**Approved:**by decision of the General Meeting of Shareholders

of Rosseti Northern Caucasus, PJSC dd. 15 June, 2023

(Minutes No. 26 dd. 19 June, 2023)

**Pre-approved:**

by decision of the Board of Directors

of Rosseti Northern Caucasus, PJSC dd. May 11, 2023

(Minutes No. 531 dd. May 12, 2023)

**The data presented in the Annual Report has been proved to be reliable:**

by the decision of the Auditing Commission

of Rosseti Northern Caucasus, PJSC dd. May 3, 2023

(Minutes No. 3 dd. May 3, 2023)

**ANNUAL REPORT**

**of PUBLIC JOINT-STOCK COMPANY ROSSETI NORTHERN CAUCASUS**

**for 2022**

**R. A. Levchenko, General Director,**

**Rosseti Northern Caucasus, PJSC**

**On Annual Report**

**Brief information about the Report**

Please find below the Annual Report of Rosseti Northern Caucasus, PJSC (until March 24, 2020 – IDGC of Northern Caucasus, PJSC; hereinafter referred to as “IDGC of Northern Caucasus”, the “Company”, “IDGC of Northern Caucasus, OJSC”, “Rosseti Northern Caucasus, PJSC) for 2022. This Annual Report is intended first of all for our actual and potential investors and is focused on them. The Annual Report is prepared in accordance with the requirements of the **Russian law** on the securities market. However, we believe that other groups of stakeholders exert significant influence on the sustainable development of the Company, namely: state authorities (federal and regional), regional population, consumers and clients, Company personnel, suppliers, and mass media. In view of the above, we considered it necessary not to be limited to the requirements of the Russian law, having also included additional information in the Annual Report, taking into account the recommendations of the Corporate Governance Code, approved by the decision of the Board of Directors of the Bank of Russia on March 21, 2014 and recommended for use by the letter of the Bank of Russia No. 06-52/2463 dated April 10, 2014 (hereinafter referred to as the Corporate Governance Code of the Bank of Russia), and best practices.

**Scope of the Report**

We believe that the **material aspects of the Annual Report** are those that describe the creation of value for each group of stakeholders, as well as factors that may substantially influence the result of such process, namely: business model and position in the industry, strategy, macroeconomic factors of development, analysis of the corporate governance quality, management statement with respect to the financial and economic standing of the Company, business risk assessment.

When preparing the Annual Report, we **made every effort to take into account all information inquiries of concerned parties that we were aware of. No public hearing of the Annual Report took place**, since, in our opinion that would have resulted in unreasonable increase in the Company’s controlled costs. In the short-run we plan to keep the existing practice. We are open for the communication with stakeholders on the contents of the statements and are willing to improve the same so that the Annual Report becomes an effective tool for attracting investments and strengthening the business reputation of the Company.

This Annual Report has substantial differences from certain reports issued previously. Thus, reports for 2013 and 2014 were prepared to a large extent with due regard for business parameters of the subsidiary of Rosseti Northern Caucasus, PJSC, being Dagenergoset, OJSC, and in certain cases (for the period up to May 1, 2013) – the organization that operated electricity grid property in the Republic of Ingushetia. This Annual Report, as in the 2016–2021 reports, contains individual parameters of the performance of Rosseti Northern Caucasus, PJSC (Company’s branches). The specified **scope** of this Annual Report may substantially impact the compatibility with previous reports and/or other similar organizations.

**New Items in the Report**

In 2022 Annual Report:

- the structure has been finalized and optimized, which, in our opinion, meets the needs of stakeholders to a greater extent;

- in order to demonstrate commitment to the principles of sustainable development, the report has an expanded coverage of such topics as ESG factors in the Company's activities and decision-making processes.

In particular, the Report includes information on:

- policies and procedures for sustainable development management;

- assignment of responsibility for sustainable development issues among management bodies, members of the executive bodies of the Company, as well as within the organizational structure and their accountability on such issues;

- consideration of issues of sustainable development and ESG factors by Committees of the Board of Directors of the Company;

- taking into account issues of sustainable development, ESG factors in the formation and adjustment of the remuneration system for members of the Company's management bodies;

- taking into account issues of sustainable development, ESG factors in the Company’s information policy;

- consideration of issues related to the ESG agenda of the Company, the Board of Directors of the Company.

Table of Contents

[**On Annual Report** 2](#_Toc138848937)

[**Introduction by the Chairman of the Board of Directors** 6](#_Toc138848938)

[**Introduction by the General Director** 8](#_Toc138848939)

[**1.1. Company Profile** 10](#_Toc138848940)

[**1.1.1. Company Presentation and Structure** 10](#_Toc138848941)

[**1.1.2. Geographic Reach** 13](#_Toc138848942)

[**1.1.3. Business Model** 13](#_Toc138848943)

[**1.1.4. Key Indicators and Main Events of the Reporting Year** 22](#_Toc138848944)

[**1.1.5. Brief History** 23](#_Toc138848945)

[**2. Strategic Report** 25](#_Toc138848946)

[**2.1. Industry Overview** 25](#_Toc138848947)

[**2.2. Macroeconomic Trends of the Reporting Year, Sectoral (Market) Forecast** 27](#_Toc138848948)

[**2.3. Company Position in the Market and Competitive Environment** 29](#_Toc138848949)

[**2.4. Development Strategy** 33](#_Toc138848950)

[**2.5. Key Performance Indicators** 36](#_Toc138848951)

[**2.6. Key risks** 43](#_Toc138848952)

[**3. 2022 activities results** 53](#_Toc138848953)

[**3.1. Operating results** 53](#_Toc138848954)

[**3.1.1. Production activity results** 53](#_Toc138848955)

[**3.1.2. Technical connection** 54](#_Toc138848956)

[**3.1.3. Provision of additional (non-tariff) services** 57](#_Toc138848957)

[**3.1.4. Interaction with consumers** 58](#_Toc138848958)

[**3.2. Investment activities** 61](#_Toc138848959)

[**3.3. Innovation activities** 71](#_Toc138848960)

[**3.4. Financial performance** 76](#_Toc138848961)

[**3.5. Tariff Policy** 78](#_Toc138848962)

[**3.6. Import substitution** 87](#_Toc138848963)

[**3.7. Power grid assets consolidation** 88](#_Toc138848964)

[**3.8. Assets Management** 90](#_Toc138848965)

[**3.9 Performance indicators and increasing the reliability of the integrated power grid** 90](#_Toc138848966)

[**3.10 Management systems** 92](#_Toc138848967)

[**4. Sustainable development** 92](#_Toc138848968)

[**4.1. HR Management** 102](#_Toc138848969)

[**4.2. Occupational and industrial safety** 110](#_Toc138848970)

[**4.3. Environmental protection** 116](#_Toc138848971)

[**4.4. Energy consumption and energy saving** 118](#_Toc138848972)

[**4.5. Regional development** 120](#_Toc138848973)

[**4.6. Procurement activities** 121](#_Toc138848974)

[**4.7. Anti-corruption policy and ensuring the security of economic activity** 124](#_Toc138848975)

[**4.8. Information disclosure, public relations, relations with public authorities and mass media** 128](#_Toc138848976)

[**5. Corporate Governance Report** 137](#_Toc138848977)

[**5.1. Controlling Shareholder Memorandum** 137](#_Toc138848978)

[**5.2. General information on corporate governance in the Company** 138](#_Toc138848979)

[**5.3. Governing bodies, Committees of the Board of Directors, Corporate Secretary** 145](#_Toc138848980)

[**5.3.1. General Meeting of Shareholders** 145](#_Toc138848981)

[**5.3.2. Report of the Board of Directors of the Company** 146](#_Toc138848982)

[**5.3.3. Committees of the Board of Directors** 165](#_Toc138848983)

[**5.3.4. Corporate Secretary** 181](#_Toc138848984)

[**5.3.5. Executive management bodies of the Company** 183](#_Toc138848985)

[**5.4. System of remuneration for management bodies and Committees of the Board of Directors of the Company** 187](#_Toc138848986)

[**5.5. Internal control, risk management and internal audit** 191](#_Toc138848987)

[**5.6. Auditing Commission** 198](#_Toc138848988)

[**5.8. Registrar** 208](#_Toc138848989)

[**5.9. Management of subsidiaries and affiliates** 208](#_Toc138848990)

[**5.10. Authorized capital** 209](#_Toc138848991)

[**5.11. Relationships with Shareholders and Investors** 214](#_Toc138848992)

[**5.12. Profit distribution and dividend policy** 216](#_Toc138848993)

[**Contact details** 218](#_Toc138848994)

[**Glossary** 220](#_Toc138848995)

[**Disclosures** 222](#_Toc138848996)

**Appendices (to the Russian version of the Annual Report)**

1. Report on compliance with the principles and recommendations of the Bank of Russia Corporate Governance Code.

2. Information on major transactions and transactions made by Rosseti Northern Caucasus, PJSC in 2022, recognized in accordance with the law of the Russian Federation as interested-party transactions.

3. Information on the significant transactions made by Rosseti Northern Caucasus, PJSC and its controlled legal entities (including interrelated transactions made by the Company, one and (or) several legal entities controlled by the Company) during the reporting year.

4. Information on participation in profit-making and non-profit organizations in 2022.

5. Functions of ICS participants.

6. Functions of RMS participants.

7. Accounting (financial) statements under RAS for 2022 with an auditor's report.

8. Consolidated financial statements in accordance under IFRS for 2022 with an auditor's report.

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

Dear shareholders, partners, colleagues!

Rosseti Northern Caucasus, PJSC (until March 24, 2020 – IDGC of Northern Caucasus, PJSC) provides services for the transmission and distribution of electricity, as well as technological connection to power grids in the territory of seven constituent entities of the Northern Caucasus Federal District. Rosseti Northern Caucasus, PJSC is part of the Rosseti energy holding company.

In addition, Rosseti Northern Caucasus, PJSC is a listed company with on-exchange trading of its shares at Moscow Exchange, PJSC.

The strategic goals and directions for the development of Rosseti Group of Companies are defined by the Development Strategy of the Rosseti Group of Companies until 2030 and are focused on the implementation of sectoral strategic planning documents, including the Energy Strategy of the Russian Federation, approved by the Decree of the Government of the Russian Federation No. 1523-r dated June 9, 2020, and the Strategy for the Development of the Integrated Power Grid of the Russian Federation, approved by the Decree of the Government of the Russian Federation No. 511-r dated April 3, 2013.

Rosseti Northern Caucasus, PJSC is implementing the Development Plan, which provides for the provision of financial support to the Company by Rosseti, PJSC, i. a. by means of an additional share issue. The activities of the Plan involve the implementation of projects related to the maintenance and improvement of the power grid infrastructure of the Northern Caucasus Federal District, creation of the necessary conditions for the social and economic growth. The Plan is also aimed at the achievement of the milestones determined by the Strategy for the Development of the Integrated Power Grid of the Russian Federation, approved by the Decree of the Government of the Russian Federation No. 511-r dated April 3, 2013.

For the purpose of the Development Plan fulfilment in 2022 and in accordance with cl. 12 of Article 22 of the Federal Law No. 39-FZ dd. April 22, 1996 “On the Securities Market”, procedures were implemented aimed at the extension of the term for placement of additional shares of the Company (registration number and date of registration of the additional issue: 1-01-34747-Е, March 20, 2020). On April 18, 2022, the Bank of Russia registered a prospectus for ordinary shares of Rosseti Northern Caucasus, PJSC, according to which the term for placement of securities was extended until March 20, 2023.

As in previous years, in 2022, management bodies and management apparatus of Rosseti Northern Caucasus, PJSC paid special attention to issues related to the financial stabilization of Rosseti Northern Caucasus Group, the implementation of the energy efficiency policy, the improvement of payment discipline of consumers, and the preservation of advanced corporate governance practices and their development. In 2022 reporting year, the Company continued to purposefully solve the tasks of the long run the reliable, qualitative and affordable power supply to consumers of the Northern Caucasus Federal District at the stage of power distribution due to arrangement of the effective infrastructure.

In the reporting year, the Company's corporate governance system was analyzed. The study was self-facilitated (to present information as part of the annual report, including in the form recommended by the Bank of Russia), and was carried out by the internal audit of Rosseti Northern Caucasus, PJSC in accordance with the methodology approved by the Company (with subsequent consideration of the results at a meeting of the Board of Directors), and also with the involvement of an independent rating agency (with subsequent assignment of the Company's management quality rating).

Thus, in 2022, Rosseti Northern Caucasus, PJSC carried out an annual assessment of the corporate governance effectiveness. The relevant report was preliminary reviewed by the Audit Committee of the Board of Directors of the Company at a meeting held on September 22, 2022 (Minutes No. 156 dated September 22, 2022). The specified report was considered by the Board of Directors of the Company on October 28, 2022 (Minutes No. 515 dated October 31, 2022).

On October 6, 2022, Expert RA (RAEX) rating agency confirmed the management quality rating of Rosseti Northern Caucasus, PJSC at the level of A++.gq (the highest level). This assessment means that the management quality system to the highest possible extent promotes the respect for and protection of the stakeholders’ rights.

Rosseti Northern Caucasus, PJSC is carrying out focused work aimed at maintenance of the accumulated positive experience and best practices of corporate governance implemented in the Company, as well as at their development. Rosseti Northern Caucasus, PJSC follows the principles of accountability, fairness, transparency and responsibility.

Rosseti Northern Caucasus, PJSC is one of the largest taxpayers and employers in the region, as well as a procurement entity.

In addition, Rosseti Northern Caucasus, PJSC is a socially responsible Company. The issues of occupational safety, environmental protection, implementation of socially oriented programs, sustainable development are among the most important areas of the Company's activities, as well as such issues as staff retention and development, creation of a solid, socially protected, creative and economically motivated team, improvement of working and leisure conditions, and increase of labor safety for employees. To achieve and maintain the status of a modern highly efficient company the strategic development of the Company is based on implementation of the social policy measures.

Sincerely yours,

Aleksey Valeryevich Molsky,

Chairman of the Board of Directors of Rosseti Northern Caucasus, PJSC

**Introduction by the General Director**

Dear shareholders, partners, colleagues!

In 2022, specialists of the largest electric grid company in the Northern Caucasus Federal District (NCFD) fundamentally intensified their work in order to fulfill the most important strategic tasks related both to production and social activities. At the same time, in its activities, Rosseti Northern Caucasus, PJSC focused on an unconditional priority – reliable and high-quality electric power supply to consumers in seven constituent entities of the Russian Federation.

The Company's management took all the necessary measures to optimize financial and economic activities, cut down costs, stabilize cash flows, improve the quality of management, following the chosen growth path, taking into account the tumultuous economic environment that have developed under the influence of mainly external factors.

2022 was marked by the active implementation of such strategic tasks as consolidation of the power grid assets, ensuring better accessibility of technological connection to grids, reduction of losses, reduction of accounts receivable for power transmission services and curbing the growth of arrears in payment for consumed electricity. For the convenience of our customers, we have introduced additional remote services, in particular, we have launched the “Light Online” mobile application.

Taking into account the responsibility for the uninterrupted power supply to the population and industrial enterprises of the region, we have continued the implementation of measures aimed at ensuring the reliability of the integrated power grid and upgrading our production facilities. To this end, special projects and programs were implemented, including, for example, programs aimed at improvement of regions reliability, reduction of losses, investment program and the repair campaign.

Management of Rosseti Northern Caucasus, PJSC made every effort to reduce the impact of negative factors on the Company's operations.

Despite the encountered difficulties, the Company's specialists fully completed the work on preparing the integrated power grid for the autumn-winter period. About 3.7 thousand 0.4–10 kV transformer substations, more than 5.2 thousand km of overhead power lines of all voltage classes were repaired mainly using own resources. Realizing the importance of the ongoing activities for a stable power supply to the territories, the Company's specialists completed most of the work ahead of schedule and target.

In the reporting year, as part of the implementation of one of the key functions of the power company – technological connection to the grid infrastructure – more than 18 thousand new consumers in the NCFD regions were provided with about 400 MW of electrical power. Better availability of grid infrastructure will always be an absolute priority for us, since, by timely fulfillment of technical connection agreements with due quality, power industry workers help to increase economic stability and investment potential of the macroregion.

Reconstruction of facilities – substations and air lines – was carried out with the introduction of state-of-art technology and domestic equipment. In particular, the renovated “Krasny Oktyabr” substation was put into operation in the Stavropol Territory.

As part of the Strategy for the Development of the Integrated Power Grid of the Russian Federation, work continued on the consolidation of unstable local grid operators and ownerless facilities on the basis of the Company.

The development of the Company is inseparable from social responsibility. The above means strict observance of safety requirements at the workplace, an opportunity for the development and professional growth of employees, and the provision of social guarantees. In 2022, measures to prevent electrical injuries for both personnel and third parties were strengthened. The implementation of the Zero Accidents concept was continued, and special strategic sessions were held.

All the above activities could be implemented thanks to the efforts of the several thousand strong team of employees of Rosseti Northern Caucasus, PJSC, who proved their readiness and ability to solve the most difficult industry-related tasks.

In 2023, the Company plans to make maximum use of the accumulated potential for its further stable development.

Based on the principles of information openness and financial transparency, the Company applies the advanced standards of corporate governance, which manifest themselves, in particular, in the constructive cooperation of shareholders and the Board of Directors with the management. I am sure that our joint fruitful work will help improve the efficiency of the Company's operations.

Sincerely yours,

Roman Alexeevich Levchenko,

General Director,

Rosseti Northern Caucasus, PJSC

**1.1. Company Profile**

**1.1.1. Company Presentation and Structure**

**Rosseti Northern Caucasus, PJSC** is an Interregional Distribution Grid Company functioning in the Russian electricity power industry sector. The Company is a natural monopoly, and tariffs for its services are set by regulatory bodies.

**The core activity** is power transmission and technical connection to distribution electric grids.

The company also buys and sells electricity and power in the wholesale market for electricity and power, and sells electricity and power in the retail market of the Republic of Ingushetia, North Ossetia – Alania Republic, Republic of Dagestan, Karachay-Cherkess Republic and Kabardino-Balkarian Republic.

**Legal entity year of incorporation:**

2006

**Industry:**

Electricity power industry

**Region:**

Northern Caucasus Federal District, Russian Federation

Part of the Rosseti Group of Companies

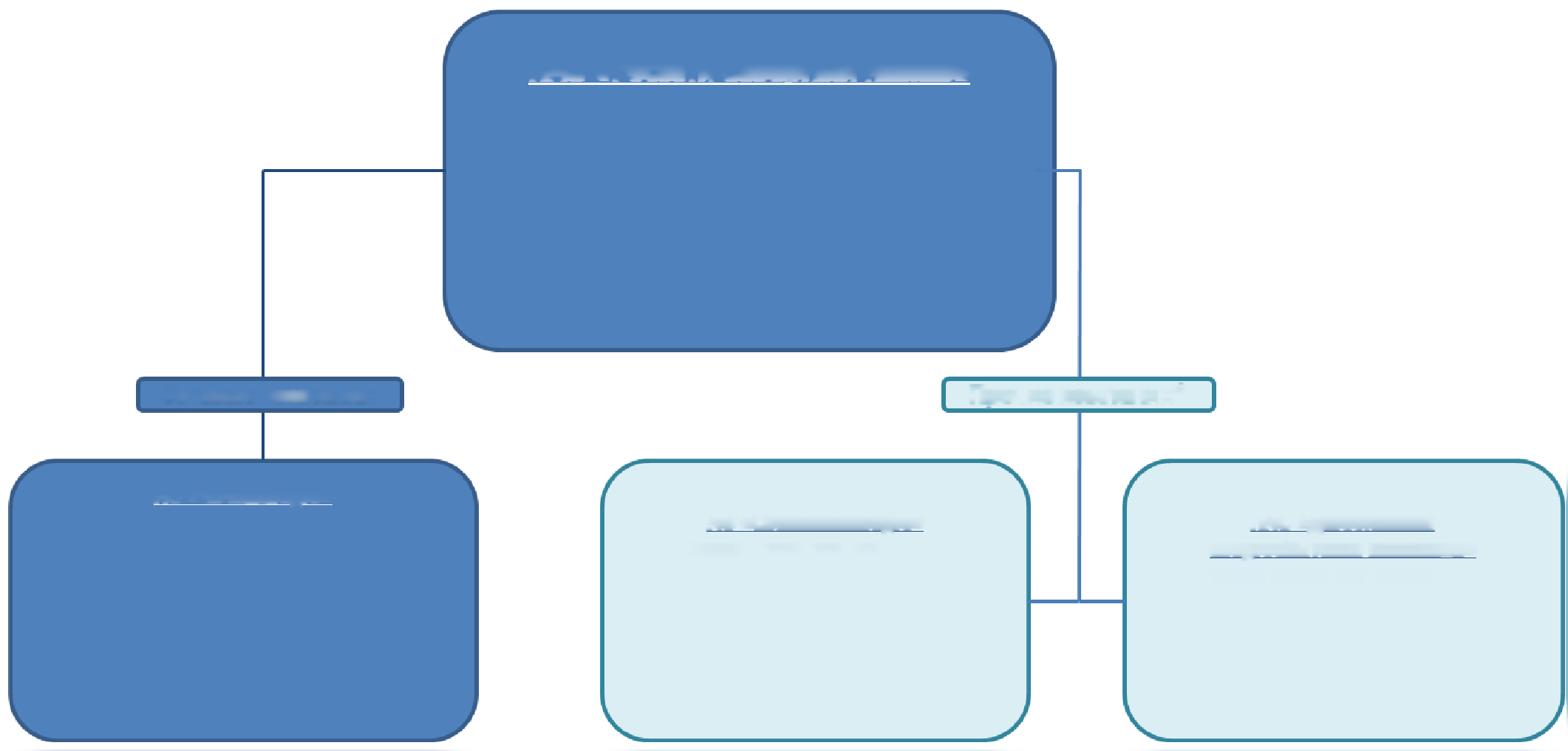
**Covers** about 1% of the territory and about 6% of the population of Russia

**Manages** one grid company

**Shares are traded** at the stock market of the Moscow Stock Exchange

**Ownership structure:** Public Joint-Stock Company Rosseti (96.47%), other shareholders (3.53%)[[1]](#footnote-1)

**Business organizational structure as of December 31, 2022**



**Chechenenergo, JSC**

Competence Territory:

**Chechen Republic**

Capital Structure:

**Rosseti, PJSC – 73.65%**

**Chechen Republic represented by the Ministry of Property and Land Relations of the Chechen Republic – 26.35*%\*\****

**Sevkavkazenergo, JSC**

Competence Territory:

**Republic of North Ossetia – Alania**

Capital Structure:

**Rosseti, PJSC – 49%**

**Other shareholders – 51%**

Grid Companies

**Rosseti Northern Caucasus, PJSC**

- Dagenergo branch

- Ingushenergo branch

- Kabbalkenergo branch

- Karachaevo-Cherkesskenergo branch

- Sevkavkazenergo branch

- Stavropolenergo branch

**Dagestan Energy Supply Company, PJSC**

Competence Territory:

**Republic of Dagestan**

Capital Structure:

**Rosseti, PJSC – 51%**

**Other shareholders – 49%**

Other companies\*

*Comment.* All the companies are governed by Rosseti Northern Caucasus, PJSC.

