospects, useful life of assets, reserves, time scale for starting and completing production projects, acquisition, liquidation or disposal of certain legal entities, other similar factors and economic forecasts concerning ROSSETI Northern Caucasus, PJSC, activities, as well as the industry and market in which ROSSETI Northern Caucasus, PJSC, operates. All claims included in this Annual Report, other than statements containing historical facts, may be statements of a forecast nature. Words such as “consider”, “expect”, “intend”, “plan”, “will”, “may”, “should”, “could be”, “suggest”, “anticipate”, “try”, “presume”, “rely upon”, “continue”, “aim” and any word or expression with similar meaning or facts with disclaimers usually indicate the forecast nature of the statement.

Any opinions or forecasts presented in this Annual Report are the views of ROSSETI Northern Caucasus, PJSC, its governing bodies, management, and personnel at the time the report was compiled. If the date of this report is not relevant, the opinions and forecasts contained therein may not reflect the current judgement of the management or governance bodies of ROSSETI Northern Caucasus, PJSC. Therefore, the information contained in this report may not be considered complete, exhaustive, and justified.

Forecast statements are not a guarantee of future indicators, as the actual performance of ROSSETI Northern Caucasus, PJSC, in the future may differ from the forecast results for a number of reasons. The specified reasons concern a number of well-known and unknown risks, uncertainties, and other factors. ROSSETI Northern Caucasus, PJSC, gives no guarantees (apart from situations provided for by the legislation) that the actual results, scales or indicators of its activities or the industry where it operates will correspond to the results, scales or indicators of its activities clearly expressed or suggested in any statement of a forecast nature contained in this Annual Report. ROSSETI Northern Caucasus, PJSC, does not take responsibility for distributing or publishing any updates or changes to statements of a forecast nature, which reflect changes in expected or new information, as well as subsequent events, conditions or circumstances.



Acquisition of securities of ROSSETI Northern Caucasus, PJSC, is associated with risks described in this Annual Report. Neither ROSSETI Northern Caucasus, PJSC, nor its governance bodies, nor the personnel shall bear any responsibility for any losses arising as a result of using this report or its contents or arising in connection with this report.

Amendments providing the change of name of the Company from IDGC of the Northern Caucasus, PJSC, to ROSSETI Northern Caucasus, PJSC, were registered in the Charter of the Company on March 24, 2020. In many cases, the text of this report indicates the name of the Company as ROSSETI Northern Caucasus, PJSC, when describing events or reporting data prior to renaming the Company. In this regard, if necessary, please take into account that for the period of existence the Company had the following names: August 4, 2006 – August 1, 2007 – YuSK OJSC, August 1, 2007 – July 2, 2015 – IDGC of the Northern Caucasus, OJSC, July 2, 2015 – March 24, 2020 – IDGC of the Northern Caucasus, PJSC, since March 24, 2020 – ROSSETI Northern Caucasus, PJSC.

The English version of the Annual Report of ROSSETI Northern Caucasus, PJSC is shortened compared to the Russian version of the Report.