\* In 2020–2021 the Supervisory Board of the Association “NP Market Council” made a decision of deprivation of Sevkavkazenergo, JSC and Dagestan Energy Supply Company, PJSC of the status of a participant in the wholesale market for electricity and power. In accordance with the requirements of the applicable law, Rosseti Northern Caucasus, PJSC took over the functions of a last resort provider in the Republic of North Ossetia – Alania from April 1, 2020 (Order of the Russian Ministry of Energy No. 236 dated March 24, 2020), the Republic of Dagestan from July 1, 2020 (Order of the Russian Ministry of Energy No. 494 dated June 25, 2020).

\*\* The share capital structure of Chechenenergo, JSC is indicated without taking into account the actually placed shares as part of the ongoing additional issue of Chechenenergo, JSC.

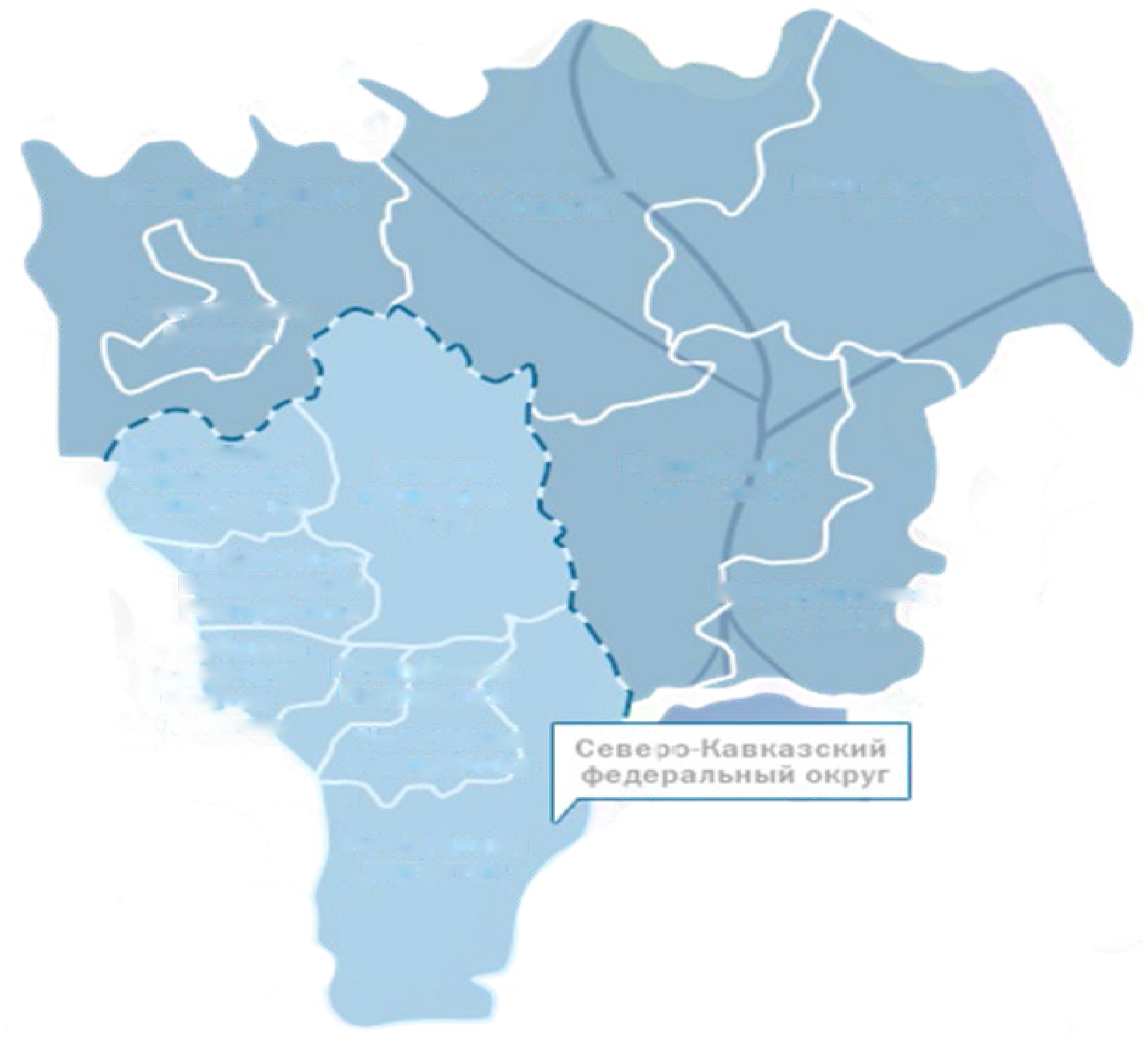
Key changes to the structure and business scale of Rosseti Northern Caucasus, PJSC:

* from the date of incorporation (August 2006) to March 2008 – the Company, (when established – SGC OJSC) was only dealing with management of regional power companies;
* from September 2006 six North Caucasus power supply companies were transferred under control of SGC OJSC (agreements were terminated at the end of 2011);
* at the end of March 2008, as a result of the merger of grid companies (which became branches of the Company) with the Company, the Company began power transmission activities;
* in September 2008 the Company, PJSC, transferred the electricity grid property of the Ingush branch of the republican grid company Ingushenergoset, OJSC;
* in April 2010, the Company leased the electricity grid property of the Dagenergo branch to its 100% subsidiary Dagenergoset, OJSC;
* in May 2013 in connection with the expiration of the electricity grid property lease agreement between the Company and Ingushenergoset, OJSC, the Ingush branch (currently – Ingushenergo branch) commenced its power transmission activities;
* from July 2015 to June 2020, it functioned as a distribution grid company, Dagestan Grid Company, JSC (100% subsidiary of Rosseti Northern Caucasus, PJSC), the electricity grid property of the Dagenergo branch was leased by Dagestan Grid Company, JSC;
* in August 2015 six North Caucasian power supply companies were transferred under control of Rosseti Northern Caucasus, PJSC;
* from July 4, 2016 in accordance with the judgment of the Arbitration Court of the Chechen Republic on opening of bankruptcy proceedings, the Company did not perform functions of the sole executive body of Nurenergo, OJSC. By the Resolution of the Arbitration Court of the Northern Caucasus Federal District dated January 26, 2017, the specified judgment of the Arbitration Court of the Chechen Republic was canceled. From January 26, 2017, the Company continues to perform functions of the sole executive body of Nurenergo, OJSC. On October 27, 2017, in accordance with the judgment of the Arbitration Court of the Chechen Republic, the monitoring procedure against Nurenergo, OJSC was terminated, and the bankruptcy proceedings were opened against Nurenergo, OJSC;
* from July 6, 2017, in accordance with the judgment of the Arbitration Court of the Republic of Dagestan on holding bankruptcy proceedings against Dagenergoset, OJSC, Rosseti Northern Caucasus, PJSC does not perform the functions of the sole executive body of the aforementioned company;
* from May 23, 2018, in accordance with the judgment of the Arbitration Court of the Republic of Ingushetia on holding bankruptcy proceedings against Ingushenergo, JSC, Rosseti Northern Caucasus, PJSC does not perform the functions of the sole executive body of the aforementioned company;
* On May 8, 2020, the Board of Directors of Rosseti Northern Caucasus, PJSC made a decision to define the maintenance of business continuity of the local grid operator in the Republic of Dagestan as a priority area of the Company's activity, and also approved the Roadmap for maintenance of activity of the local grid operator in the Republic of Dagestan (Minutes No. 421 dated May 12, 2020). The power transmission activities of Dagestan Grid Company, JSC were terminated in June 2020, after which the operational activities of Dagenergo, Branch of Rosseti Northern Caucasus, PJSC, began;
* from March 15, 2022, in accordance with the judgement of the Arbitration Court of the Karachay-Cherkess Republic on the introduction of bankruptcy proceedings against Karachaevo-Cherkesskenergo, PJSC, Rosseti Northern Caucasus, PJSC does not perform the functions of the sole executive body of the said joint-stock company;
* from April 21, 2022 in accordance with the judgement of the Arbitration Court of the Republic of Kalmykia on the introduction of bankruptcy proceedings against Kalmenergosbyt, JSC, Rosseti Northern Caucasus, PJSC does not perform the functions of the sole executive body of the said joint-stock company;
* from August 1, 2022 in accordance with the judgement of the Arbitration Court of the Kabardino-Balkarian Republic on the introduction of bankruptcy proceedings against Kabbalkenergo, JSC, Rosseti Northern Caucasus, PJSC does not perform the functions of the sole executive body of the said joint-stock company;
* From December 15, 2022, in accordance with the judgement of the Arbitration Court of the Republic of Dagestan on the introduction of bankruptcy proceedings against Dagestan Grid Company, JSC, Rosseti Northern Caucasus, PJSC does not perform the functions of the sole executive body of the said joint-stock company.

**1.1.2. Geographic Reach**

**Area of operations – Northern Caucasus Federal District**

**(seven constituent entities of the Russian Federation)**



**Republic of Dagestan**

**Chechen Republic**

**Republic of Ingushetia**

**Republic of Kalmykiya**

**Stavropol Territory**

**Kabardino-Balkarian Republic**

**Republic of North Ossetia – Alania**

**Karachay-Cherkess Republic**

**Republic of Adygeya**

**Krasnodar Territory**

**Rostov Region**

**Volgograd Region**

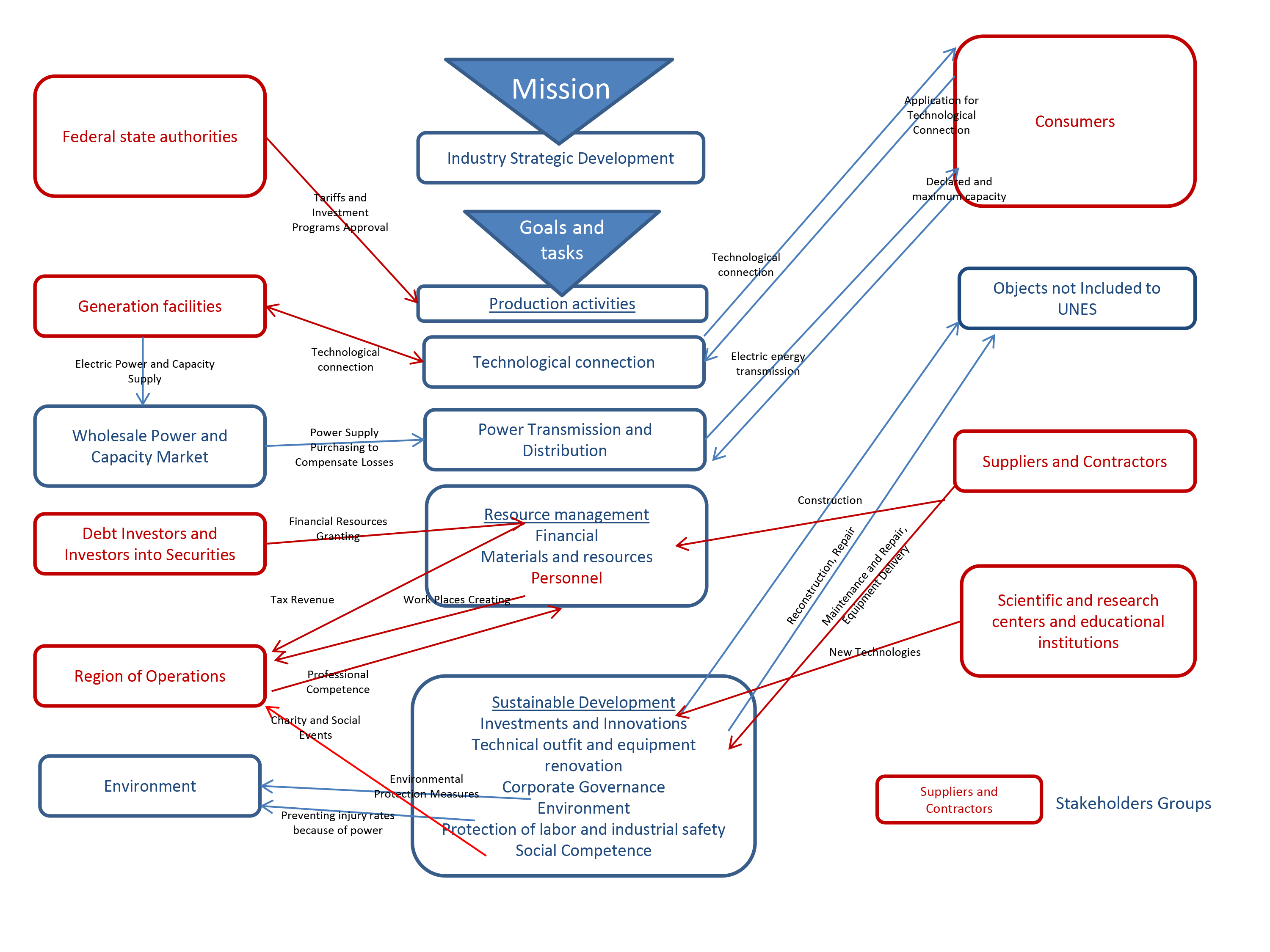
**Astrakhan Region**

**Northern Caucasus Federal District**

**1.1.3. Business Model**

**Our primary goal** is to ensure in the long run the reliable, quality and affordable power supply to consumers in entire territory of the Northern Caucasus Federal District at the stage of power distribution by organization of the maximum effective infrastructure.

**The way Rosseti Northern Caucasus, PJSC creates value**



**Interaction with stakeholders**

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 stakeholder, description of the impact** | **Created values** |
| --- | --- | --- | --- |
| State and region | | | |
| Federal state authorities | | | |
| Government of the Russian Federation / Russian Ministry of Energy  **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website "For Shareholders and Investors/Charter and Bylaws"); * Provisions of Rosseti, PJSC, about the unified technical policy in the integrated power grid.   **Cooperation with the stakeholder in the reporting year** is reflected in Sections “Development Strategy”, “Key Risks and Risk Management System”, “Tariff Policy”, “Investment Activity” and “Information Disclosure, Public Relations, State Authorities and Mass Media Relations”. | Strategic development benchmarks | Mission  (determines the mission of the Company through the mission of the integrated power grid 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  Maintenance of the social well-being |
| Approved investment programs | Determines the key areas of the Company's investment through the approval of investment programs | Ensuring of the operation of the economy and the social sector through the supply of the necessary resource  Budget and tax receipts for the development of the economy and the social sector |
| Federal Antimonopoly Service  **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”).   **Cooperation with the stakeholder in the reporting year** is reflected in the sections “Development Strategy”, “Tariff Policy”, “Information Disclosure, Public Relations, State Authorities and Mass Media Relations”. | Approved tariffs for power transmission and technical connection of consumers | Production activities: technical 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) | Support of the industry competitiveness through the application of a reasonable and economically feasible tariff  Ability to effectively regulate tariffs and monitor their use through constructive cooperation |
| Region of operations | | | |
| Regional authorities  **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Anti-Corruption Policy (see the section of the website of Rosseti Northern Caucasus, PJSC “Company/Anti-Corruption Policy”); * Partnership Program between Rosseti Northern Caucasus, PJSC, and small and medium-sized enterprises (see the section of the website of Rosseti Northern Caucasus, PJSC “Procurement”); * Provisions of Rosseti, PJSC, about the unified technical policy in the integrated power grid.   **Cooperation with the stakeholder in the reporting year** is reflected in the sections “Tariff Policy”, “Investment Activity”, “Information Disclosure, Public Relations, State Authorities and Mass Media Relations”. | Management decisions (assistance in consolidation of power grid assets, improvement of the payment discipline) | Production activities – power transmission and distribution  (participate in joint inventory audit of the integrated power grid to identify and register abandoned power grid assets, establish joint working groups to assess the effectiveness of local grid operators, develop mechanisms for consolidation of inefficient companies) | Budget and tax receipts for the development of the economy and the social sector  Maintenance of the social well-being |
| Generation facilities  **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Provisions of Rosseti, PJSC, about the unified technical policy in the integrated power grid.   **Cooperation with the stakeholder in the reporting year** is reflected in the sections “Investment Activity”, “Production Performance and Improving the Reliability of the Integrated Power Grid”. | Power supply and capacity | Production activities: technical connection, power transmission and distribution  (apply for connection of generation facilities) | Provision of consumers with access to large cost-effective generators  Reduction in generating capacity reserves, which consumers otherwise would have to maintain to ensure the reliability of power supply |
| Suppliers and contractors  **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see section of the website of  Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Anti-Corruption Policy (see the section of the website of Rosseti Northern Caucasus, PJSC “Company/Anti-Corruption Policy”); * Provisions of Rosseti, PJSC, about the unified technical policy in the integrated power grid.   **Cooperation with the stakeholder in the reporting year** is reflected in the sections “Procurement Activities”, “Anti-Corruption Policy and Ensuring the Security of Economic Activity”. | Equipment; maintenance, repair, construction (materials, competences, saved time and labor resources) | Resource management: logistics  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) | Financial resources for business development  Maintenance of the level of employment and adequate standard of living for employees of suppliers and contractors  Improvement of competences through the implementation of new projects of the customer |
| Scientific and research centers and educational institutions  **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Provisions of Rosseti, PJSC, about the unified technical policy in the integrated power grid.   **Cooperation with the stakeholder in the reporting year** is reflected in the sections “Innovation Activities”, “Sustainable Development”. | Advanced technologies, human resources | Resource management – personnel  Sustainability: investments and innovations, technical equipment and renovation of equipment  (ensure the delivery and introduction of advanced technologies, supply of human resources) | Financial resources  Improvement of competences through the development and elaboration of new projects  Employment of graduates of educational institutions |
| General public  **Principles of cooperation** are set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Anti-Corruption Policy (see the section of the website of Rosseti Northern Caucasus, PJSC “Company/Anti-Corruption Policy”); * Resolution on Information Policy of Rosseti Northern Caucasus, PJSC (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Regulation on the Implementation of a Unified Communication Policy of Rosseti Northern Caucasus, PJSC.   **Cooperation with the stakeholder in the reporting year** is reflected in the section “Information Disclosure, Public Relations, State Authorities and Mass Media Relations”. | Independent assessment of activities | 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) | Ensuring of the power supply reliability  Maintenance of the level of employment of the population  Charity and sponsorship projects  Confidence in the environmental sustainability |
| Shareholders and investors (debt investors, equity investors) | | | |
| **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * see documents in the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Provisions on the Credit Policy.   **Cooperation with the stakeholder in the reporting year** is reflected in the section “Report on Corporate Governance”. | Money, securities, other things, ownership rights or other rights having a monetary value  Innovations and technologies of the corporate governance  Competences | Production activities – power transmission and distribution  (assist in the creation of a center of responsibility for reliable power supply to consumers in the region, consolidation of grids through the contribution of electricity grid property to the authorized capital)  HR management: financial resources  (ensure the cash inflow for the implementation of projects through the acquisition of the Company’s securities and granting of loans to the Company)  Sustainability: investments and innovations, corporate governance  (stimulate the introduction of advanced corporate governance practices in the Company through the requirements for the investment target) | Interest (for the use of borrowed funds)  Income from stock exchange difference  Dividends  Opportunity to sell shares at any time in the liquid securities market  Absence of legal risks (violation of legal rights and interests) when investing in shares through a transparent corporate governance mechanism |
| Customers and clients | | | |
| **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Consumer Service Quality Standard of Rosseti Northern Caucasus, PJSC; * Unified Procurement Standard of Rosseti, PJSC, Partnership Program between Rosseti Northern Caucasus, PJSC, and small and medium-sized enterprises (see the section of the website of Rosseti Northern Caucasus, PJSC “Procurement”); * Anti-Corruption Policy (see the section of the website of Rosseti Northern Caucasus, PJSC “Company/Anti-Corruption Policy”); * Provisions of Rosseti, PJSC, about the unified technical policy in the integrated power grid.   **Cooperation with the stakeholder in the reporting year** is reflected in the sections “Investment Activity”, “Production Performance and Improving the Reliability of the Integrated Power Grid”, “Technical Connection”, “Anti-Corruption Policy and Ensuring the Security of Economic Activity”. | Financial resources | Production activities: technical connection, power transmission and distribution  (determine the stability of the company's cash flow creating opportunities for planning of the activities and development of the region) | Electric energy for the operation of a production facility, business, household |
| Personnel | | | |
| **Principles of cooperation** are also set forth in the by-laws of Rosseti Northern Caucasus, PJSC:   * Corporate Code of Ethics and Business Conduct (see the section of the website of Rosseti Northern Caucasus, PJSC “For Shareholders and Investors/Charter and Bylaws”); * Collective agreement; * Anti-Corruption Policy (see the section of the website of Rosseti Northern Caucasus, PJSC “Company/Anti-Corruption Policy”); * Provisions of Rosseti, PJSC, about the unified technical policy in the integrated power grid.   **Cooperation with the stakeholder in the reporting year** is reflected in the sections “Innovation Activities”, “Anti-Corruption Policy and Ensuring the Security of Economic Activity”, “Sustainable Development”. | Professional competences, management decisions, ideas | Resource management – personnel  Sustainability: investments and innovations, social competences  (ensures the operation of the power grid complex through the attraction of human resources, ensures the development of the integrated power grid of the region through the use of new management solutions, the inflow of necessary professional competences) | Ensuring of the employment  Adequate salary level  Comfortable working conditions  Opportunity for self-actualization  Improvement of professional competences  Maintenance of the adequate standard of living for employees and their families |

**1.1.4. Key Indicators and Main Events of the Reporting Year**

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

|  |  |  |
| --- | --- | --- |
| 2022 | 41,301.7 | 2022 variation vs 2021  **19.4%** |
| 2021 | 34,598.8 |
| 2020 | 26,863.4 |

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

|  |  |  |
| --- | --- | --- |
| 2022 | –11,265.9 | 2022 variation vs 2021  **–20.9%** |
| 2021 | –14,241.3 |
| 2020 | –11,228.1 |

**Revenue according to IFRS, million rubles**

|  |  |  |
| --- | --- | --- |
| 2022 | 41,301.5 | 2022 variation vs 2021  **19.4%** |
| 2021 | 34,582.5 |
| 2020 | 27,719.8 |

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

|  |  |  |
| --- | --- | --- |
| 2022 | 777.1 | 2022 variation vs 2021  **–102.3%** |
| 2021 | –27,832.8 |
| 2020 | –11,534.9 |

**Key corporate events of 2022**

**On February 18,** by decision of the Board of Directors of Rosseti Northern Caucasus, PJSC dated   
February 18, 2022 (Minutes No. 486 dated February 18, 2022), Roman Alexeevich Levchenko, who had been Acting General Director of Rosseti Northern Caucasus, PJSC since April 2021, was elected General Director of Rosseti Northern Caucasus, PJSC, for a period from February 18, 2022 to February 17, 2025 inclusive.

**On April 18,** the Bank of Russia registered a prospectus for ordinary shares of Rosseti Northern Caucasus, PJSC, according to which the term for placement of securities was extended   
until March 20, 2023, according to cl. 12 of Article 22 of the Federal Law “On the Securities Market”, registration number of the additional issue: 1-01-34747-Е dd. March 20, 2020. The funds raised as part of the additional issue of shares are used by the Company to implement the activities of the Development Plan of Rosseti Northern Caucasus, PJSC.

**On** **June 16,** the annual General Meeting of Shareholders of Rosseti Northern Caucasus, PJSC was held (new members of the Board of Directors and the Auditing Commission were elected, the Auditor was approved, the decision was made not to pay the dividends, new revision of the Regulations on the Auditing Commission of the Company was approved).

**On** **October 6,** Expert RA (RAEX) rating agency confirmed the management quality rating of Rosseti Northern Caucasus, PJSC at the level of A++.gq (the highest level of management quality). This assessment means that the management quality system to the highest possible extent promotes the respect for and protection of the stakeholders’ rights.

**1.1.5. Brief History**

| **Milestone summary** | **Event description** |
| --- | --- |
| **Creation of a vertically integrated power company** | **July 1903**  **Bely Ugol HPP**  Bely Ugol HPP, the first large hydroelectric power plant in Russia (capacity of 700 kW), was launched on the Podkumok River (Stavropol Territory). The longest (20 km) power transmission lines with 8 kV voltage at the time were outgoing from it. |
| **1913**  **Pyatigorsk TPP**  A thermal power plant was put into operation in Pyatigorsk. Scientists headed by Mr. M. Shatelen looped the thermal power plant with Bely Ugol HPP (the prototype of the Russian Unified Energy System). |
| **1992**  **RAO UES of Russia, JSC**  The Russian open joint-stock company of power engineering and energy connectivity UES of Russia was established. |
| **Anti-crisis management** | **August 1, 2001**  **KEUK OJSC**  KEUK, OJSC, a management company, was registered for the energy systems in North Caucasus (Ingush, Kabardino-Balkarian, Karachay-Cherkess, and North Ossetia) in Zheleznovodsk (Stavropol Territory). |
| **March 2005**  **Rehabilitation and restructuring project**  Rehabilitation and restructuring project of AO-energo managed by KEUK, OJSC was approved. |
| **September 2006**  **AO-energo management**  SGC OJSC received the management functions for joint-stock companies: Kabbalkenergo; Karachaevo-Cherkesskenergo; Kalmenergosbyt; Sevkavkazenergo; Dagestan Energy Supply Company; Nurenergo; Ingushenergo; KEUK; Stavropolenergo; Dagenergo. |
| **Electricity power industry reform** | **April 2006 – September 2007**  **Disaggregation by activity**  The grid assets of Kabbalkenergo, OJSC; Karachaevo-Cherkesskenergo, OJSC; Sevkavkazenergo, OJSC; and Ingushenergo, OJSC were transferred as payment for additional issue of shares of Open Joint-Stock Company Caucasian Power Management Organisation (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. |
| **August 4, 2006**  **SGC OJSC**  State registration of SGC OJSC was executed (by the decision of the only founder – RAO UES of Russia, OJSC). |
| **August 1, 2007**  **IDGC of the Northern Caucasus**  SGC OJSC was renamed as Open Joint-Stock Company Interregional Distribution Grid Company of North Caucasus. |
| **December 25, 2007 – April 1, 2008**  **Consolidation**  Reorganisation of the Company was completed by taking over Dagenergo, OJSC; KEUK, OJSC; and Stavropolenergo, OJSC. The Company became a unified operating distribution grid company in the North Caucasus. |
| **July 1, 2008**  **IDGC Holding, OJSC**  IDGC Holding, OJSC was established by spinning off from the re-organised RAO UES of Russia, OJSC. It provides corporate governance for operating IDGCs. The title to batch of shares of the Company was transferred to IDGC Holding, OJSC. |
| **Work on the investment appeal and the management structure** | **June 2008**  **Entering capital markets**  Commencement of trading of shares of the Company in MICEX and RTS. |
| **November 30, 2010**  **Transition to RAB**  The Federal Tariff Service approved the transition to RAB tariff regulation for five branches of Rosseti Northern Caucasus, PJSC, from January 1, 2011. |
| **January 27, 2010 – February 8, 2011**  **Dagenergoset, OJSC**  A subsidiary company, Dagenergoset, OJSC, the grid company, was established, which comes under the control of the Company. |
| **March 23, 2011**  **Energoservice, OJSC**  A subsidiary, energy service company Energoservice, OJSC, was established to increase the power efficiency of grid companies in the region. |
| **December 15, 2011**  **Split-off of energy supply companies**  The Company had its agreements on delegation of authority of a sole executive body terminated. |
| **July 2, 2015**  IDGC of Northern Caucasus, OJSC was renamed to IDGC of Northern Caucasus, PJSC. |
| **August 21, 2015**  **Energy supply companies management**  Six power supply companies are again transferred under control of Rosseti Northern Caucasus, PJSC. |
| **March 24, 2020**  Amendments to the Company Charter were registered, providing for a change in its name to Rosseti Northern Caucasus, PJSC. In June 2019, at the St. Petersburg International Economic Forum, the Unified Corporate Identity Standard of Rosseti, PJSC and organizations of the Rosseti Group of Companies was presented, approved by the Board of Directors of Rosseti, PJSC on April 29, 2019. Since then, the companies of the backbone and distribution integrated power grid, including Rosseti Northern Caucasus, PJSC, switched to a unified brand architecture in corporate and marketing communications and began using new names containing the Rosseti trademark and a regional or functional link. |

**2. Strategic Report**

**2.1. Industry Overview**

The Unified Energy System Russia (UES Russia) consists of 71 regional energy systems, which, in turn, form 7 unified energy systems: of East, Siberia, Urals, mid-Volga Region, South, Center and North-West. All energy systems are connected by inter-system high-voltage electricity power lines with a voltage of 220–500 kV and above and operate in synchronous mode (in parallel).

The electric power complex of UES Russia includes 911 power plants with a capacity of more than 5 MW each. As of January 1, 2023, the total installed capacity of power plants of UES Russia amounted to **247,601.8 MW.**

In 2022, 1,610.7 MW of new generating capacities were commissioned, 972.2 MW of inefficient and obsolete generating equipment were decommissioned.

Every year, all plants generate about one trillion kWh of electricity. In 2022, the power plants of UES Russia generated 1,121.5 billion kWh. Electricity consumption in 2022 amounted to 1,106.3 billion kWh.

**Actual and reduced to 2021 temperature conditions dynamics of electricity consumption in the UES of the South**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Electricity consumption, billion kWh** | | | | **Consumption dynamics, %** | |
| **2022** | **2021** | **(+/-) variation vs 2021** | **Actual** | | **Reduced to 2021 temperature conditions** |
| 111.0 | 108.3 | 2.8 | 2.6 | | 3.1 |

The annual maximum power consumption of UES Russia was recorded at 10:00 (Moscow time) on January 13, 2022 at an electric current frequency of 49.99 Hz and amounted to 158,864 MW.

In 2022, six territorial energy systems, including the Republic of Dagestan, set new values for the historical maximum power consumption:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the energy system** | **Achieved historical maximum power consumption** | **Date** | **Previous value of the historical maximum power consumption, MW** | **Increase value, MW** |
| Republic of Dagestan | 1,463 | March 18, 2022 | 1,435 | 28 |

The grid system of UES Russia has more than 13,000 power transmission lines of the voltage class 110–750 kV with a total length of more than 490 thousand km and more than 10,000 110–750 kV electrical substations.

Control of electric power operation modes of 7 energy associations and energy systems located on the territory of 81 constituent entities of the Russian Federation is exercised by branches of SO UES, JSC – united and regional dispatching offices, respectively.

Rosseti Northern Caucasus, PJSC is an interregional distribution grid company operating in the Russian electricity power industry and holds a leading position in the Northern Caucasus Federal District in terms of power transmission services.

The electricity power industry has a decisive influence on the conditions for the economic and social development of the region. The implementation of investment projects, the efficiency of enterprises and organizations, the improvement of the quality of life of the population, the achievement of strategic goals for the development of the economy of the Northern Caucasus Federal District depend on the reliable, balanced and safe functioning of the electricity power industry.

Sources: prepared using data from SO UES, JSC website <https://www.so-ups.ru>.

**2.2. Macroeconomic Trends of the Reporting Year, Sectoral (Market) Forecast**

According to the first estimate of Rosstat, the nominal volume of GDP in 2022 amounted to 151,455.6 billion rubles. Its volume index vs 2021 is 97.9%, the deflator index is 114.3%.

The 2022 results for most indicators of the Russian economy turned out to be better than the ones expected by experts. The industrial production index at the end of 2022 amounted to –0.6% y/y, which is significantly higher than forecasts for the beginning – middle of the year. In December, compared to November 2022, there was an improvement in dynamics – seasonally adjusted +0.1% m/m SA.

At the end of 2022, the output of manufacturing industries decreased by 1.3% y/y. In December 2022, on a seasonally adjusted monthly basis, near-zero dynamics (–0.1% m/m SA). While, part of the manufacturing industries demonstrated growth. The main positive contribution to the dynamics of manufacturing industries at the end of the year was made by the metallurgical complex.

In addition, industries oriented mainly to domestic demand demonstrated positive dynamics at the end of 2022: pharmaceutical industry +8.6% y/y, machinery and equipment manufacture +1.9% y/y, computers, electronics and optics production +1.7% y/y. The food industry showed moderate growth in 2022 (+0.5% y/y).

At the end of 2022, the mining industry demonstrated growth of +0.8% y/y, despite all external restrictions. Crude oil and natural gas production (+0.7% y/y) made the most significant positive contribution. A notable contribution was also made by extraction of mineral resources for the construction sector (+5.6% y/y).

In agriculture, at the end of 2022, growth amounted to +10.2% y/y.

In 2022, compared to 2021, the growth in volumes was demonstrated by the raw materials sector – 0.8% and the energy sector – 0.1%. Oil and gas production increased in 2022 by 0.7% compared to 2021, production of other minerals, including stone, crushed stone and sand, by 5.6%. Electricity generation increased in 2022 compared to 2021 by 0.6%.

In 2022, transport freight turnover decreased by 2.6% y/y, primarily due to pipeline transport   
(–5.2% y/y) and air transport (–69.3% y/y). Excluding pipeline transport, the year-end dynamics are better: –0.3% y/y. Railway transport showed near-zero dynamics (–0.1% y/y). The growth in cargo turnover in 2022 was recorded for road and sea modes of transport: +1.8% y/y each.

At the end of 2022, there was a decrease in consumer activity. The total turnover of retail trade, public catering and paid services to the population amounted to –4.1% y/y as compared to the level of 2021. However, the main decrease was recorded in the retail trade turnover: –6.7% y/y.

Other components demonstrated growth at the end of the year.

The consumer price index at the end of 2022 amounted to +11.9%, which is below inflation expectations during the year.

The summary price index for manufacturing industries for products supplied to the domestic market in 2022 amounted to +11.3% y/y. In December, prices decreased by 0.9% y/y after rising by 0.6% y/y a month earlier (prices decreased in metallurgy, chemical sector, paper and white industry, woodworking, and furniture production sectors).

On the whole, in the industries, at the end of the year, prices increased by 11.4% (in December, they decreased by 3.3% y/y after –1.9% y/y a month earlier).

The situation on the labor market is stable. At the end of 2022, the average annual unemployment rate was 3.9% (4.8% in 2021). In December, as in the previous month, the indicator remained at a historic low – 3.7% of the working population.

Despite the fact that real incomes of the population in 2022 decreased by 1.4% y/y due to high inflation in March–April, income growth resumed at the end of the year: +0.4% y/y in Q4 2022. The situation is similar in terms of real disposable income: a decrease by 1.0% y/y at the end of the year and an increase by 0.9% y/y in Q4 2022.

At the end of 2022, consumer inflation amounted to 11.94% compared to December 2021. On a monthly basis, consumer prices increased by 0.78% m/m in December.

The main contribution to inflation in December was made by the rise in prices in the service sector (+2.04% m/m). Food prices increased by 0.60% m/m due to the seasonal rise in prices for fruits and vegetables and the resumption of growth in prices for other food products. A slowdown in price growth in the sector of non-food products (0.05% m/m) had a restraining impact on the inflation, while prices for most long-term usage goods continued to fall.

Sources: prepared using data from the websites of the Ministry of Economic Development of the Russian Federation <https://www.economy.gov.ru/>, Rosstat <https://rosstat.gov.ru>.

**Regional development in 2022**

The turnover of companies of the Northern Caucasus Federal District for all types of activity in 2022 amounted to 3.9 trillion rubles, or 102.5% as compared to the level of the corresponding period of the previous year.

Industrial production index by types of economic activity “Extraction of minerals”, “Manufacturing”, “Power, gas and steam supply; air conditioning”, “Water supply; water discharge, waste collection and disposal, pollution control activities” as compared to 2021 amounted to 102.7%.

Producer price index for industrial goods made 98.8%. Agricultural production index compared to 2021 made 104.1%.

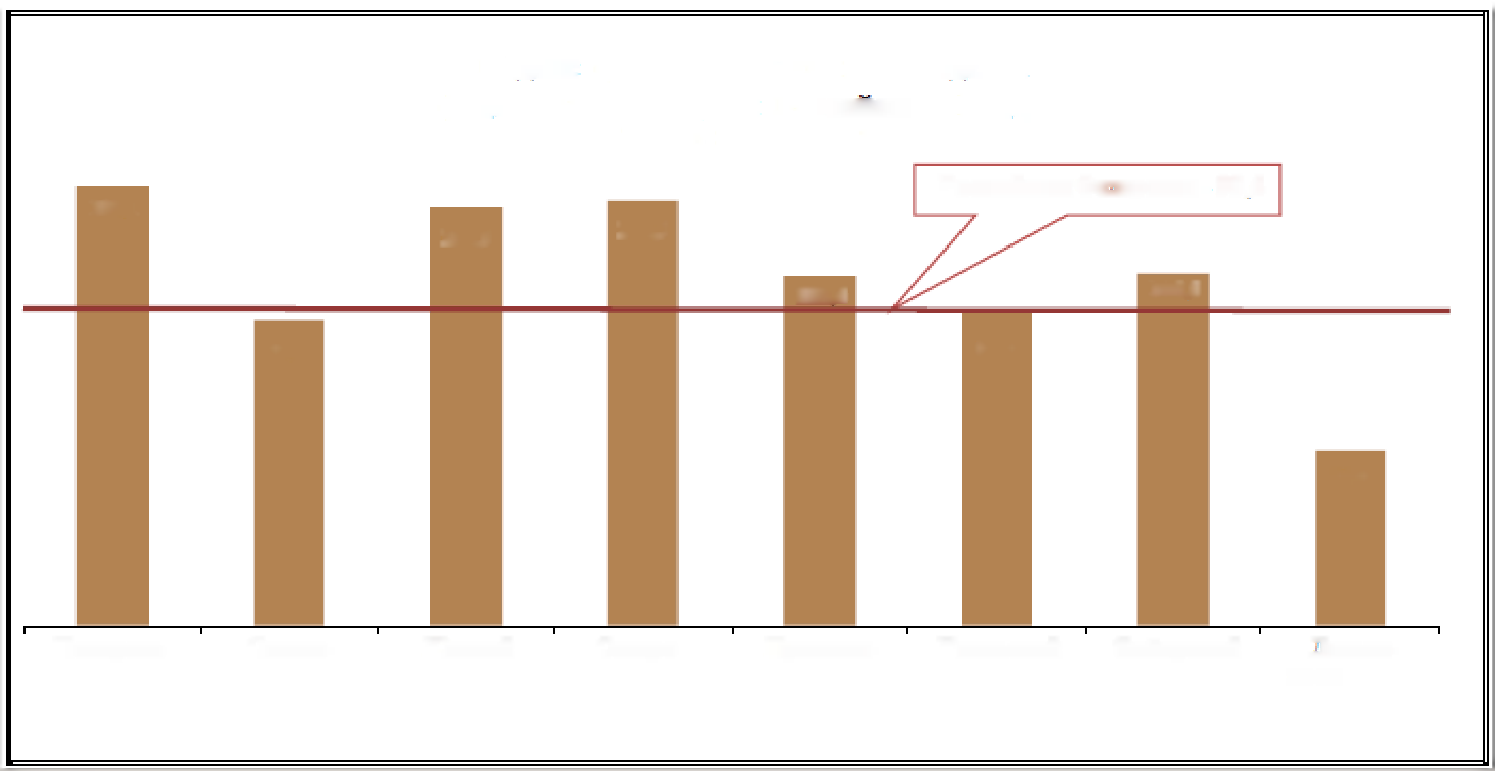
The relative share of the Northern Caucasus Federal District in the total agricultural output of all agricultural manufacturers in Russia (agricultural organizations, peasant/farm households, individual entrepreneurs, households of the population) in 2022 was 7.6%.

Producer price index for agricultural products made 95.9%. Producer price index for construction products made 104.8%. Consumer price index made 111.6%, including for food products – 110.8%, non-foods products – 112.6%, services – 111.8%.

To develop economics and social sphere of the Northern Caucasus Federal District in 2022 878 billion rubles of investments to the fixed capital were used or 107.9% as compared to 2021. The volume of investments to the district amounted to 3.2% of total investment in Russia. The relative share of investments on account of own resources made 30.3%, raised funds – 69.7%, including 31.8% out of the federal budget funds.

The consolidated budget of the constituent entities of the Northern Caucasus Federal District in 2022 was implemented with a deficit of 10.7 billion rubles. Expenses made 807.7 billion rubles, income – 796.9 billion rubles.

Population welfare level is first of all determined by population money income that in per capita terms throughout the Northern Caucasus Federal District made 29,913 rubles per month (in whole within Russia – 45,272 rubles per month). The average monthly nominal accrued salary of companies employees in 2022 made 37,361 rubles and increased compared to 2021 by 9.7%, actual accrued salary decreased by 3.8%.



Russian Federation – 99.4

95.2

Far Eastern

Siberian

**Industrial production index by federal districts of the Russian Federation 2022 as a percentage % vs 2021**

103.1

99.1

102.4

102.7

Central

North-West

Southern

Northern Caucasus

Privolzhsky

Ural

100.4

99.4

100.5

Source: prepared using Rosstat website data <https://rosstat.gov.ru>

The electricity power industry is quite resistant to external negative factors and geopolitical risks. While, the Company continued to purposefully solve the tasks of the long run of the reliable, qualitative and affordable power supply to consumers of the Northern Caucasus Federal District at the stage of power distribution due to arrangement of the effective infrastructure.

**2.3. Company Position in the Market and Competitive Environment**

Rosseti Northern Caucasus, PJSC occupies a leading position in the Northern Caucasus Federal District in terms of power transmission services.

Branches of Rosseti Northern Caucasus, PJSC transmit electric energy (power) in the territory of the Northern Caucasus Federal District. Core activities of Rosseti Northern Caucasus, PJSC (electricity transmission by distribution grids with voltage from 110 kV to 0.4 kV, technical connection of consumers to the grid infrastructure) refer to regulated activities.

Rosseti Northern Caucasus, PJSC is a natural monopoly holder. By Order of Federal Tariff Service (FTS Russia) No. 341-e dd. September 08, 2008, Rosseti Northern Caucasus, PJSC is included in the register of natural monopoly holders in the fuel and power sector, to which state regulation and control is exercised.

Rosseti Northern Caucasus, PJSC is a part of the Rosseti energy holding company and follows the overall strategy of the integrated power grid development.

In connection with the adoption by the Supervisory Board of the Association “NP Market Council” of a decision of deprivation of Ingushenergo, JSC of the status of a participant in the wholesale market for electricity and power (WMEP), Rosseti Northern Caucasus, PJSC, by order of the Russian Ministry of Energy No. 888 dated November 25, 2015, took over the functions of a last resort provider on the territory of the Republic of Ingushetia from December 1, 2015 in accordance with the requirements of the applicable law.

By Order of the Russian Ministry of Energy No. 1412 dated December 17, 2021 the assignment to perform the functions of last resort provider given to Rosseti Northern Caucasus, PJSC on the territory of the Republic of Ingushetia was extended from January 1, 2022 until the decision takes effect on conferring the last resort provider status to the winner of the competition in relation to the specified area of operations, but for a term not in excess of 12 months.

In 2020, in connection with the adoption by the Supervisory Board of the Association “NP Market Council” of a decision of deprivation of Sevkavkazenergo, JSC, and Dagestan Energy Supply Company, PJSC, of the status of a participant in the wholesale market for electricity and power (WMEP), Rosseti Northern Caucasus, PJSC, took over the functions of a last resort provider on the territory of the Republic of North Ossetia – Alania from April 1, 2020 (order of the Russian Ministry of Energy No. 236 dated March 24, 2020) and the Republic of Dagestan from July 1, 2020 (order of the Russian Ministry of Energy No. 494 dated June 25, 2020) in accordance with the requirements of the applicable law.

By Order of the Russian Ministry of Energy No. 226 dated March 31, 2021 and No. 259 dated March 28, 2022 the assignment to perform the functions of last resort provider given to Rosseti Northern Caucasus, PJSC on the territory of the Republic of North Ossetia – Alania was extended from April 1, 2021 and from April 1, 2022 until the decision takes effect on conferring the last resort provider status to the winner of the competition in relation to the specified area of operations, but for a term not in excess of 12 months.

By Order of the Russian Ministry of Energy No. 496 dated June 25, 2021 and No. 608 dated June 30, 2022, the assignment to perform the functions of last resort provider given to Rosseti Northern Caucasus, PJSC on the territory of the Republic of Dagestan was extended from July 1, 2021 and from July 1, 2022 until the decision takes effect on conferring the last resort provider status to the winner of the competition in relation to the specified area of operations, but for a term not in excess of 12 months.

In 2021, in connection with the adoption by the Supervisory Board of the Association “NP Market Council” of a decision of deprivation of Kabbalkenergo JSC, and Karachaevo-Cherkesskenergo, JSC of the status of a participant in the wholesale market for electricity and power, Rosseti Northern Caucasus, PJSC, took over the functions of a last resort provider on the territory of the Kabardino-Balkarian Republic (Order of the Russian Ministry of Energy No. 511 dd. June 29, 2021) and the Karachay-Cherkess Republic (Order of the Russian Ministry of Energy No. 510 dd. June 29, 2021) from August 1, 2021 in accordance with the requirements of the applicable law.

By Order of the Russian Ministry of Energy No. 701 dated July 22, 2022 the assignment to perform the functions of last resort provider given to Rosseti Northern Caucasus, PJSC on the territory of the Karachay-Cherkess Republic was extended from August 1, 2022 until the decision takes effect on conferring the last resort provider status to the winner of the competition in relation to the specified area of operations, but for a term not in excess of 12 months.

By Order of the Russian Ministry of Energy No. 702 dated July 22, 2022 the assignment to perform the functions of last resort provider given to Rosseti Northern Caucasus, PJSC on the territory of the Kabardino-Balkarian Republic was extended from August 1, 2022 until the decision takes effect on conferring the last resort provider status to the winner of the competition in relation to the specified area of operations, but for a term not in excess of 12 months.

Rosseti Northern Caucasus, PJSC operates on the wholesale market for electricity and power (WMEP) within the framework of a system of contracts that are mandatory for each wholesale market entity. The terms of these contracts are governed by the applicable law on the electricity power industry. Prices for electricity and power in regulated contracts are determined within the framework of the tariff rate for electricity and power approved for the seller – supplier of electricity by the federal executive body in the field of state tariff regulation. The procedure for pricing electricity and power in the free (non-regulated) sectors of the WMEP is determined by Federal Law No. 35 dd. March 26, 2003 “On Electricity Power Industry” and the Rules of the Wholesale Market for Electricity and Power, approved by Decree of the Government of the Russian Federation No. 1172 dd. December 27, 2010.

When taking over the functions of a last resort provider Rosseti Northern Caucasus, PJSC assumed obligations to make current payments on WMEP and settle debts to suppliers of electricity and power for all process owners.

In order to settle the issue of repayment of debts of last resort providers of the republics of the NCFD on the WMEP in February 2022, Rosseti Northern Caucasus, PJSC and generating companies – creditors signed agreements on the procedure for fulfilling obligations (Agreements), which provide for two options for settlements starting from 2022:

1) by bank papers with a 17% discount and their further transfer to counterparties at face value;

2) in cash with a deferral of part of payment in the amount of 17% until 2036.

The agreements were signed by 55 creditors – generating companies, of which 51 creditors chose the settlement option with bank papers for 2022. The settlement option with bank papers assumes the fulfillment of obligations in 2022 on a quarterly basis no later than the 15th day of the second month following the settlement quarter. The cash settlement option assumes the fulfillment of obligations in 2022 on a monthly basis on the 21st day of the month following the settlement month.

In March-April 2022, Rosseti Northern Caucasus, PJSC fully repaid its obligations on the WMEP, which arose as of January 1, 2022, in the amount of 11,142 million rubles. (VAT inclusive).

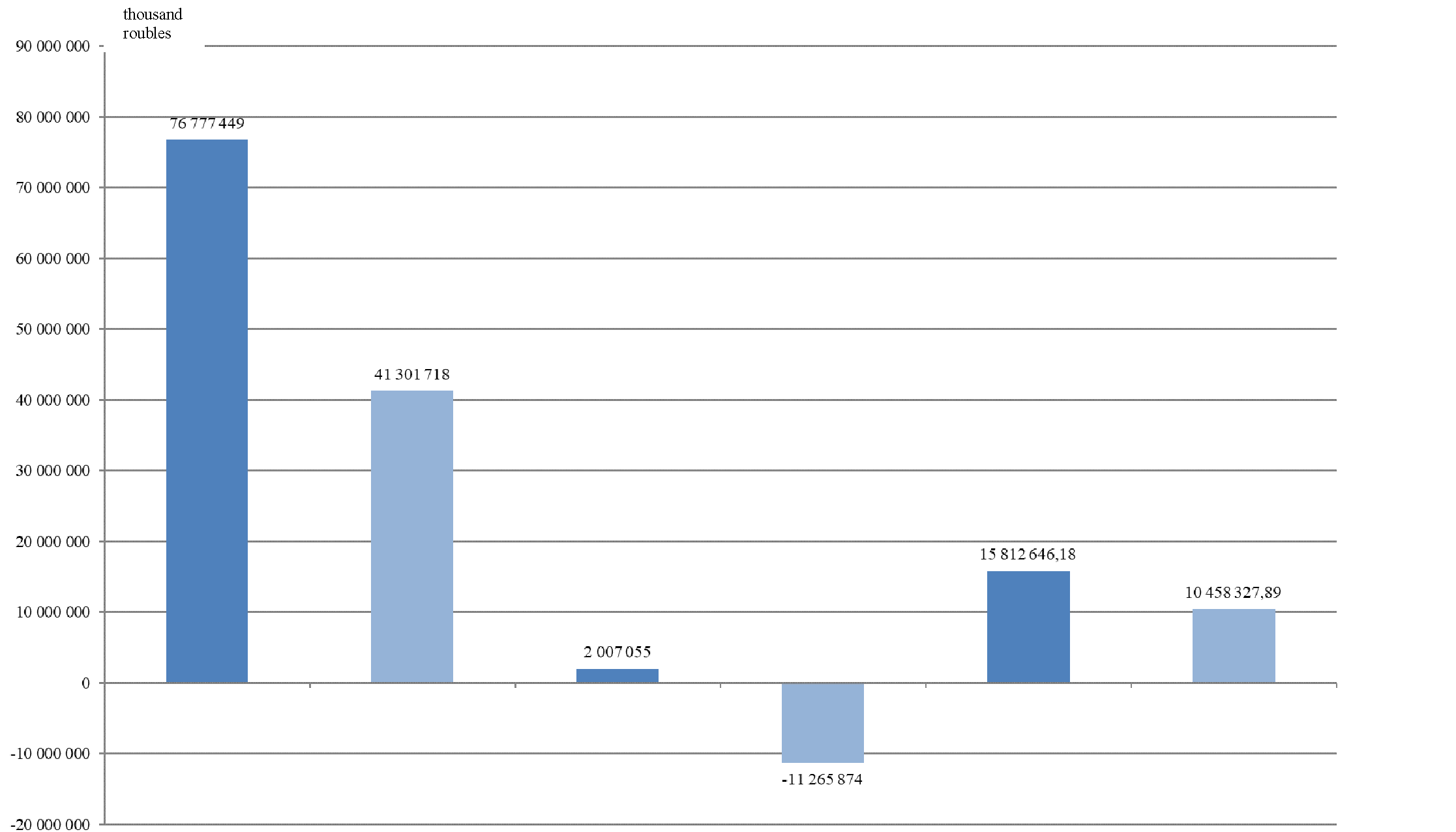
In May 2022 – February 2023, Rosseti Northern Caucasus, PJSC made all settlements with bank papers and fully paid the obligations on the WMEP that arose following the results of 2022, in accordance with the terms of the Agreements in relation to generating companies that entered into the Agreements and the requirements of the Regulations on financial settlements on the wholesale market for electricity and power (Appendix No. 16 to the Agreement on Accession to the Wholesale Market Trading System) in relation to generating companies – creditors that decided not to conclude Agreements on debt settlement.

Thus, at the end of 2022, all obligations in the WMEP to generating companies – suppliers of electricity and power were fulfilled by Rosseti Northern Caucasus, PJSC in full volume.

Considering the above, Rosseti Northern Caucasus, PJSC has no competitors in terms of activities in the WMEP.

Rosseti Northern Caucasus, PJSC, supplies power to consumers in the territory with the total area of 170.4 thousand km2 (1% of the territory of Russia) with the population of 10.2 million people (around 6% of the Russian population).

**Comparison of Rosseti Northern Caucasus, PJSC with Russian peer companies[[2]](#footnote-2)**



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Average revenue of companies for 2022, thousand rubles | Revenue of Rosseti Northern Caucasus, PJSC for 2022, thousand rubles | Average net profit (loss) of companies for 2022, thousand rubles | Net profit (loss) of Rosseti Northern Caucasus, PJSC for 2022, thousand rubles | Average value of the market capitalization of the group companies as of December 30, 2022, thousand rubles | Market capitalization of Rosseti Northern Caucasus, PJSC as of December 30, 2022, thousand rubles | indicator name |

**Additional information on the position** of Rosseti Northern Caucasus, PJSC in the industry is given in the sections of this Annual Report “About the Company”, “Strategic Report”, “Performance Results for 2022”.

**2.4. Development Strategy**

The strategic goals and directions for the development of Rosseti Group of Companies are defined by the Development Strategy of the Rosseti Group of Companies until 2030[[3]](#footnote-3) and are focused on the implementation of sectoral strategic planning documents, including the Energy Strategy of the Russian Federation, approved by the Decree of the Government of the Russian Federation No. 1523-r dated June 9, 2020, and the Strategy for the Development of the Integrated Power Grid of the Russian Federation, approved by the Decree of the Government of the Russian Federation No. 511-r dated April 3, 2013.

The development strategy of the Rosseti Group of Companies involves a transition to a modern innovation infrastructure business model. The main strategic objectives of the Rosseti Group companies are:

* ensuring the reliability and quality of power supply at the target level;
* increase in total return on shareholders;
* ensuring resilience to changes in the global and local electric power market.

Rosseti, PJSC identified the strategic development priorities of the Group companies:

* ensuring reliable, high-quality and affordable power supply, as well as promoting the energy security of the Russian Federation;
* ensuring further improvement in the efficiency of the core business, including through the introduction of digital technologies and innovations;
* development of new areas of activity (non-tariff services and consumer services) through digital transformation to ensure the Company's resilience to changes in the industry;
* introduction of sustainable development principles.

The achievement of these goals is planned to be ensured through the development of the main areas of activity: digital transformation, development of new types of business, further improvement of operational and investment efficiency, staff development, etc.

**For achieving the strategic development goals, the Company needs to solve, inter alia, the following tasks:**

* **for achieving the strategic goal of ensuring the reliability and quality of power supply at a given level:**
* implementation of the Innovative Development Program, including the transition to the integrated efficiency of business processes and automation of management systems, as well as the evolution of a system for the development and implementation of innovative products and technologies;
* implementation of the Development Plan of Rosseti Northern Caucasus, PJSC, approved by the Board of Directors of Public Joint-Stock Company Federal Grid Company – Rosseti on December 29, 2022 (Minutes No. 604 dated December 30, 2022);
* reduction of the share of obsolete equipment used at power grid facilities and equipment containing hazardous substances, reduction of the amount of deforestation when laying and maintaining clearings for overhead lines in forest areas, reduction of the negative impact on the environment during the construction of power grid facilities;
* execution of instructions of the Government Commission on Social and Economic Development of the Northern Caucasus Federal District, the Ministry of Energy of the Russian Federation, Rosseti, PJSC, interaction with authorities at the regional and federal levels according to the well-developed effective model;
* ensuring of the accessibility of the power supply infrastructure and the quality of technical connection to power grids of Rosseti Northern Caucasus, PJSC.
* ensuring the established level of reliability and quality of services provided;
* implementation of investment policy within the framework of annual investment programs;
* **for achieving the strategic goal of increasing the total shareholder return:**
* increasing the transparency of the Company's activities and developing corporate governance practice, taking into account the recommendations of the Corporate Governance Code of the Bank of Russia;
* building constructive and mutually beneficial relations with each group of stakeholders, including consumers (from residents of a macroregion to a large business community and authorities);
* improving payment discipline, preventing theft, informing the public about high-quality work aimed at enhancement of the reliability of energy supply in the Northern Caucasus Federal District;
* implementation of anti-corruption measures in accordance with Article 13.3 of the Federal Law No. 273-FZ dd. December 25, 2008 “On Combating Corruption” in Rosseti Northern Caucasus, PJSC and the Anti-Corruption Policy of Rosseti, PJSC and subsidiaries and affiliates of Rosseti, PJSC approved by the Board of Directors on July 8, 2020 (Minutes No. 427 dated July 9, 2020);
* implementation of measures to reduce electricity losses in distribution grids in the North Caucasus;
* enhancement of the internal control and risk management system, development of internal audit function;
* implementation of the tariff policy;
* **for achieving the strategic goal of ensuring resilience to changes in the global and local electricity markets:**
* development of the integrated power grid based on advanced innovative technologies to meet consumer demand and solve the problems of social and economic growth of the constituent entities of the Russian Federation in their area of responsibility;
* staff development and building partnership in the field of education;
* implementation of the personnel and social policy of the Company, aimed to ensure the planning of the need for personnel, timely satisfaction of the Company's needs for personnel of the required qualifications, performance efficiency of personnel, and an increase in labor productivity;
* provision of additional (non-tariff) services.

Rosseti Northern Caucasus, PJSC will never sacrifice its **values** for the sake of profit perceiving thereof as an interlink between all areas of business expecting the same attitude from its business partners.

The corporate values of Rosseti Northern Caucasus, PJSC are:

* 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 all 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, owing 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, for which reason the efficiency of its operations is viewed as the 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 much attention to issues of health, safety, environment protection and social programs.

Rosseti Northern Caucasus, PJSC is a fast growing company. In the future, the Company intends to direct its efforts towards the successful accomplishment of objectives within the framework of the chosen growth area, namely, to ensure in the long run the reliable, high-quality and affordable power supply to consumers in entire territory of the Northern Caucasus Federal District at the stage of power distribution by organization of the maximum effective infrastructure. Development of Rosseti Northern Caucasus, PJSC in priority business areas will make it possible, in the long term, to ensure reliable and high-quality energy supply to consumers in the Northern Caucasus Federal District and become a leader in the region's competence in terms of electricity transmission and technical connection to distribution grids.

Besides, strategic objectives of its development for the future year and longer run are seen by Rosseti Northern Caucasus, PJSC as provision of systemic reliability, safety and stable functioning of the distribution integrated power grid of Northern Caucasus 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.

**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 General Director is established on the basis of:

- sub-clause 52 of clause 15.1 of Article 15 of the Company Charter;

– decision of the Board of Directors of the Company dated October 26, 2020 (Minutes No. 439 dated October 29, 2020), as amended by the decision of the Board of Directors of the Company dated December 30, 2022 (Minutes No. 521 dated January 9, 2023).

The target values of key performance indicators were approved by the decision of the Board of Directors of the Company dated September 8, 2022 (Minutes No. 510 dated September 12, 2022), as amended by the decision of the Board of Directors of the Company dated December 30, 2022 (Minutes No. 521 dated January 9, 2023).

In accordance with the specified decisions the Board of Directors established the following composition of key performance indicators for 2022:

|  |  |
| --- | --- |
| **KPI description** | **Procedure for calculation** |
| Total dividend yield | Comparison of the accrued dividends of the reporting year with the average value of the same indicator of the previous three years and with the value provided for by the Company's business plan |
| Return on invested capital | Ratio of net operating profit to average equity and long-term debt capital over the period |
| Operating profit (EBITDA) | Section 1. The growth of the actual EBITDA value compared to the previous year is not lower than the average annual growth rate of tariffs  Section 2. If the specified condition is not achieved, the achievement of the EBITDA indicator level to the planned value, calculated on the basis of the approved business plan, is assessed |
| Reduction in operating expenses (costs) per unit | Decrease in the ratio of operating expenses per unit to the amount of equipment serviced (c. u.) in the reporting year compared to the previous year |
| Level of power losses | The ratio of electricity supply to the grid minus electricity supplied from the grid to electricity consumers and grid operators and electricity consumption for production and/or household needs, taking into account the disputed volume of electricity at the end of the reporting year that arose in the current reporting year under contracts for the sale (supply) of electricity in order to compensate for losses in electric grids, concluded with last resort providers that are part of the Rosseti Group of Companies, and the volumes of electricity recorded in the adjustment certificates (reconciliation reports, court decisions, other documents evidencing settlement of disagreements) to certificates of sale and purchase (supply) of electricity purchased to compensate for the losses of distribution grid companies for previous years, executed in the reporting year, corresponding to the amount of settlement of disagreements on the volume and cost of electricity purchased in order to compensate for losses not in favor of distribution grid companies, to the supply of electricity to the grid |
| Increase in the labour efficiency | The ratio of value added to the number of insured persons. Comparison with base 2020. |
| Efficiency of innovative activities | The integral indicator of the innovation activity efficiency measures the degree of fulfillment of three component indicators: the indicator of R&D costs, the indicator of purchase of innovative products, the indicator of the quality of the development (updating) of design and survey work/implementation of design and survey work |
| Receivables reduction indicator | Decrease in the actual value of overdue accounts receivable for rendered electricity transmission services (excluding moratorium and restructured debt, as well as debt of counterparties in respect of which a decision was made in the reporting year to deprive them of the status of a participant in the wholesale market for electricity and power and/or the last resort provider of electricity, or counterparties operating without a license to carry out energy sales activities) |
| Compliance with the timing of technical connection | An integrated indicator that measures the level of quality of technical connection to the Company's grids, consisting of three components – the quality of consideration of applications for TC, the quality of execution of contracts for the TC of applicants, compliance with the antimonopoly law of the Russian Federation |
| DEBT/EBITDA | Section 1. It is estimated based on the results of meeting the ratio of debt to EBITDA. If the Company is financially stable, the target value is ≤3.0, otherwise – an improvement of at least 10% from the actual figures of the previous year, but not less than the value of 3.0.  If the Debt/EBITDA ratio at the end of the previous year is less than 0, then the EBITDA parameter is compared with the value of the previous year.  Section 2. If the specified condition is not achieved, the achievement of the planned level of the Debt/EBITDA ratio, calculated on the basis of the approved business plan, is assessed |
| Compliance with the facility commissioning schedule | The ratio of the total actual volume of recognized fixed assets (in monetary terms, in relation to completed facilities and facilities accepted as fixed assets in the reporting year, with quarterly breakdown) to the planned volume in accordance with the approved investment program of the Company and its implementation schedules |
| Readiness to work during the heating season | An indicator measuring readiness of the Company to work during the heating season based on monthly monitoring conducted by the Russian Ministry of Energy |
| Implementation of the Company Development Plan | Bonus deduction indicator, the amount of which is determined by calculation depending on the number of unfulfilled activities of the Company Development Plan approved by the Board of Directors of Rosseti, PJSC in the reporting period |
| Achievement of the reliability level of provided services | Indicators of the average duration of the interruption of electricity transmission to the point of supply and the average frequency of the interruption of electricity transmission to the point of supply (SAIDI, SAIFI), as well as the number of major accidents as compared to the average annual values for the previous 3 years |
| Absence of occupational accidents | The number of persons among the Company's employees injured during accidents (with minor, severe and fatal outcomes) for the reporting year, associated with the failure of officials to perform their duties |
| Indicator of transition to the preferential use of domestic software | Measures compliance with schedule for the preparation and implementation of a plan for the transition to the preferential use of domestic software and is calculated as the share of funding for Russian software and related works (services) in the total funding for software and related works (services) |
| Payment of electricity losses | The ratio of paid electricity purchased to compensate for losses to charged one |
| The level of implementation of the rendered power transmission services | An indicator showing the degree of achievement of the planned level of implementation of the rendered power transmission services: the ratio of the planned (actual) value of proceeds from the sale of power transmission services by all types of settlements from the first to the last day of the reporting period, minus the planned (actual) balance of advances, calculated as the difference between the amount of accounts payable for power transmission services provided at the end and beginning of the reporting period, to the planned (actual) value of charges for power transmission services provided, taking into account the balance of resettlement (adjustments) of charges of previous years performed in the reporting period |

**Target values and achieved KPI**

| **Composition of indicators** | **Weight/percentage of bonus reduction in the bonus system for 2022, %** | **Actual value for 2021 //**  **assessment of achievement for 2021 (achieved/not achieved)** | **Target value in 2022** | **2022 actual value[[4]](#footnote-4) // % of 2021 actual indicators** | **Assessment of achievement for 2022 (achieved/not achieved) // reasons for deviation** |
| --- | --- | --- | --- | --- | --- |
| Total dividend yield | 10 | - // not achieved | ≥ the arithmetic mean of the funds allocated for payment of dividends in accordance with the decisions of the general meetings of shareholders of the Company for 3 years preceding the reporting period, and  ≥ the amount of funds provided for payment of dividends in the reporting period, in accordance with the business plan of the Company | not calculated[[5]](#footnote-5) | not estimated2 |
| Return on invested capital | 20 | not calculated[[6]](#footnote-6) // not estimated3 | ≥ 95.0% | 88.2% // – | not achieved[[7]](#footnote-7) |
| Operating profit (EBITDA) | 15 | fulfilled // achieved | fulfilled | fulfilled // 100% | achieved |
| Reduction in operating expenses (costs) per unit | 10 | 35.4% // achieved | ≥ 2.0% | 12.7% // 36% | achieved |
| Level of power losses | 10 | 24.36% // not achieved | ≤ 23.12% | 25.33% // 96% | not achieved[[8]](#footnote-8) |
| Increase in the labour efficiency | 5 | (–10.56)% // not achieved | ≥ 10.00%[[9]](#footnote-9) | over 10.00%// over 100% | achieved |
| Efficiency of innovative activities | 20 | not calculated[[10]](#footnote-10) // not estimated3 | ≥ 90%[[11]](#footnote-11) | not calculated3 | not estimated3 |
| Receivables reduction indicator | 10 | 105.6% // not achieved | ≤ 100.0% | 96.2% // 110% | achieved |
| Compliance with the timing of technical connection | –10 | 1.1 units // achieved | ≤ the actual value of the indicator for the previous year, multiplied by 0.85, but not less than the value of 1.1 (1.1 units) | 1.1 units // 100% | achieved |
| DEBT/EBITDA | –10 | fulfilled // achieved | fulfilled | fulfilled // 100% | achieved |
| Compliance with the facility commissioning schedule | –10 | Q1 – 399% // achieved  Q2 – 114% // achieved  Q3 – 79% // not achieved  Q4 – 72% // not achieved | ≥ 90%  (in all quarters) | Q1 – 94% // 24%  Q2 – 93% // 82%  Q3 – 92% // 116%  Q4 – 99% // 138% | achieved |
| Readiness to work during the heating season | –10 | Simultaneously:  1) 0.98%  2) Achievement of the set value of the specialized indicator “Presence of unfulfilled activities to ensure the achievement of the readiness condition by the electricity power industry entity (readiness level “Not ready” or “Conventionally ready” based on the results of the last readiness assessment)”// achieved | Simultaneously:  1) ≥ 0.95  2) Failure to achieve the set value of the specialized indicator “Presence of unfulfilled activities to ensure the achievement of the readiness condition by the electricity power industry entity (readiness level “Not ready” or “Conventionally ready” based on the results of the last readiness assessment)” | Simultaneously:  1) 0.99 (January – August)  96 (September – December[[12]](#footnote-12))  2) Failure to achieve the set value of the specialized indicator “Presence of unfulfilled activities to ensure the achievement of the readiness condition by the electricity power industry entity (readiness level “Not ready” or “Conventionally ready” based on the results of the last readiness assessment)” // - | achieved |
| Implementation of the Company Development Plan | –70 | 0% (all the activities have been performed) // reached | 0%  All the activities have been performed. | -[[13]](#footnote-13) | |
| Achievement of the reliability level of provided services | –10 | Simultaneously:  1) Кi Пsaidi = 5.91, Кi Пsaifi = 3.38  2) The indicators set by the tariff regulation authorities have not been met  3) 2 > 1  // not achieved | Simultaneously:  1) Ki ≤ 1  2) No significant deterioration in the indicators set by the tariff regulation authorities  3) No increase of the number of major accidents | Simultaneously:  1) Кi Пsaidi = 8.04, Кi Пsaifi = 4.13  2) The indicators set by the tariff regulation authorities have not been met  3) 1 = 1 // - | not achieved[[14]](#footnote-14) |
| Absence of occupational accidents | –10 | Simultaneously:  1) 0 of Injured  2) 3  // not achieved | Simultaneously:  1) No more than two injured  2) 0 | Simultaneously:  1) 2 of Injured  2) 1 // - | not achieved[[15]](#footnote-15) |
| Indicator of transition to the preferential use of domestic software | –20 | introduced from 2022 | ≥ 65.0% | 94.2% // - | achieved |
| Payment of electricity losses | –10 | 101% // achieved | ≥ 100% | 100% // 99% | achieved |
| The level of implementation of the rendered power transmission services | –10 | 101.6% // achieved | ≥ 100.0% | 100.3% // 99% | achieved |

Target KPI values for 2023 are not recorded due to a change in the composition of KPIs, as well as approaches to the procedure for setting target and calculating actual KPI values, in pursuance of the Decree of the Government of the Russian Federation No. 3579-r dated December 28, 2020 (as amended by the Resolution of the Government of the Russian Federation No. 2072 dated November 16, 2022).

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 or an amount of bonus reduction set in the scope of paid bonuses, annual bonuses are paid subject to the compliance with the respective KPIs.

**2.6. Key risks**

Rosseti Northern Caucasus, PJSC has the Risk Management System(RMS) aimed at ensuring the sustainable continued operation and development of the Company by the timely identification, assessment and effective management of risks that threaten the effective performance of economic activities and reputation of the Company, workers’ health, the environment, and ownership interests of shareholders and investors.

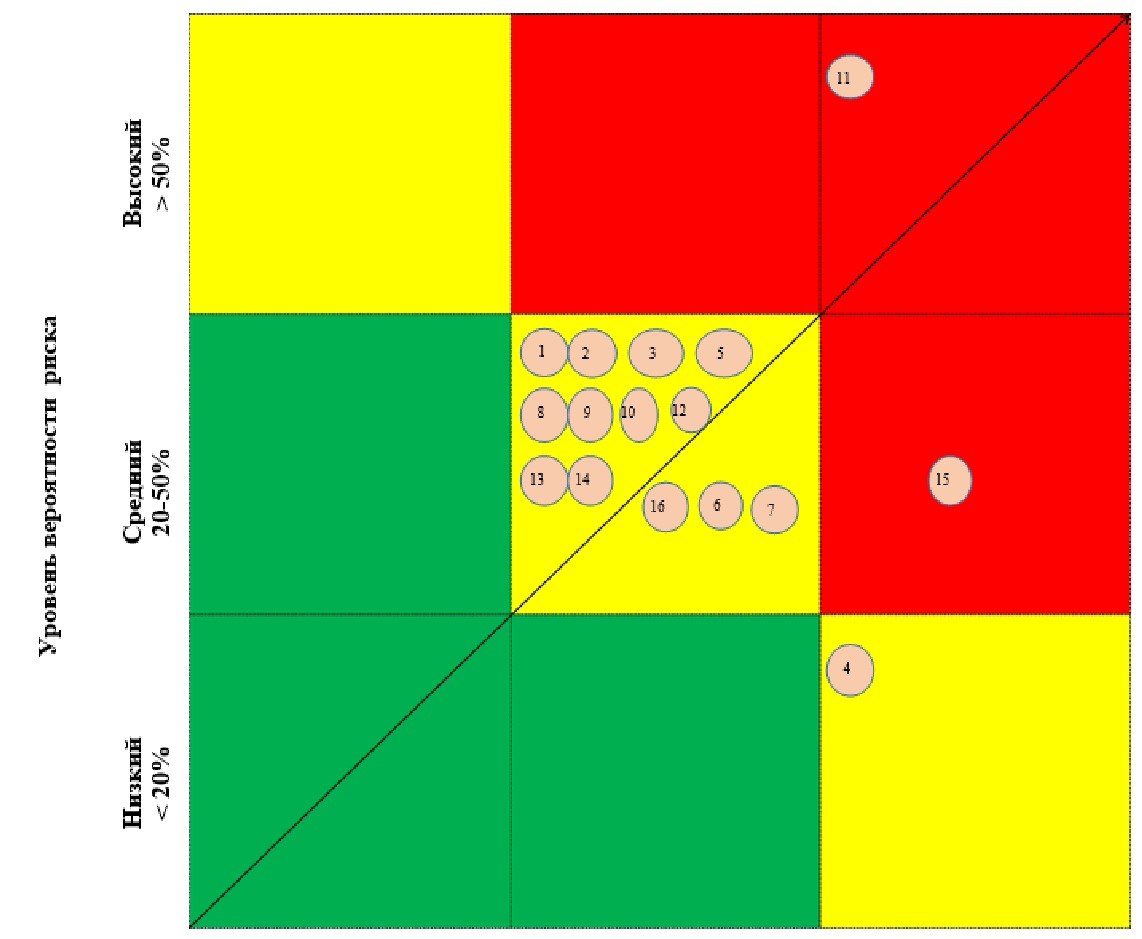
In order to develop the RMS and organize risk management activities, Rosseti Northern Caucasus, PJSC approved the following documents:

- Risk management policy approved by the decision of the Board of Directors  
of Rosseti Northern Caucasus, PJSC (Minutes No. 461 dd. May 20, 2021);

- Methodological documents on risk management in Rosseti Northern Caucasus, PJSC (Order No. 176 dated April 23, 2020).

In 2022, 16 key (functional) risks were identified with a final materiality rating of “Significant” and “Critical”, which are presented in the table.

| No. on the map | Risk index | Risk name | Impact on key performance indicators | Level  of risk materiality | | Measures |
| --- | --- | --- | --- | --- | --- | --- |
| 2021 | 2022 |
| 1 | **FR03-01** | Failure by counterparties to fulfil obligations on payment for power transmission services within the time limits set forth in the agreement/contract or their payment not in full volume | KPI 03 Achievement of the planned level of receivables for the rendered power transmission services | **Significant** | **Significant** | * claims-related work in order to reduce receivables, control over meeting the deadlines; * handling dispute resolution and claims in order to reduce receivables, control over meeting the deadlines; * work with consumers of power transmission services to agree on the planned volumes of services, including the contracted capacity, for inclusion in the relevant contracts for the provision of power transmission services and submission to state tariff regulation authorities; * monitoring the execution of debt restructuring agreements |
| 2 | **FR03-02** | Non-enforcement of judicial acts on the collection of receivables | KPI 03 Achievement of the planned level of receivables for the rendered power transmission services | **Significant** | **Significant** | * monitoring the actions of the bailiff; * sending appeals to the supervisory authorities with regard to the actions/omission to act of the bailiffs based on the results of familiarization; * holding meetings with the Federal Bailiff Service on debt collection issues |
| 3 | **FR07-01** | Failure by contractors to meet the deadlines for the design, delivery, construction, commissioning of facilities | KPI 07 Compliance with the facility commissioning schedule | **Significant** | **Significant** | * capital construction quality management; * stage-wise control over compliance with the construction and installation schedule |
| 4 | **FR07-02** | Impossibility of timely execution of permits for construction | KPI 07 Compliance with the facility commissioning schedule | **Significant** | **Significant** | * control over compliance with the construction and installation schedule and commissioning of facilities |
| 5 | **FR07-03** | Impossibility of timely registration of land relations | KPI 07 Compliance with the facility commissioning schedule | **Significant** | **Significant** | * timely preparation of initial permits, project documentation and detailed design documentation |
| 6 | **FR07-04** | Non-provision of allowed outage time or postponing commissioning of the facilities, except for cases caused by the fact that other facilities of the Company are under repair | KPI 07 Compliance with the facility commissioning schedule | **Significant** | **Significant** | * capital construction quality management; * stage-wise control over compliance with the construction and installation schedule |
| 7 | **FR08-01** | Unfavorable weather conditions leading to process upsets | KPI 08 Achievement of the reliability level of provided services | **Significant** | **Significant** | * timely implementation of technical and organizational activities developed on the basis of investigation of process upsets (accidents); * effective arrangement of emergency and recovery works allowing to reduce the duration of interruption of power supply to consumers due to process upsets (accidents). * timely fulfillment of requirements set by Methodological Instructions to Calculate Level of Reliability and Quality of Supplied Goods and Provides Services for Organisation On Management of Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by the Order of the Russian Ministry of Energy No. 718 dd. October 14, 2013 |
| 8 | **FR08-02** | Failure of equipment with high physical wear (W=1-TCI) | KPI 08 Achievement of the reliability level of provided services | **Significant** | **Significant** | * timely implementation of technical and organizational activities developed on the basis of investigation of process upsets (accidents); * effective arrangement of emergency and recovery works allowing to reduce the duration of interruption of power supply to consumers due to process upsets (accidents). * timely fulfillment of requirements set by Methodological Instructions to Calculate Level of Reliability and Quality of Supplied Goods and Provides Services for Organisation On Management of Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by the Order of the Russian Ministry of Energy No. 718 dd. October 14, 2013 |
| 9 | **FR08-03** | Process upsets at the facilities of related entities of the electricity power industry sector | KPI 08 Achievement of the reliability level of provided services | **Significant** | **Significant** | * timely implementation of technical and organizational activities developed on the basis of investigation of process upsets (accidents); * effective arrangement of emergency and recovery works allowing to reduce the duration of interruption of power supply to consumers due to process upsets (accidents). * timely fulfillment of requirements set by Methodological Instructions to Calculate Level of Reliability and Quality of Supplied Goods and Provides Services for Organisation On Management of Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by the Order of the Russian Ministry of Energy No. 718 dd. October 14, 2013 |
| 10 | **FR08-04** | Outside influence at the at power grid facilities | KPI 08 Achievement of the reliability level of provided services | **Significant** | **Significant** | * timely implementation of technical and organizational activities developed on the basis of investigation of process upsets (accidents); * effective arrangement of emergency and recovery works allowing to reduce the duration of interruption of power supply to consumers due to process upsets (accidents). * timely fulfillment of requirements set by Methodological Instructions to Calculate Level of Reliability and Quality of Supplied Goods and Provides Services for Organisation On Management of Unified National (All-Russian) Power Grid and Territorial Grid Companies approved by the Order of the Russian Ministry of Energy No. 718 dd. October 14, 2013 |
| 11 | **FR09-01** | Occurrence rate of work-related injuries in the Company | KPI 09 No growth of the number of injured in accidents | **Critical** | **Critical** | * systematic advanced training of personnel and practical training in the skills and methods of safe performance of work, inter alia aimed at the development of the employees’ skills of safe behavior at work and the prevention of emergency situations; * implementation of a system of employee motivation for unconditional compliance with occupational safety requirements; * functioning of the system for responding to violations of occupational safety requirements (conducting inspections of workplaces, random inspections of working teams (teams of subsidiaries and affiliates of Rosseti, PJSC and third-party organizations), including on non-working days, holidays and weekends, as well as at night), control over organization of work at facilities, ensuring the unconditional imposition of penalties on employees who violate the requirements of occupational safety; * ensuring safe working conditions by means of: issuing certified, high-quality protective equipment, flushing and neutralizing agents, serviceable tools, devices and monitoring their proper use; * ensuring safe working conditions through the introduction and use of technologies that provide for the safe performance of work and create safe working conditions; * ensuring safe working conditions through the compliance with the requirements of regulatory legal acts on technical operation, in the field of occupational safety, fire, industrial and environmental safety, including during design, construction, reconstruction, retrofitting and upgrading |
| 12 | **FR11-02** | Increase in the cost of construction due to regional factors (climate, geography, etc.), not taken into account when approving the investment program | KPI 11 Reduction in investment costs per unit | **Significant** | **Significant** | * possibility of adjustment of the cost of construction of the facility in accordance with the design and estimate documentation; * control over implementation of the project according to the approved schedules and in accordance with the terms of reference, rules and regulations of construction |
| 13 | **FR11-03** | Increase in the cost of building materials, equipment and works due to objective reasons (inflation, crisis, external economic factors, etc.), not taken into account when approving the investment program | KPI 11 Reduction in investment costs per unit | **Significant** | **Significant** | * possibility of adjustment of the cost of construction of the facility in accordance with the design and estimate documentation |
| 14 | **FR11-05** | Presence in the investment program of items not covered by the aggregated price standards of standard process solutions for the capital construction of electric power facilities | KPI 11 Reduction in investment costs per unit | **Significant** | **Significant** | * control over timely adjustment of the estimated construction cost |
| 15 | **FR12-04** | Involvement of the Company / employees of the Company in corrupt activities | KPI 12 Compliance with laws, including anti-corruption and anti-monopoly legislation | **The risk was reassessed in 2022** | **Critical** | * implementation of the activities of the Anti-Corruption Plan |
| 16 | **FR13-07** | Deliberate illegal actions by both legal entities and individuals, and by employees, causing economic damage and damage to business reputation | KPI 13 Ensuring the comprehensive security of the Company's activities | **Significant** | **Significant** | * taking measures to identify the causes and conditions that contribute to causing financial damage detrimental to the Company; * verification of candidates for filling vacant positions in the Company; * detection of corruption violations and facts of conflict of interest |



Key (functional) risk map for 2022

**Low**

**Average**

**High**

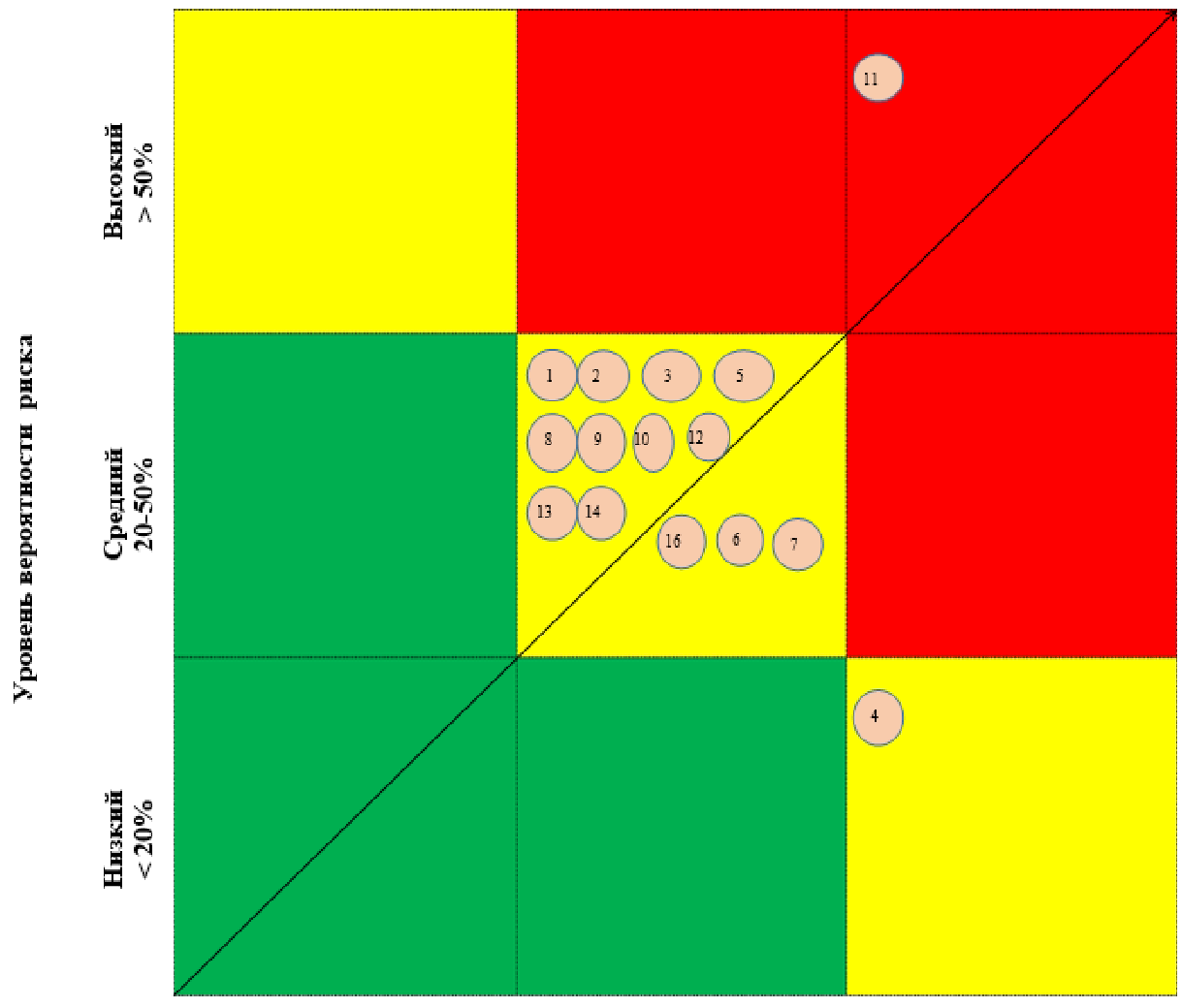
**Risk effect level**

**Risk probability level**

**Low <20%**

**Average 20–50%**

**High > 50%**



Key (functional) risk map for 2021

**Low**

**Average**

**High**

**Risk effect level**

**Risk probability level**

**Low <20%**

**Average 20–50%**

**High > 50%**

Materialization of critical risks in 2022:

| **No.** | **Risk name** | **Fact of the risk materialization at the end of 2022, the consequences of materialization** | **Compensatory measures to minimize the consequences of risk materialization** |
| --- | --- | --- | --- |
| 1. | **FR09-01** Occurrence rate of work-related injuries in the Company | 3 cases of work-related injuries, as a result of which 3 employees were injured, of which:  1 employee with severe injuries;  1 employee with minor injuries;  1 employee with fatal injury. | 1. Implementation of the Comprehensive Program to reduce the employee injury rate.  2. Training and advanced training of the Company's employees, including practical training in methods and techniques for the safe performance of work in electrical installations and the prevention of emergency situations at the training ground.  3. Implementation and use of technologies that ensure safe performance of work and safe working conditions.  4. Carrying out unscheduled briefings for the Company's personnel.  5. Monitoring the implementation of measures in accordance with the accident investigation reports. |

The Company also takes into account the following risks in its activities:

**Information security risk**

For this category, the risk associated with the distortion, theft of “sensitive” information in the process of its receipt, processing, storage, transmission, including the use of modern information technologies, is relevant. In case of risk materialization, unauthorized access to the Company's information resources is possible through hacker attacks, malicious software, as a result of which the integrity, confidentiality and availability of the Company's information resources may be violated. Which may result in failure of the hardware and software packages of the Company to perform their intended functions, causing material and reputational damage to the Company.

In order to minimize this risk, to effectively and reliably protect commercial information, personal data and other types of confidential information, the Company's information resources have the following functions, which are currently operated:

- information security systems in information systems of personal data of the Company;

- data loss prevention systems (DLP-systems) to protect, detect and prevent security leakage from corporate information systems and record the information about illegal actions of users;

- client-server system for encryption and access control to information resources of the corporate information system;

- SIEM information security event monitoring and correlation system.

Compliance with the requirements of the organizational and administrative documents of the Company regulating the issues of information protection in Rosseti Northern Caucasus, PJSC:

- Order No. 520 dated December 22, 2020 “On the procedure for working with confidential information in Rosseti Northern Caucasus, PJSC”;

- Decree No. 2r dated January 13, 2021 “On Approval of the List of Information Constituting a Trade Secret and Other Confidential Information of Rosseti Northern Caucasus, PJSC”;

- Order No. 330 dated August 3, 2021 “On approval of the model of threats and violators of information security in the PDIS of the executive staff of Rosseti Northern Caucasus, PJSC”;

- Order No. 425 dated October 6, 2021 “On the Protection of Personal Data in the Information System of Personal Data of the Executive Staff of Rosseti Northern Caucasus, PJSC”;

- Order No. 349 dated August 8, 2022 “On Approval of the Information Security Rules of Rosseti Northern Caucasus, PJSC”.

During the reporting period, no information security risks were recorded in the Company.

**Environmental risk**

Rosseti Northern Caucasus, PJSC in its activities ensures compliance with the most advanced requirements aimed at reducing environmental impact, has all the necessary mechanisms aimed at minimizing environmental risks.

The environmental policy of the integrated power grid defines dynamic development with the most rational use of natural resources and preservation of a favorable environment as the principle of operation of Rosseti Northern Caucasus, PJSC.

The main directions of the Company environmental policy implementation are:

- compliance with the requirements and regulations established by the environmental legislation of the Russian Federation and international legal acts in the field of environmental protection;

- establishment of unified environmental requirements for the activities of the integrated power grid organizations;

- the priority of taking measures to prevent harmful effects on the environment over the implementation of measures to eliminate the environmental negative consequences of such an impact;

- implementation of a set of measures for saving energy and enhancing energy efficiency.

- use of the best available technologies and innovations in the integrated power grid, ensuring compliance with environmental requirements and minimizing the negative impact on the environment, including the use of cable lines and self-supporting insulated wires in the distribution grid complex;

- replacement of gasoline and diesel fuel with environmentally “clean” types of motor fuel and the use of electric transport in organizations of the integrated power grid;

- development of charging infrastructure and increase in the total share of electric transport in the Russian Federation;

- restriction of production and construction activities in areas of special environmental importance;

- ensuring the conservation of biological diversity and restoration of disturbed lands;

- ensuring environmentally safe handling of production waste;

- ensuring compliance by contractors with the requirements of the law of the Russian Federation and Rosseti Northern Caucasus, PJSC in the field of environmental protection and environmental safety in the process of design, construction, reconstruction and retrofitting and upgrading of electric grid facilities;

- ensuring transparency and accessibility of environmental information, informing all the parties concerned about accidents, their environmental consequences and liquidation measures;

- improvement of the system of industrial environmental control;

- active participation in the improvement of the regulatory framework in the field of environmental protection and environmental safety;

- involvement of personnel in activities aimed at ensuring environmental safety, environmental protection and rational use of natural resources;

- advanced training of personnel serving the facilities of the integrated power grid in the field of environmental protection and environmental safety;

- continuous improvement of the image of Rosseti Northern Caucasus, PJSC as an environmentally oriented company.

**Natural and climatic risk**

The following natural hazards may occur in the areas where the issuer operates, posing a threat to power grid facilities:

1) floods, highwater:

- Stavropol Territory: Andropovsky, Mineralovodsky and Predgorny regions;

- Republic of Dagestan: Kizlyarsky, Kizilyurtovsky districts;

- Karachay-Cherkess Republic: Cherkessk, Karachaevsky, Khabezsky, Prikubansky districts;

- The Republic of North Ossetia – Alania: the valleys of the Ardon, Ursdon, Fiagdon, Terek, Urukh rivers.

2) mudflows, landslides:

Kabardino-Balkarian Republic, Tyrnyauz;

Karachay-Cherkess Republic: Urupsky, Karachaevsky, Ust-Dzhegutinsky, Zelenchuksky, Khabezsky districts;

3) avalanches: Karachay-Cherkess Republic: Karachaevsky and Zelenchuksky districts;

4) fires: throughout the Company's service area.

During 2022, no cases of hazardous natural phenomena were recorded in the territories of the issuer’s group’s activity.

In order to prevent the occurrence of emergencies caused by the impact of natural factors on facilities, the Company is working to introduce an ice load monitoring system and equipment for ice melting in areas most prone to icing. Also, during the reconstruction or construction of new facilities, work is carried out to develop a project of civil defense engineering and technical measures with due account to measures aimed at prevention of the occurrence of emergencies caused by natural factors. In order to prevent the occurrence of fires under the overhead lines, vegetation is cut down on the routes of passage using the resources of task groups.

Measures to ensure the security of equipment are carried out in accordance with the work plans of the emergency and fire safety committees. The main equipment of the facilities is mainly protected from damaging factors caused by emergencies. Plans for engineering and technical measures have been developed at the facilities to ensure their sustainable operation in accordance with operational orders.

**1**

**1**

**3. 2022 activities results**

**3.1. Operating results**

**3.1.1. Production activity results**

Based on the 2022 performance results, electricity supply to the grid amounted to 21,398 million kWh, electricity supply from the grid amounted to 15,978 million kWh, which is 5.41% and 4.05% higher than in the previous year, respectively.

The level of electric power losses amounted to 25.33%, which is 0.98 percentage points higher than the figures for the previous year; in comparable conditions, the increase in the level of electric power losses compared to the previous year amounted to 0.16 percentage points\*.

Positive dynamics of the electric power losses has developed in all branches, except for the Ingushenergo branch.

Increase in the level of electric power losses by the amount of branches is due to the increase in load losses due to a significant increase in the supply of electricity to the grid.

**List of key performance indicators for 2022**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020**  **actual** | **2021**  **actual** | **2022**  **actual** | **Change 2022/2021, %** |
| Power supply to the grid | million kWh | 18,720 | 20,299 | 21,398 | 5.41 |
| Power supply from the grid | million kWh | 14,370 | 15,356 | 15,978 | 4.05 |
| Electric energy losses in the grid | million kWh | 4,349 | 4,943 | 5,420 |  |
| Level of electricity loss | % | 23.23 | 24.35 | 25.33 | 0.98 |

**List of key performance indicators for 2022**

**under comparable conditions**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | | |
| **2020**  **actual** | **2021**  **actual** | | **2022**  **actual** | **Change 2022/2021, %** |
| Power supply to the grid | million kWh | 18,720 | 20,299 | 21,398 | | 5.41 |
| Power supply from the grid | million kWh | 14,116 | 15,191 | 15,978 | | 5.18 |
| Electric energy losses in the grid | million kWh | 4,603 | 5,108 | 5,420 | |  |
| Level of electricity loss | % | 24.59 | 25.16 | 25.33 | | 0.16 |

\* Comparable conditions for Ingushenergo branch – the 2021 indicators exclude the indicators of other grid owners (Energoinvest, LLC, administrations of municipalities), which are not issued to these consumers in 2022 by a court decision:

- in 2020 in the amount of 218.0 million kWh;

- in 2021 in the amount of 164.9 million kWh;

Comparable conditions for Kabbalkenergo branch – the amount of electricity losses in 2020 increased by the volume of losses of the city of Nalchik from the beginning of the year until the time of consolidation (June 2020).

**Indicators of payments for electricity and services for its transmission**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020** | **2021** | **2022** | **Change 2022/2021, %** |
| **actual** | **actual** | **actual** |
| The level of collection of funds for electricity supplied on the retail market | % | 55.9 | 75.8 | 79.5 | 14.4 |
| Level of settlements with grid operators | % | 88.8 | 42.0 | 111.9 | 166.7 |
| Payment for services of distribution grid companies | % | 40.4 | 91.6 | 105.5 | 15.1 |
| Payment for power transmission service of FGC-Rosseti (as UNES management organization) | % | 103.7 | 25.0 | 114.8 | 359.2 |
| Level of settlements with electricity suppliers | % | 79 | 63 | 121 | 92.1 |
| Level of collection of funds for the power transmission services provided by Rosseti Northern Caucasus, PJSC | % | 90.2 | 99.1 | 95.3 | –3.9 |

**3.1.2. Technical connection**

**Information on the dynamics of volumes of demand and services rendered for technical connection and the dynamics of revenue from technical connection**

In 2022, the power grid branches of Rosseti Northern Caucasus, PJSC received applications for technical connection to grids for a total capacity of 1,203.2 MW, which is 6.4% more than in 2021 (1,130.9 MW). While, the number of applications accepted in 2022 is 13.6% less (21,203 versus 24,549 applications).

At the end of 2022, compared to 2021, the number of concluded contracts decreased by 17.2% and amounts to 17,080 contracts (20,629 contracts in 2021). While, the volume of connected capacity under the concluded contracts increased by 40% and amounts to 718.1 MW (513.0 MW in 2021).

The number of executed contracts for 2022 amounted to 15,130, with a volume of connected capacity of 331.8 MW (–19% in terms of quantity and –43% in terms of total capacity as compared to 2021: 18,670 fulfilled contracts for a total capacity of 581.9 MW). The reason for the decrease in the number of fulfilled contracts is the lack of funding sources for the implementation of technical connection activities. The 2022 plan was fulfilled by 173% in terms of the number of executed contracts, while, in terms of the volume of connected capacity, the underperformance was –2.5%.

The increase in revenue in 2022 for technical connection services by 57.1% compared to 2021 is due to changes in legislation regulating tariff forming system and an increase in the cost of technical connection services. The 2022 plan in terms of revenue was fulfilled for 99.8%.

**Information on technical connection of socially significant large and infrastructure facilities**

In 2022 experts of Rosseti Northern Caucasus, PJSC performed actions for technical connection of large facilities that are of importance for economic development of constituent entities of the Northern Caucasus Federal District. Socially important facilities were connected: kindergartens, schools, out-patient clinics, polyclinics, other institutions.

In the Stavropol Territory, the energy facilities of the urban electric grid of Stavropol and Nevinnomyssk with a total maximum capacity of 10.1 MW, a mineral water plant and a brewery with a maximum capacity of 3.5 MW, the Pyatigorsk dairy plant with a maximum capacity of 4.3 MW, and the Berestovskaya wind power plant VetroOGK2, JSC, with a maximum capacity of 60 MW were connected to the grids.

In the Kabardino-Balkarian Republic, blocks of multi-apartment residential buildings with a total maximum capacity of 6.6 MW, agricultural facilities Baksana Gardens, LLC, Almadar, LLC with a total maximum capacity of 1.5 MW, Zhako Confectionery Factory, LLC with a maximum capacity of 1.5 MW, a sports complex for modern pentathlon with a maximum capacity of 0.7 MW, were connected to the grids.

In the Karachay-Cherkess Republic, the following enterprises were connected to the power supply grids: Khabez Gypsum Plant, OJSC with a maximum capacity of 4.7 MW, two sports and recreation complexes with a total capacity of 1.34 MW.

In the Republic of North Ossetia – Alania, the following facilities were connected to the power supply grids: adjacent TGC facilities with a total maximum capacity of 5.1 MW, a military hospital at the request of the Ministry of Defense with a maximum capacity of 4.8 MW, a polyclinic with a capacity of 0.9 MW.

In the Republic of Ingushetia, facilities of educational institutions (4.6 MW), a plant for the production of children's sanitary and hygienic products (0.65 MW), and an apartment building (0.5 MW) were connected to the power supply grids.

In the Republic of Dagestan, residential buildings, premises (38.5 MW), agricultural facilities (0.5 MW), educational institutions (0.5 MW) were connected to the power supply grids.

**Information on improvement of the quality of services for technical connection**

In order to improve the quality of services for technical connection (TC) Rosseti Northern Caucasus, PJSC performed the following activities:

- the automated system of consumers technical connection management was implemented at typical platform 1C: Enterprise 8. Electricity power industry (ASCTCEG);

- a mechanism for sending notifications to applicants (sending SMS notifications) and a mechanism for controlling the sending of notifications, the timing of consideration of applications for TC, were implemented;

- the functionality of ASCTCEG was optimized, making it possible to:

* accelerate the work of experts with system documents, speed up the process of accepting an application from an applicant for technical connection, improve the ergonomics of the system, reduce the time for accepting an application from an applicant for TC, check compliance with the requirements for the form, completeness of information in the application and the availability of documents attached to the application, in accordance with regulatory legal acts and organizational and administrative documents;
* normalize the information bases of all branches, including the central database, in terms of irrelevant and (or) incorrect data, to ensure the storage of the status history of applications for TC from the time they are submitted by the applicant until the actual connection of the applicant's electrical installations;
* provide control, obtain summary and detailed information, generate the reporting indicators in tabular and graphical form (graph, diagram, histogram, etc.) with a feature of dynamic construction for the required specified period of time by information groups: “Application for the provision of additional services”, “Valid contracts for the provision of additional services”, “Delayed obligations”, “Claim-related work”, “Supervision monitoring”, “Execution of requests for the provision of additional services”, “Monitoring of KPI indicators”, “Interaction with customers”.

**Performance indicators in terms of technical connection services**

| **Indicator** | **Unit of measurement** | **Period** | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **2020** | **2021** | **2022** | **change** |
| **2022/2021, %** |
| TC applications accepted | pcs. | 16,371 | 24,549 | 21,203 | −13.6 |
| kW | 949,469.7 | 1,130,869.1 | 1,203,182.9 | 6.4 |
| TC contracts concluded | pcs. | 12,721 | 20,629 | 17,080 | −17.2 |
| kW | 558,896.5 | 513,024.0 | 718,091.0 | 40.0 |
| TC contracts fulfilled | pcs. | 6,903 | 18,670 | 15,130 | −19.0 |
| kW | 215,246.1 | 581,955.8 | 331,778.6 | −43.0 |
| Valid TC contracts | pcs. | 9,063 | 11,442 | 13,157 | 15.0 |
| kW | 821,082.0 | 755,220.7 | 1,115,210.9 | 47.7 |
| **The structure of fulfilled contracts by categories of applicants:** | | | | | | | |
| Up to 15 kW, inclusive | pcs. | 6,218 | 17,392 | 14,105 | −18.9 |
| Above 15 and up to 150 kW, inclusive | pcs. | 543 | 1,059 | 847 | −20.0 |
| Above 150 kW and less than 670 kW | pcs. | 116 | 187 | 150 | −19.8 |
| At least 670 kW | pcs. | 23 | 28 | 27.0 | −3.6 |
| Generation | pcs. | 3 | 4 | 1 | −75.0 |
| Up to 15 kW, inclusive | kW | 52,329.5 | 150,781.7 | 123,736.3 | −17.9 |
| Above 15 and up to 150 kW, inclusive | kW | 37,484.9 | 70,412.7 | 57,538.6 | −18.3 |
| Above 150 kW and less than 670 kW | kW | 36,747.2 | 61,633.3 | 47,459.8 | −23.0 |
| At least 670 kW | kW | 60,484.5 | 57,128.1 | 43,044.0 | −24.7 |
| Generation | kW | 28,200.0 | 242,000.0 | 60,000.0 | −75.2 |
| Up to 15 kW, inclusive | mln rubles | 6.83 | 19.93 | 45.99 | 130.8 |
| Above 15 and up to 150 kW, inclusive | mln rubles | 5.48 | 21.28 | 28.34 | 33.2 |
| Above 150 kW and less than 670 kW | mln rubles | 29.47 | 32.67 | 20.56 | −37.1 |
| At least 670 kW | mln rubles | 93.91 | 9.59 | 145.96 | 1,422.5 |
| Generation | mln rubles | 1,107.47 | 83.76 | 21.80 | −74.0 |
| **The structure of fulfilled contracts by industries** | | | | | | | |
| Individuals | pcs. | 4,990 | 15,648 | 12,780 | −18.3 |
| Agriculture and forestry, fishing | pcs. | 175 | 269 | 184 | −31.6 |
| Industrial companies | pcs. | 15 | 18 | 19 | 5.6 |
| Production and distribution of electric energy, gas and water | pcs. | 26 | 35 | 38 | 8.6 |
| Construction | pcs. | 212 | 224 | 163 | −27.2 |
| Trade | pcs. | 194 | 154 | 116 | −24.7 |
| Transport and communication | pcs. | 216 | 335 | 270 | −19.4 |
| Health, education, social services | pcs. | 72 | 86 | 95 | 10.5 |
| Other | pcs. | 1,003 | 1,901 | 1,465 | −22.9 |
| Individuals | kW | 43,148.3 | 138,785.3 | 113 320,4 | 18.3 |
| Agriculture and forestry, fishing | kW | 21,578.5 | 38,350.6 | 18,794.1 | −51.0 |
| Industrial companies | kW | 3 078,0 | 2,771.5 | 9,228.0 | 233.0 |
| Production and distribution of electric energy, gas and water | kW | 40,413.5 | 263,684.5 | 71,918.8 | −72.7 |
| Construction | kW | 21,680.7 | 10,049.6 | 13,831.0 | 37.6 |
| Trade | kW | 6,149.3 | 10,825.5 | 3,212.5 | −70.3 |
| Transport and communication | kW | 1,232.0 | 1,444.4 | 2,419.1 | 67.5 |
| Health, education, social services | kW | 4,299.6 | 7,262.8 | 10,214.2 | 40.6 |
| Other | kW | 73,666.2 | 108,781.6 | 88,840.5 | −18.3 |

**3.1.3. Provision of additional (non-tariff) services**

In 2022, the personnel of Rosseti Northern Caucasus, PJSC provided additional (non-tariff) services for a total revenue of **1,102.188** million rubles, with the established target of **1,079.440** million rubles. The main activities for the provision of additional non-tariff services for 2022: rent and services for the placement of electric grid facilities in the amount of **63.454** million rubles, services for maintenance and repair in the amount of **17.388** million rubles, construction and installation works in the amount of **896.483** million rubles, other services for other operating activities in the amount of **124.863** million rubles.

In 2022, Rosseti Northern Caucasus, PJSC continues to cooperate with Rosatom State Corporation as part of the construction and installation work on the construction of wind power facilities, thus, promoting new types of services demanded by consumers. The planned indicators for 2023 include revenue from the provision of additional (non-tariff) services in the amount of **896.096** million rubles.

In 2023, it is planned to expand the range of additional (non-tariff) services provided, including rent and placement of power grid facilities, repair and maintenance of power grid facilities, construction and installation works, consulting services, and other services related to other operating activities.

| **Indicator** | **Unit of measurement** | **Period** | | | |
| --- | --- | --- | --- | --- | --- |
| **2020** | **2021** | **2022** | **Change**  **2022/2021, %** |
| Revenue from the sale of additional (non-tariff) services related to other activities | million rubles | 186.472 | 1 215.943 | 1 102.188 | –9.35 |
| Rent and services of placement | million rubles | 108.233 | 105.885 | 63.454 | –40.07 |
| Maintenance and repair services | million rubles | 44.632 | 8.964 | 17.388 | 93.97 |
| Performance of construction and installation works | million rubles | 14.128 | 1 067.650 | 896.483 | –16.03 |
| Consulting and organizational and technical services | million rubles | 6.301 | 33.413 | 0 | –100 |
| Agency services | million rubles | 0 | 0 | 0 | 0 |
| Communication and information technology services | million rubles | 0 | 0 | 0 | 0 |
| Other services related to other activities | million rubles | 13.179 | 0.031 | 124.863 | 402,683.9 |
| The amount of non-tariff revenue from other types of activities | % | 14.406 | 2.993 | 4.034 | 34.78 |

**3.1.4. Interaction with consumers**

1. The structure of Rosseti Northern Caucasus, PJSC includes 6 branches: Stavropolenergo, Kabbalkenergo, Karachaevo-Cherkesskenergo, Sevkavkazenergo, Ingushenergo and Dagenergo.

Policy pursued by Rosseti Northern Caucasus, PJSC in the field of communication with consumers of the Company’s services is customer-oriented (customer-centered) and aimed at facilitating interaction between service consumers and the Company. Customer centricity of the Company is implemented by creation and operation of the system for centralized servicing of consumers. The customer service system is based on the following guidelines.

* Territorial accessibility and comfort of the on-site service of the Company. Location of infrastructure facilities of the on-site service ensures the coverage of the responsibility area and the availability of customer service.
* Qualified service. Organization of all forms of service ensures the high level of qualification and competence of the Company’s personnel.
* Availability and efficiency of correspondence and interactive services of the Company. Channels of correspondence communication with customers provide for round the clock access to correspondence service and efficiency of the Company's response to user requests.
* Transparency of the customer service business processes and objectivity of consideration of customers’ complaints. The grid company provides for an objective and impartial examination of complaints in a timely manner, possibility of appealing the decisions, the procedure of which is communicated to consumers in accordance with the principle of sufficiency of information.
* Sufficient awareness of consumers about the Company and services. Complete and reliable information on all procedures of interaction with the Branch is public and available in an accessible form for service consumers.

1. The customer service system includes three forms of customer service: on-site service, distance service and interactive service (which may be referred to the form of distance service). Information exchange between the Company and service consumers is carried out by means of communication channels.

* Full-time form provides for immediate applications of consumers to branches of Rosseti Northern Caucasus, PJSC, to Customer Service Centers opened in accordance with the requirements of the Service Quality Standards for service consumers of Rosseti Northern Caucasus, PJSC, as well as Customer Service Outlets. Customer Service Centers are located in Vladikavkaz and Makhachkala, as well as 68 Customer Service Outlets.

In 2022, Rosseti Northern Caucasus, PJSC, received **284,026** applications and complaints from consumers of services.

The total number of requests from consumers of services received in 2022 increased compared to 2021 (213,505) by 33%, the number of applications for the provision of technical connection services decreased by 6.7%: **23,097** pcs. (24,654 pcs. – 2021). All received complaints and applications were considered within time specified.

1. The main form of service in the provision of services is distant interactive customer service in connection with the expansion of портал-тп.рф. portal services. The number of applications in 2022 received through the Customer Service Centers and Customer Service Outlets amounted to **28,468**. **15,779** applications were received in writing through the office of the Company's branches.

* In the distance form in 2022 the service consumers could communicate with Rosseti Northern Caucasus, PJSC, in particular, through a Unified call-centre and “Hot Line” for service consumers by phone **8-800-220-0-220** (24/7 during operator’s working hours).
* In 2022, **204,909** incoming consumer calls were received, which is 58.5% more than in 2021 (129,305), and **82,218** outgoing calls were made to inform consumers.
* Interactive service form

Interactive services are located on the main page of the corporate website in the banner area at <https://www.rossetisk.ru/customer/sistema-obsluzhivaniia-potrebitelei/>:

* [Registration for appointment in the service office](http://www.mrsk-sk.ru/customer_new/sistema-obsluzhivaniia-potrebitelei/record-to-customer-service/);
* [Consumer Day, registration for appointment](http://www.mrsk-sk.ru/customer_new/sistema-obsluzhivaniia-potrebitelei/record-to-customer-day/);
* [Web Reception of the General Director;](http://www.mrsk-sk.ru/customer_new/sistema-obsluzhivaniia-potrebitelei/internet-priemnaia/reception/)
* [Survey](http://www.mrsk-sk.ru/customer/internet-reception/ask_specialist/) to improve the quality of service;
* Regulations;
* Useful information.

Through the Web Reception interactive service in 2022, 423 consumer requests were received, which is 11.3% more than in 2021 (380), and with the help of feedback, a timely reasoned response was sent to consumers.

In 2022, for improving the quality and availability of services of Rosseti Northern Caucasus, PJSC, and for analysis of the consumer satisfaction with the quality of provided services and support, Rosseti Northern Caucasus, PJSC performed survey in June and November by phone survey of consumers.

A total of **1,429** respondents were interviewed, including:

**167** of Stavropolenergo, **510** of Sevkavkazenergo, **118** of Karachaevo-Cherkesskenergo, **108** of Kabbalkenergo, **71** of Ingushenergo, and **455** of Dagenergo; the following results were obtained:

69% of respondents, or 985 of consumers surveyed, in general are satisfied with the Company's work,

17% of respondents, or 243 consumers surveyed, assess the Company's work as satisfactory, 14% of respondents, or 201 consumers, expressed their wishes aimed at improving the quality of customer service.

In Section of the website “For Customers” there is information on the list of areas of activity of the Company's branches.

To improve the information transparency and openness of the Company's activities, the official website [www.rossetisk.ru](http://www.rossetisk.ru) of Rosseti Northern Caucasus, PJSC is constantly updated and filled with information necessary for consumers of services.

1. The quality of customers communication of Rosseti Northern Caucasus, PJSC, may be also assessed by analyzing the achievement of planned targets of the service quality established by the competent executive authorities in the field of state regulation of tariffs for 2022.

In 2021–2022 Rosseti Northern Caucasus used the long-term indexation method, with the exception of Stavropolenergo branch, which uses the return on investment method (RAB) providing for the establishment of long-term parameters for regulating the reliability and quality of services provided as a part of long-term regulatory parameters by the return on investment method.

By the decision of the competent authorities in the field of state regulation of tariffs for the period from 2021–2022, the following planned values of reliability and quality of rendered services were established:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Name of the grid company in the constituent entity of the Russian Federation | Year | Level of reliability of goods (services) sold | | | Level of quality of goods (services) sold | |
| Пп, hour | Пsaidi, hour | Пsaifi, pcs. | Indicator of quality level of implemented TC | Indicator of quality level of consumer care |
| Stavropolenergo branch | 2021 | 0.0128 | - | - | 1 | 0.8975 |
| 2022 | 0.0126 | - | - | 1 | 0.8975 |
| Kabbalkenergo branch | 2021 | - | 0.468 | 0.643 | 1 | Not approved |
| 2022 | - | 0.4610 | 0.6340 | 1 | Not approved |
| Karachaevo-Cherkesskenergo branch | 2021 | - | 2.5721 | 1.0505 | 1 | Not approved |
| 2022 | - | 2.5335 | 1.0348 | 1 | Not approved |
| Sevkavkazenergo branch | 2021 | - | 0.96487 | 0.47469 | 1 | Not approved |
| 2022 | - | 0.9504 | 0.4676 | 1 | Not approved |
| Ingushenergo branch | 2021 | 0.0071 | - | - | 1 | 0.8975 |
| 2022 | 0.0070 | - | - | 1 | 0.8975 |
| Dagenergo branch | 2021 | - | 28.0216 | 6.9278 | 1 | 0.8975 |
| 2022 | - | 8.9234 | 1.8242 | 1 | Not approved |

Based on the results of activity of Rosseti Northern Caucasus, PJSC on the achievement of the established planned indicators of reliability and quality of provided services, the following actual results were achieved in the period from 2021 to 2022:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Name of the grid company in the constituent entity of the Russian Federation | Year | Level of reliability of goods (services) sold | | | Level of quality of goods (services) sold | |
| Пп, hour | Пsaidi, hour | Пsaifi, pcs. | Indicator of quality level of implemented TC | Indicator of quality level of consumer care |
| Stavropolenergo branch | 2021 | 0.0060 | 0.9719 | 0.9727 | 1 | 0.8715 |
| 2022 | 0.0076 | 1.5796 | 1.8527 | 1.0225 | 0.8581 |
| Kabbalkenergo branch | 2021 | - | 0.2445 | 0.4293 | 1 | - |
| 2022 | - | 0.7064 | 1.0960 | 1.0045 | - |
| Karachaevo-Cherkesskenergo branch | 2021 | - | 3.5486 | 1.7004 | 1 | - |
| 2022 | - | 1.6483 | 1.3036 | 1.0938 | - |
| Sevkavkazenergo branch | 2021 | - | 2.2021 | 1.6692 | 1.2 | - |
| 2022 | - | 3.2761 | 1.7453 | 1.7202 | - |
| Ingushenergo branch | 2021 | 0.0008 | 2.1522 | 1.6297 | 1 | 0.8975 |
| 2022 | - | 3.1330 | 2.0076 | 1.0830 | 0.8426 |
| Dagenergo branch | 2021 | - | 28.0968 | 6.9365 | 1 | 0.8975 |
| 2022 | - | 16.1682 | 6.0200 | 1.0971 | - |

\* The calculations were made in accordance with the calculation procedure approved by Order of the Ministry of Energy of Russia No. 1256 dated November 29, 2016.

Based on the results of activities of Rosseti Northern Caucasus, PJSC for 2022, the indices of reliability level and customer service quality level and quality level of implemented technological connection are achieved within the permissible deviations from the planned values stipulated by Order No. 1256 of the Russian Ministry of Energy dated November 29, 2016.

**3.2. 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, the implementation of which 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 and winter period;

**Dynamics of implementation of the investment program in 2020–2022**

| **Indicators** | **Unit of measurement** | **Actual** | | | |
| --- | --- | --- | --- | --- | --- |
| **2020** | **2021** | **2022** | **Change**  **2022/2021, %** |
| **Implementation of the investment program** | | | | | |
| Amount of financing | million rubles | 2,584.50 | 4,462.51 | 3,945.55 | −12 |
| Amount of implementation of capital investment | million rubles | 3,058.45 | 3,633.82 | 2,650.19 | −27 |
| Adding to fixed assets | million rubles | 4,443.34 | 2,580.91 | 3,070.79 | 19 |
| Adding of transformer capacity to fixed assets | MVA | 152.73 | 119.26 | 109.57 | −8 |
| Adding of power transmission lines to fixed assets | km | 637.82 | 391.13 | 721.23 | 84 |

**Major investment program indicators for 2022**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of constituent entity of the Russian Federation** | **Deployment** | **Adding to FA** | **Funding** | **New power** | |
| million rubles, net of VAT | million rubles, net of VAT | million rubles, VAT included | MVA | km |
| Stavropol Territory | 777.31 | 904.02 | 1,117.79 | 70.59 | 132.16 |
| Republic of Dagestan | 317.00 | 245.71 | 889.53 | 1.87 | 65.16 |
| Kabardino-Balkarian Republic | 770.00 | 1,009.36 | 978,72 | 29.16 | 168,04 |
| Republic of North Ossetia – Alania | 253.10 | 187.63 | 201.92 | 4.97 | 36.94 |
| Karachay-Cherkess Republic | 387.42 | 533.41 | 516.32 | 8.67 | 156.31 |
| Republic of Ingushetia | 105.55 | 162.38 | 241.28 | −5,70 | 162.64 |
| Chechen Republic | 39.82 | 28.28 | 0.00 | 0.00 | 0.00 |
| **Total for Rosseti Northern Caucasus, PJSC** | 2,650.19 | 3,070.79 | 3,945.55 | 109.57 | 721.23 |

The investment program of Rosseti Northern Caucasus, PJSC for 2022 is approved by Order of the Russian Ministry of Energy No. 33@ dated November 25, 2022.

The amount of financing in 2022 amounted to 3,945.55 million rubles, 2,652.63 million rubles of capital investments were implemented, 3,070.79 million rubles, 721.23 km of power transmission lines, 115.87 MVA transformer power were added to fixed assets,

Stavropol Territory: in 2022, capital investments in the amount of 777.31 million rubles VAT exclusive were implemented, 904.02 million rubles were added to fixed assets, 1,117.79 million rubles VAT inclusive were financed. Besides, 70.59 MVA of transformer capacities and 132.16 km transmission lines were put into operation.

Republic of Dagestan: in 2022, capital investments in the amount of 317.00 million rubles exclusive of VAT were implemented, 245.71 million rubles were added to fixed assets, 889.53 million rubles inclusive of VAT were financed. Besides, 1.87 MVA of transformer capacities and 65.16 km of transmission lines were put into operation.

Kabardino-Balkarian Republic: based on the results of 2022, capital investments in the amount of 770.00 million rubles VAT exclusive were implemented, 1,009.36 million rubles were added to fixed assets, 978.72 million rubles VAT inclusive were financed. Besides, 29.16 MVA of transformer capacities and 168.04 km of transmission lines were put into operation.

The Republic of North Ossetia – Alania: in 2022, capital investments in the amount of 253.10 million rubles VAT exclusive were implemented, 187.63 million rubles were added to fixed assets, 201.92 million rubles VAT inclusive were financed. Besides, 4.97 MVA of transformer capacities and 36.94 km of transmission lines were put into operation.

Karachay-Cherkess Republic: in 2022, capital investments in the amount of 387.42 million rubles exclusive of VAT were implemented, 533.41 million rubles were added to fixed assets, 516.32 million rubles inclusive of VAT were financed. Besides, 8.67 MVA of transformer capacities and 156.31 km of transmission lines were put into operation.

The Republic of Ingushetia: in 2022, capital investments in the amount of 105.55 million rubles exclusive of VAT were implemented, 162.38 million rubles were added to fixed assets, 241.28 million rubles inclusive of VAT were financed. Besides, 5.70 MVA of transformer capacities and 162.64 km of transmission lines were put into operation.

Chechen Republic: based on the results of 2022, capital investments in the amount of 39.82 million rubles VAT exclusive were implemented, 28.28 million rubles were added to fixed assets.

**Pattern and structure of funding for capital investments**

In 2022, Rosseti of 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.

The amount of investments by areas, including:

for technological connection in 2022, the actual financing amounted to 1,262.19 million rubles VAT inclusive;

for the reconstruction, modernization, technical retrofitting of facilities in 2022, the actual financing amounted to 1,614.22 million rubles, VAT inclusive;

for investment projects, the implementation of which is conditioned by schemes and programmes for future development of the electricity power industry sector in 2022, the actual financing amounted to 159.07 million rubles VAT inclusive;

for other newly constructed power grid facilities in 2022, the actual financing amounted to 70.00 million rubles, VAT inclusive;

for investment projects necessary for carrying out the operational dispatch control in the electricity power industry and the purchase and sale of electric energy, in 2022 the actual financing amounted to 42.13 million rubles, VAT inclusive;

for other investment projects in 2022, the actual financing amounted to 797.94 million rubles, VAT inclusive.

**Stavropol Territory:** financing amounted to 1,117.79 million rubles, of which technical connection – 853.52 million rubles, technical re-equipping and reconstruction – 169.56 million rubles, new construction – 2.20 million rub., other activities – 92.51 million rubles.

Among the major facilities put in operation in 2022 the following activities may be noted:

* reconstruction of Krasny Oktyabr 110 kV substation, reconstruction of Obryashchenko – Levokumskaya 110 kV overhead line with a branch line at the Krasny Oktyabr substation (L-86) with the incoming line of 110 kV overhead line at the Krasny Oktyabr substation and the subsequent formation of the 110 kV Obryashchenko – Krasny Oktyabr overhead line and 110 kV Krasny Oktyabr – Levokumskaya overhead line for technical connection of power receivers  
  of Vostochny agricultural complex. The introduced transformer capacity is 20 MVA, the length of the overhead line is 0.98 km. The facility was put into operation;
* reconstruction of the 110/10 kV Yuzhnaya substation (replacement of T-2 with a 40 MVA transformer, installation of a 110 kV circuit breaker section) for the technical connection of power receivers of Stavropol Urban Electric Grids, JSC. The facility was put into operation. Commissioned transformer capacity is 40 MVA;
* construction of a 110 kV overhead branch line from the 110 kV Stavropol-Konstantinovskaya (L-134) overhead line to the 110 kV switchgear of the Berestovskaya wind farm with a length of 4.60 km, reconstruction of the 110 kV Svetlograd substation and the 110 kV Konstantinovskaya substation for the technical connection of the Berestovskaya wind farm for the needs of branch of Rosseti Northern Caucasus, PJSC. The facility was put into operation. The introduced length of the overhead line is 4.48 km;
* modernization of electricity metering facilities in Stavropolenergo, branch of Rosseti Northern Caucasus, JSC, F-161 SS 110/35/10 kV Zheleznovodskaya substation (as part of measures to reduce losses).

**Republic of Dagestan:** capital investment financing amounted to 889.53 million rubles, of which technical connection – 113.95 million rubles, technical re-equipping and reconstruction – 61.89 million rubles, other new construction of power grid facilities – 95.39 million rubles, other activities – 618.30 million rubles.

Among the major projects put in operation in 2022 the following may be noted:

* construction of a 10 kV OL branch line from 10 kV OL F-2 Morskaya SS with the installation of a commercial metering device for the technical connection of the Yarag-Kazmalyar border crossing point. The facility was put into operation. The introduced length of the overhead line is 2.81 km;
* purchase of special equipment in preparation for the autumn-winter period of the Dagenergo branch.

**Kabardino-Balkarian Republic:** capital investment financing amounted to 978.72 million rubles, of which technical connection – 56.66 million rubles, technical re-equipping and reconstruction – 896.07 million rubles, other activities – 26.00 million rubles.

Among the major facilities put in operation in 2022 the following activities may be noted:

* technical re-equipping of 110/10/6 kV SS SKEP with replacement of Т-1 25 MVA to 25 MVA. The facility was put into operation. Commissioned transformer capacity is 25 MVA;
* in order to reduce losses of electrical energy in the electrical grids of Kabbalkenergo, branch of Rosseti Northern Caucasus, PJSC, a 10–0.4 kV network was reconstructed. The facility was put into operation. The introduced length of the overhead line is 146.45 km;
* creation of electricity metering systems within the framework of the Plan (program) for reducing losses of electric energy in the electric grids of Kabbalkenergo, branch of Rosseti Northern Caucasus, PJSC.

**Republic of North Ossetia – Alania:** capital investment financing amounted to 201.92 million rubles, of which technical connection – 96.15 million rubles, technical re-equipping and reconstruction – 101.18 million rubles, other activities – 4.59 million rubles.

Among the major facilities put in operation in 2022 the following activities may be noted:

* technical re-equipping of a one-dimensional cell at F-15 of the 110 kV Zapadnaya substation with the construction of a 6 kV cable line for the technical connection of power receivers of the shopping and entertainment mall. The facility was put into operation. The introduced length of the overhead line is 2.27 km;
* reconstruction of two 10 kV overhead lines with the installation of a 10 kV overhead line from tower No. 134 F-7 10 kV Terskaya substation and from tower No. 135 F-2 of 10 kV Razdolnaya SS with installation of a two-transformer transformer substation-10/0.4 kV for technical connection of power receivers of the school for 500 children in the village of Kizlyar of applicant State Public Institution “Department of Capital Construction”. The introduced transformer capacity is 1.26 MVA, the length of the overhead line is 1.15 km. The facility was put into operation.

**Karachay-Cherkess Republic:** capital investment financing amounted to 516.32 million rubles, of which technical connection – 115.72 million rubles, technical re-equipping and reconstruction – 362.79 million rubles, other activities – 37.81 million rubles.

Among the major facilities put in operation in 2022 the following activities may be noted:

* construction of a 10 kV double-circuit overhead line with a length of 12 km for the technical connection of the Khabez gypsum plant. The facility was put into operation. The introduced length of the overhead line is 9.58 km;
* in order to reduce losses of electrical energy in the electrical grids of Karachaevo-Cherkesskenergo, branch of Rosseti Northern Caucasus, PJSC, a 10–0.4 kV network was reconstructed. The introduced length of the overhead line is 111.77 km;
* creation of electricity metering systems within the framework of the Plan (program) for reducing losses of electric energy in the electric grids of Karachaevo-Cherkesskenergo, branch of Rosseti Northern Caucasus, PJSC.

**The Republic of Ingushetia:** capital investment financing amounted to 241.28 million rubles, of which technical connection – 26.19 million rubles, technical re-equipping and reconstruction – 22.74 million rubles, investment projects, the implementation of which is conditioned by schemes and programmes for future development of the electricity power industry – 159.07 million rubles, other new construction of power grid facilities – 27.59 million rubles, other activities – 18.74 million rubles. Investment projects in the areas of operational dispatch control in the electricity power industry and the sale and purchase of electric energy – 42.13 million rubles.

Among the major facilities put in operation in 2022 the following activities may be noted:

* in order to reduce losses of electrical energy in the electrical grids of Ingushenergo, branch of Rosseti Northern Caucasus, PJSC, a 10–0.4 kV network was reconstructed and constructed. The introduced length of the overhead line is 155.83 km;

**Chechen Republic:** no financing was provided.

Among the major facilities put in operation in 2022 the following activities may be noted:

* purchase of equipment for the formation of an exchange pool of an integrated electricity metering system in the territory of the Chechen Republic.

**Structure of capital investment financing, RUB mln, including VAT**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rosseti Northern Caucasus,** | **2020** | **2021** | **2022** |
| **Total** | 2,584.50 | 4,462.50 | 3,945.55 |
| Technical connection | 1,170.25 | 1,535.13 | 1,262.19 |
| Reconstruction, modernization, technical re-equipment | 583.99 | 1,611.36 | 1,614.22 |
| Investment projects, the implementation of which is determined by schemes and programmes for future development of the electricity power industry sector | 57.14 | 4.84 | 159.07 |
| Other new construction of power grid facilities | 230.86 | 190.41 | 70.00 |
| Purchase of land plots for the implementation of investment projects | 0.00 | 0.00 | 0.00 |
| Other investment projects | 542.21 | 1,115.49 | 797.94 |
| For investment projects necessary for carrying out the operational dispatch control in the electricity power industry and the purchase and sale of electric energy | 0.00 | 5.28 | 42.13 |

**Financing structure of Rosseti Northern Caucasus, PJSC for 2022, in %**

**Structure of funding sources for capital investments in 2022**

mln rubles

The financing of Rosseti Northern Caucasus, PJSC in 2022 amounted to 3,945.55 million rubles.

Financing in 2022 was provided:

out of the Company's own funds – 1,491.22 million rubles;

out of proceeds for technical connection in the amount of 262.22 million rubles;

at the expense of additional financial support from Rosseti, PJSC – 2,192.11 million rubles;

**Results of investment program implementation in 2022**

Information on the results achieved in 2022 through the implementation of activities included in the investment program, in accordance with Order of the Russian Ministry of Energy No. 177 dated March 14, 2017:

facilities influencing the transformer substation loading efficiency indicator – 25 facilities;

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;

no facilities that affect the indicator assessing the change in the average duration of interruption in the power transmission to service consumers;

no facilities that affect the indicator assessing the change in the average duration of interruption in the power transmission to service consumers;

indicator of the total number of obligations fulfilled by the grid company within the investment program for the implementation of technological connection made – 4,105 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 – 200.33.

**Long-Term Investment Program**

The draft investment program of Rosseti Northern Caucasus, PJSC was approved by the decision of the Board of Directors of Rosseti Northern Caucasus, PJSC on February 25, 2022 (Minutes No. 487 dated February 25, 2022) and submitted for approval to the Russian Ministry of Energy. The long-term Investment Program of Rosseti Northern Caucasus, PJSC, for 2022–2026 was approved by Order No. 33@ made by the Russian Ministry of Energy on November 25, 2022 “On Approval of the Investment Program of Rosseti Northern Caucasus, PJSC for 2023–2027 and Amendments Approval Made to the Investment Program of Rosseti Northern Caucasus, PJSC approved by Order No. 34@ made by the Russian Ministry of Energy on December 27, 2021”.

**Main parameters of the long-term Investment Program of Rosseti Northern Caucasus, PJSC for 2023–2027**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Plan** | | | | |
| **2023** | **2024** | **2025** | **2026** | **2027** |
| Amount of financing | million rubles | 5,490.80 | 1,437.92 | 936.32 | 959.51 | 988.16 |
| Amount of implementation of capital investment | million rubles | 4,645.162 | 927.99 | 766.28 | 724.81 | 670.13 |
| Adding to fixed assets | million rubles | 4,765.11 | 985.38 | 753.03 | 489.39 | 445.37 |
| Adding of transformer capacity to fixed assets, MVA | MVA | 68.50 | 34.45 | 26.06 | 12.29 | 5.05 |
| Adding of power transmission lines to fixed assets | km | 1,002.40 | 108.56 | 75.31 | 122.31 | 77.36 |

Amount of financing for the Investment Program for 2023–2027, million rubles,   
VAT inclusive

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Stavropol Territory | 719 | 535 | 538 | 618 | 640 |
|  | Republic of Dagestan | 2,242 | 368 | 67 | 71 | 76 |
|  | Kabardino-Balkarian Republic | 453 | 208 | 177 | 111 | 112 |
|  | Republic of North Ossetia – Alania | 972 | 191 | 41 | 41 | 41 |
|  | Karachay-Cherkess Republic | 402 | 93 | 72 | 77 | 76 |
|  | Republic of Ingushetia | 703 | 42 | 42 | 42 | 42 |

Due to the limited capacities for planning activities aimed at technical connection of applicants for a long period, the planned structure of financing in terms of technical connection from 2023 to 2027 is to some extent volatile. The sharp decrease in funding since 2024 is due to the completion of activities financed out of the financial support of Rosseti, PJSC. Costs in 2024–2027 are planned on account of own sources of funding.

The Investment Program of Rosseti Northern Caucasus, PJSC for 2023–2027 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 Russian economy.

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 law.

**Amount of planned capital investments in accordance with the Investment Program for 2023–2027, million rubles, VAT exclusive**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Stavropol Territory | 643 | 424 | 478 | 462 | 414 |
|  | Republic of Dagestan | 1722 | 210 | 47 | 50 | 52 |
|  | Kabardino-Balkar Republic | 462 | 78 | 134 | 73 | 103 |
|  | Republic of North Ossetia – Alania | 778 | 159 | 34 | 34 | 5 |
|  | Karachay-Cherkess Republic | 333 | 22 | 39 | 71 | 62 |
|  | Republic of Ingushetia | 707 | 35 | 35 | 35 | 35 |

**Amount of planned adding to fixed assets in accordance with the Investment Program for 2023–2027, million rubles, VAT exclusive**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Stavropol Territory | 519 | 468.0 | 489 | 360 | 342 |
|  | Republic of Dagestan | 1492 | 211 | 48 | 51.0 | 53 |
|  | Kabardino-Balkarian Republic | 375 | 80 | 85 | 4 | 4 |
|  | Republic of North Ossetia – Alania | 1193 | 169 | 57 | 39 | 10 |
|  | Karachay-Cherkess Republic | 517 | 22 | 39 | 1 | 2 |
|  | Republic of Ingushetia | 669 | 35 | 35 | 35 | 35 |

In 2023, the implementation of capital investments and adding to fixed assets is planned in the amount of 4,645.16 million rubles, VAT exclusive and 4,765.11 million rubles, VAT exclusive, respectively. Among the significant activities planned to be implemented in 2023 are activities within the framework of the Plan (program) to reduce electrical energy losses in the electrical grids of Rosseti Northern Caucasus, PJSC.

From 2024 to 2027, a decrease in the volume of implementation of capital investments and adding to fixed assets is observed due to the completion of the activities financed out of the financial support of Rosseti, PJSC. Costs in 2024–2027 are planned on account of own sources of funding.

**Dynamics of new power in 2023–2027, MVA and km**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | Branch | 2023 | | 2024 | | 2025 | | 2026 | | 2027 | | | km | MVA | km | MVA | km | MVA | km | MVA | km | MVA | | Stavropol Territory | 47.95 | 47.15 | 49.89 | 32.99 | 56.20 | 25.47 | 92.38 | 6.41 | 77.36 | 5.05 | | Republic of Dagestan | 282.20 | 5.01 | 7.65 | 0.00 | 5.76 | 0.00 | 16.58 | 0.00 | 0.00 | 0.00 | | Kabardino-Balkar Republic | 14.00 | 10.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | Republic of North Ossetia – Alania | 435.68 | 2.88 | 51.03 | 1.45 | 13.36 | 0.59 | 13.36 | 5.88 | 0.00 | 0.00 | | Karachay-Cherkess Republic | 117.76 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | Republic of Ingushetia | 104.81 | 3.45 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | Total | 1,002.40 | 68.50 | 108.56 | 34.45 | 75.31 | 26.06 | 122.31 | 12.29 | 77.36 | 5.05 | |  |  |  |  |  |  |  |  |  |  |

**3.3. Innovation activities**

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 integrated power grid, 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 defines and systematizes the innovative and scientific and technical activities of Rosseti Northern Caucasus, PJSC and its structural divisions, establishes measures in the field of scientific, technical, technological and innovative development. The IDP requirements are mandatory for all structural divisions of the Company that carry out activities in the field of organization, execution and control of technological development, innovation, modernization of the integrated power grid, 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 dated August 1, 2011). In 2022, the Program was updated taking into account the new conditions, in accordance with the target model of innovative development and the requirements for innovative development programs. Due to the lack of funding, the Program was not approved by the Board of Directors.

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 integrated power grid in general. A power grid of the new technological order is an electricity 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 Decree of the President of the Russian Federation No. 596 dated 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[[16]](#footnote-16) 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;
* staff development and building partnership in the field of education.

The Company's activities for innovative, scientific and technical development in 2022 were carried out 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 a Production Asset Management System (PAMS)

The principal goal for PAMS is raising the company management efficiency.

The objectives of PAMS development:

* 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.

PAMS shall be an integrated software and hardware complex assisting to meet both current and future Company’s demands as to data processing. As the typical configuration to create and implement thereof application solutions are used.

In accordance with the Plan for the Development of Production Asset Management System of Rosseti Northern Caucasus, PJSC for 2022–2024, approved by the Minutes of the Board of Directors of Rosseti Northern Caucasus, PJSC No. 515 dated October 31, 2022, in 2022, measures were taken to improve the PAMS:

• the features for integration of PAMS with an automated personnel management system were implemented;

• the methodology for calculating the planned coefficient of unworked time for district power grids and the report on workforce productivity in maintenance and repair, taking into account the coefficient of unworked time, was automated;

• features for emergency reserve rate setting, its acquisition, rotation, use, replenishment in the PAMS was automated;

• data transfer from PAMS of subsidiaries and affiliates to DCPAS was automated   
Technical Inspectorate, JSC in terms of ITS using API[[17]](#footnote-17) Application Program Interfaces.

2. Knowledge management system development

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 Staff arranged awareness-raising and technical training workshops with the following companies:

* Streamer NPO, JSC
* RAMEK-VS, JSC;
* OPORA NP;
* SKB EP, LLC
* Energocompany HG, LLC
* PIrS-EnergoService, LLC;
* Vologda Industrial Stabilizers Plant, LLC

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 ten agreements on cooperation with the following universities:

* Federal State Budgetary Educational Institution of Higher Education Grozny State Oil Technical University named after Academician M. D. Millionshchikov;
* Federal State Budgetary Educational Institution of Higher Education Dagestan State Technical University;
* Federal State Budgetary Educational Institution of Higher Education North-Caucasus Federal University;
* Federal State Budgetary Educational Institution of Higher Education Kabardino-Balkarian State Agricultural University named after V. M. Kokov;
* Federal State Budgetary Educational Institution of Higher Education “North Caucasian State Academy”;
* Federal State Budgetary Educational Institution of Higher Education Gorsky State Agrarian University;
* Federal State Budgetary Educational Institution of Higher Education North Caucasian Mining and Metallurgical Institute (State Technological University);
* Federal State Budgetary Educational Institution of Higher Education REU named after G. V. Plekhanov (branch in Pyatigorsk);
* Federal State Budgetary Educational Institution of Higher Education branch of NRU MPEI in Volzhskiy
* Federal State Budgetary Educational Institution of Higher Education South-Russian State Technical University (Novocherkassk Polytechnic Institute).

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 university 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 electricity power industry development with companies of innovative profile.

In 2022, the following work was carried out as part of R&D:

* Agreement No. 65/2021 dated June 18, 2021 Research and Development Projects (R&D) “Implementation of a knowledge management system in Rosseti Northern Caucasus, PJSC”;
* Agreement No. 26/2022 dated February 17, 2022 R&D project “Development of a software package for detecting anomalies and erroneous charges on personal accounts of electricity consumers using deep machine learning methods (neural networks) in Rosseti Northern Caucasus”.

**Indicators for innovative activity of Rosseti Northern Caucasus, PJSC**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020**  **actual** | **2021**  **actual** | **2022**  **actual** | **Change 2022/2021, %** |
| Amount of innovations | million rubles | 348.97 | 0 | 0 | 0 |
| Amount of R&D | million rubles | 9.25 | 11.34 | 11.3 | –0.35 |
| The amount of financing the activities of the Digital Transformation Program of subsidiaries and affiliates of Rosseti, PJSC for the reporting year | million rubles | 211.9 | 10.25 | 26.13 | +155 |

**3.4. Financial performance**

Revenue earned by Rosseti Northern Caucasus, PJSC, from sale of products (services) as of the end of 2022 amounted to 41,301.72 million rubles, which is by 6,702.94 million rubles, or 19.4%, higher than the level of 2021. Revenue from power transmission service was 11,696.58 million rubles, which is by 956.68 million rubles, or 7.6%, higher than the level of 2021, revenue from power sales was 28,240.30 million rubles which is 7,729.46 million rubles, or 37.7%, higher than the level of 2021.

The growth in revenue from the sale of products (services) in 2022 compared to 2021 is due to the performance of the functions of a supplier of last resort in the territory of the Kabardino-Balkarian and Karachay-Cherkess Republics during 12 months of 2022 compared to 5 months of 2021, as well as growth of average daily rate.

The cost price (including selling and administrative expenses) amounted to 46,365.41 million rubles, which is 4,922.01 million rubles, or 11.9%, higher than the level of 2021. The main factors behind the cost increase are the increase in the cost of purchased electricity for the implementation and compensation of losses, the increase in the cost of services of grid companies related to performance by Rosseti Northern Caucasus, PJSC, of the functions of a supplier of last resort in the territory of the Kabardino-Balkarian and Karachay-Cherkess Republics during 12 months of 2022 compared to 5 months of 2021.

At the end of 2022, the balance of other income and expenses (including interest receivable and payable) amounted to (−7,946.86) million rubles, which is, compared to actual 2021 figures (−10,823.37) million rubles, is by 2,876.51 million rubles, or 26.6%, higher than the actual figures of 2021. The main factor for improving the indicator is the record of actual income in the form of a bank paper discount as part of the bank paper scheme when paying obligations to WMEP suppliers.

The profit or loss of Rosseti Northern Caucasus, PJSC based on the results of operations for 2022 amounted to (−11,265.87) million rubles. The net loss decreased compared to 2021 by 2,975.41 million rubles, or 20.9%.

**Basic financial and economic indicators, million rubles\***

| **Indicators** | **Period** | | | |
| --- | --- | --- | --- | --- |
| **2020** | **2021** | **2022** | **change**  **2022/2021, %** |
| Proceeds from sales of products (services), including: | **26,863.43** | **34,598.78** | **41,301.72** | 19.4 |
| - from power transmission | 13,539.00 | 12,653.27 | 11,696.58 | −7,6 |
| - from technological connection | 1,243.15 | 167.22 | 262.65 | 57.1 |
| - from power sales | 11,080.71 | 20,510.83 | 28,240.30 | 37.7 |
| - from other activities | 1,000.58 | 1,267.46 | 1,102.19 | −13.0 |
| Net cost of products (services) | **23,567.44** | **32,653.26** | **35,224.21** | 7.9 |
| Gross profit | 3,296.00 | 1,945.53 | 6,077.51 | 212.4 |
| Business expenses | 3,696.00 | 8,725.55 | 11,096.44 | 27.2 |
| Managerial expenses | 56.03 | 64.59 | 44.76 | −30.7 |
| Profit (loss) from sales | **−456.03** | **−6 844.62** | **−5 063.69** | 26.0 |
| Interest receivable | 673.90 | 504.08 | 354.26 | –29.7 |
| Interest payable | 445.92 | 976.19 | 1,320.54 | 35.3 |
| Income gained from participation in other organizations | 0.006 | 0.010 | 0.008 | −20.0 |
| Other revenues | 4,350.78 | 6,613.35 | 34,011.50 | 414.3 |
| Other expenses | 17,560.29 | 16,964.62 | 40,992.09 | 141.6 |
| Profit (loss) before taxation | **−13,437.54** | **−17,667.98** | **−13,010.55** | 26.4 |
| Profit tax and other payments | 2,209.46 | 3,426.69 | 1,744.68 | −49.1 |
| Net profit (loss) | **−11,228.09** | **−14,241.29** | **−11,265.87** | 20.9 |
| EBITDA | **−11,004.0** | **−14,548.8** | **−10,139.2** | 30.3 |

\* In accordance with the indicators of the accounting (financial) statements of Rosseti Northern Caucasus, PJSC for 2022.

**Basic financial and economic indicators, million rubles\***

| **Indicators** | **Period** | | | |
| --- | --- | --- | --- | --- |
| **2020** | **2021** | **2022** | **change**  **2022/2021, %** |
| Net debt/ EBITDA | −0.96 | −0.36 | 1.72 | −473.02 |
| Current ratio | 0.19 | 0.14 | 0.36 | 262.20 |
| Financial leverage | −2.12 | −1.38 | −1.92 | 139.19 |
| Share of long-term borrowings | 0.84 | 0.62 | 0.38 | 61.50 |
| Net cash flow | −6,653.568 | −3,183.448 | −21,448.617 | 673.75 |

\* In accordance with the indicators of the consolidated financial statements of Rosseti Northern Caucasus, PJSC for 2022

**Status of net assets, million rubles**

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | as of the end of 2022 | as of the end of 2021 | as of the end of 2020 |
| Net assets | −7,479.0 | −2,518.4 | 5,033.3 |
| Authorized capital amount | 889.3 | 889.3 | 889.3 |

The net assets of Rosseti Northern Caucasus, PJSC at the end of 2022 are lower than the authorized capital of the Company.

Decrease in net assets in 2022 relative to 2021 is due to the unprofitability of the Company's activities.

Measures to bring the value of net assets in line with the amount of the authorized capital:

1) reducing the level of electric line power losses;

2) ensuring 100% of proceeds from consumers for the supplied electricity;

3) collection of overdue receivables from consumers;

4) fulfillment of obligations to the creditors of the Company.

**3.5. Tariff Policy**

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

Regulation is carried out in accordance with:

• Federal Law No. 35-FZ dated March 26, 2003 “On Electricity Power Industry”;

• Federal Law No. 522-FZ dated December 27, 2018 “On Amending Certain Legislative Acts of the Russian Federation in Connection with the development of electric energy (power) metering systems in the Russian Federation”;

• Decree of the Government of the Russian Federation No. 1178 dated December 29, 2011   
“On pricing in the field of regulated prices (tariffs) in the electricity power industry” (together with the “Basics of pricing in the field of regulated prices (tariffs) in the electricity power industry”, “Rules for state regulation (revision, application) of prices (tariffs) in the electricity power industry”);

• Decree of the Government of the Russian Federation No. 184 dated February 28, 2015   
“On classifying the owners of electric grid facilities as local grid operators”;

• Decree of the Government of the Russian Federation No. 861 dated December 27, 2004   
“On approval of the Rules for the technical connection of power receivers of electric power consumers, facilities for the production of electric power, as well as power supply network facilities owned by grid organizations and other parties, to electric grids”;

• decree of the Government of the Russian Federation No. 24 dated 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 dated May 4, 2012 No. 442 “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 dated April 30, 2018 “About Amendments Making to Certain Decrees Adopted by the Government of the Russian Federation Due to Prolonging the Performance Features of Wholesale and Retail Markets within Separate Pricing Zones of the Wholesale Market”;

• Decree of the Government of the Russian Federation No. 1172 dated December 27, 2010 “On Approval of the Rules of the Wholesale Market for Electricity and Power and on Amendments to Certain Acts of the Government of the Russian Federation Concerning the Organization of the Operation of the Wholesale Market for Electricity and Power”;

• Decree of the Government of the Russian Federation No. 1179 dated December 29, 2011 “On the Determination and Application of Non-regulated Prices for Electricity (Power) by Providers of Last Resort” (together with the “Rules for Determining and Applying Non-regulated Prices for Electricity (Power) by Providers of Last Resort”);

• Decree of the Government of the Russian Federation No. 533 dated April 30, 2018 “On approval of the Rules for the Consideration (Settlement) of Disputes and Disagreements Related to the Establishment and (or) Application of Prices (Tariffs), on amendments to the Decree of the Government of the Russian Federation No. 14 dd. January 9, 2009 and the invalidation of certain acts of the Government of the Russian Federation”;

• Decree of the Government of the Russian Federation No. 1220 dated December 31, 2009   
“On Determining the Indicators of Reliability and Quality of Supplied Goods and Services used when Setting Long-term Tariffs”;

• Order of the Russian Ministry of Energy No. 1256 dated 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 Russian Ministry of Energy No. 585 dated December 13, 2011 “On Approval of the Procedure for Maintaining Separate Accounting for Income and Expenses by Natural Monopoly Entities in the Field of Electricity Transmission Services and Operational Dispatching Control in the Electricity Power Industry” (Procedure for Maintaining Separate Accounting);

• order of FTS Russia No. 98-e dated 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 FTS Russia No. 228-e dated March 30, 2012 “On approval of Methodical Guidelines for tariff regulation using RAB method of return on invested capital”;

• order of FTS Russia No. 20-e/2 dated 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 FTS Russia No. 215-e/1 dated 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 FTS Russia No. 254-e/1 dated October 26, 2010 “On Approval of Guidelines for the Calculation and Application of Decreasing (Increasing) Coefficients to Ensure Compliance of the Level of Tariffs Set for Organizations Carrying out Regulated Activities with the Level of Reliability and Quality of Delivered Goods and Rendered Services”;

• order of the Federal Antimonopoly Service No. 1135/17 dated 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 FTS Russia No. 1442-e dated 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 FTS Russia No. 421-e dated 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 FTS Russia No. 53-e/1 dated April 12, 2012 “On Approval of the Procedure for Preparation of the Consolidated Forecast Balance of Production and Supply of Electricity (Power) within the Unified Energy System of Russia by the Constituent Entities of the Russian Federation and the Procedure for Determining the Ratio of the Total Yearly Forecast Volume of Electricity Consumption by the Population and Similar Categories of Consumers to the Volume of Electric Energy Corresponding to the Annual Average Value of Forecast Volume of Power Determined In Relation to these Categories of Consumers”;

• Order of FTS Russia No. 1554/17 dated November 21, 2017 “On Approval of Guidelines for Calculating Selling Margins of Suppliers of Last Resort Using the Comparative Method”;

• Order of FAS Russia No. 834/18 dated June 19, 2018 “On Approval of the Regulations for Setting Prices (Tariffs) and (or) their Limit Levels, which Provides for the Procedure for Registration, Acceptance for Consideration and Refusals to Consider Applications for Setting Prices (Tariffs) and (or) their Limit Levels, and the Form of Resolution of the Executive Authority of a Constituent Entity of the Russian Federation in the Field of State Regulation of Tariffs”.

**Tariffs for power transmission services**

Regulation of activities of Rosseti Northern Caucasus, PJSC, branches (Kabbalkenergo, Karachaevo-Cherkesskenergo, Sevkavkazenergo, Stavropolenergo), from 2011 to 2017, was carried out using the return on investment method (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 Ingushenergo, branch of Rosseti Northern Caucasus, PJSC, are regulated using the method of long-term indexation of the required gross proceeds. The first period of regulation was from 2014 to 2016. As from 2017 the second long-term period of regulation started to last till 2027.

In 2020, in accordance with the resolution of the Board of Directors of Rosseti Northern Caucasus, PJSC, on the issue of the further functioning of the local grid operator in the Republic of Dagestan No. 421 dated May 8, 2020, the Company implemented measures aimed at ensuring the continuous operation of the local grid operator in the Republic of Dagestan and the start of operating activities in the territory of the Republic of Dagestan by Dagenergo, branch of Rosseti Northern Caucasus, PJSC – from June 25, 2020, and also provided support for the application of the tariffs established for Dagestan Grid Company, JSC for 2020 in the manner prescribed by clause 36 of the Rules of State Regulation and Adoption of Tariff and Balance Decisions for 2021 in relation to Dagenergo using the “Costs+” method. As from 2022, the activities of Dagenergo branch are regulated using the method of long-term indexation of the required gross proceeds. Regulation period is from 2022 to 2026.

Approved required gross proceeds of Rosseti Northern Caucasus, PJSC, in 2022 increased by 13.41% compared to 2021.

**Dynamics of the structure of the RGP for power transmission of   
Rosseti Northern Caucasus, PJSC**

2022 reporting year

Own RGP of Rosseti Northern Caucasus, PJSC in 2022 increased by 17.8% compared to 2021.

**Analysis of changes in the average tariff for power transmission services broken down by branches, rubles/kWh**

|  |  |  |  |
| --- | --- | --- | --- |
| Branch | 2020 | 2021 | 2022 |
| Kabbalkenergo | 1.77 | 2.36 | 2.45 |
| Karachaevo-Cherkesskenergo | 1.65 | 1.76 | 1.65 |
| Sevkavkazenergo | 2.32 | 2.29 | 2.36 |
| Stavropolenergo | 1.46 | 1.30 | 1.36 |
| Ingushenergo | 2.43 | 2.87 | 3.04 |
| Dagenergo |  | 1.36 | 1.72 |
| **Total for Rosseti Northern Caucasus, PJSC** | **1.66** | **1.58** | **1.74** |
| Growth, % | 119 | 95.3 | 110.1 |

*2022 reporting year*

Changing 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, in 2022 made (+) 10,1%.

However, from the second six months of 2022 the approved tariffs growth for the electricity transmission services for consumers not classified as the “population” 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**

|  |  |
| --- | --- |
| Constituent unit of the Russian Federation | Growth rates from July 1, 2022 |
| Republic of Dagestan | 15% |
| Republic of Ingushetia | 8% |
| Kabardino-Balkar Republic | 3% |
| Karachay-Cherkess Republic | 3% |
| Chechen Republic | 3% |
| Republic of North Ossetia – Alania | 9% |

Also, uniform (single pot) tariffs for electricity transmission services provided to consumers in the Northern Caucasus Federal District were established from December 1, 2022 with an increase from the current tariffs as of November 30, 2022 at the level of 9%, provided for by the parameters of the Government Decree of the Russian Federation No. 2053 dated November 14, 2022.

**Technological connection fee**

For 2022, the Guidelines for determining the amount of payment for technical connection to electric grids, approved by order of FAS Russia No. 1135/17 dated August 29, 2017 (hereinafter referred to as Guidelines 1135) establish standardized tariff rates, rates per unit of maximum power and formulas for calculating the amount of payment for technical connection of power receivers:

- by Order of the State Committee for Tariffs and Housing Supervision of the Kabardino-Balkarian Republic No. 280 dated December 28, 2021 “On the Approval of Standardized Tariff Rates, Rates per a Unit of Maximal Power, Formulae for Calculation of the Fee for Technological Connection and Establishment of the Fee for Technological Connection to Distribution Power Grids of Grid Companies within the Territory of the Kabardino-Balkarian Republic for 2022” (as amended);

- by Resolution of the Main Directorate for Tariffs and Prices of the Karachaevo-Cherkess Republic No. 130 dated December 17, 2021 “On Establishing Fees for Technological Connection of Power Receivers of Applicants to Power Grids of Territorial Grid Organizations of the Karachaevo-Cherkess Republic” for 2022 (as amended);

- by Decree of the Regional Tariff Service of the Republic of North Ossetia – Alania No. 63 dated December 24, 2021 “On the Establishment of the Amount of Fee for Technological Connection of Power Receivers of Applicants with the Maximum Capacity up to 15 kW, inclusive, to Power Grid Facilities of Territorial Grid Companies of the Republic of North Ossetia – Alania for 2022”;

- by Decree of the Regional Tariff Service of the Republic of North Ossetia – Alania No. 69 dated December 29, 2021 “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 2022” (as amended);

- by Decree of the Ministry of Industry and Digital Development of the Republic of Ingushetia No. 31 dated December 30, 2021 “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 2022” (as amended);

- by Decree of the Regional Tariff Commission of the Stavropol Territory No. 77/1 dated December 23, 2021 “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 Applicants’ Power Receivers to Power Grid Facilities of Territorial Grid Companies of the Stavropol Territory for 2022” (as amended);

- by Decree of the Regional Tariff Commission of the Stavropol Territory No. 54 dd. July 12, 2022 “On the Establishment of the Fee of a Preferential Rate for 1 kW of the Requested Maximum Capacity for Calculating the Amount of Payment for Technical Connection of Applicants’ Power Receivers to Power Grid Facilities of Territorial Grid Companies of the Stavropol Territory for 2022”;

- by Decree of the Republican Tariff Service of the Republic of Dagestan No. 134 dated December 24, 2021 “On the establishment of fees and fee formulas for technical connection to electric grids of local grid operators of the Republic of Dagestan, in respect of which state regulation of tariffs is carried out”.

A person intending to effect technical connection to power grids may independently choose the kind of fee for such technical 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 km 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 technical 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 technical connection.

If the applicant cannot choose the type of fee for technical connection, the amount of fee for technical connection is calculated using standardized tariff rates.

From July 1, 2022, the regulatory legal framework governing the pricing of technical connection to electric grids has been changed. According to the changes in the regulatory legal framework, the rates per unit of connected capacity have been excluded, and the fee for the preferential category of applicants up to 15 kW has been changed, the payment for technical connection of which before July 1, 2022 was 550 rubles, VAT inclusive, per connection. From July 1, 2022, a preferential rate for 1 kW of maximum power has been established for these applicants, provided that the technical connection is carried out according to the third category of reliability to the electrical grids of a voltage class of not more than 20 kV, the distance from the boundaries of the applicant's site to the electrical grid is not more than 300 m in cities and urban-type settlements and no more than 500 m in rural areas.

Preferential rates for applicants were established from July 1, 2022:

- by order of the State Committee for Tariffs and Housing Supervision of the Kabardino-Balkaria No. 143 dated July 1, 2022 in the amount of 3,000 rubles (VAT inclusive) per 1 kW of connected power;

- by Decree of the Main Directorate of the Karachay-Cherkess Republic on Tariffs and Prices No. 25 dated June 30, 2022 in the amount of 3,000 rubles (VAT inclusive) per 1 kW of connected power;

- by Decree of the Regional Tariff Service of the Republic of North Ossetia – Alania No. 27 dated July 12, 2022, in the amount of 3,000 rubles (VAT inclusive) per 1 kW of connected power;

- by order of the State Housing Inspectorate of the Republic of Ingushetia No. 35-P dated July 21, 2022 in the amount of 3,000 rubles (VAT inclusive) per 1 kW of connected power;

- by Decree of the Regional Tariff Committee of the Stavropol Territory No. 54 dated July 12, 2022 in the amount of 3,766 rubles (VAT inclusive) per 1 kW of connected power;

- by order of the Ministry of Energy and Tariffs of the Republic of Dagestan No. 53-OD dated July 1, 2022 in the amount of 3,000 rubles (VAT inclusive) per 1 kW of connected power.

While, for individuals belonging to socially disadvantaged categories (low-income families, veterans, disabled people, Chernobyl victims, families with many children), the fee for connecting facilities with a capacity of up to 15 kW is set at 1,000 rubles per 1 kW of requested power.

In accordance with Guidelines No. 1135, the fee for technical connection were set depending on the type of material used and (or) the method of performing work at the prices of the regulation period, which are the same for all local grid operators in the constituent entity of the Russian Federation.

The chart displays dynamics of variation of average fees per unit of capacity in total in the Company in the power range from 15 kW to 670 kW.

**Dynamics of the Average Amount of Fee for TC**

*2020 2021 2022 –* reporting year

Reduction of rates per unit of power is due to the fact that in 2021, 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 the preparation and issuance of technic specifications). Expenditures on new construction (“last mile”) were provided at their own expense.

Information on **standardized** tariff rates:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020** | **2021** | **2022** | **Change 2022/2021, %** |
|
| **Kabbalkenergo branch** | | | | | |
| Standardized tariff rates for covering the costs of technical connection of power receivers of consumers of electric energy, power grid facilities owned by grid operators and other persons, for the activities specified in paragraph 16 of the Guidelines of the FAS Russia | rubles/per connection | 3,684.29 | 3,764.56 | 4,181.78 | 11 |
| Rates per unit of maximum capacity (rubles/kW) to determine the fee for technical connection to electric grids at a voltage level of 20 kV or less and a power of less than 670 kW for the implementation of activities provided for in paragraph 16 of the Guidelines of the FAS Russia | rubles/kW | 214.16 | 239.93 | 221.36 | –8 |
| **Karachaevo-Cherkesskenergo branch** | | | | | |
| Standardized tariff rates for covering the costs of technical connection of power receivers of consumers of electric energy, power grid facilities owned by grid operators and other persons, for the activities specified in paragraph 16 of the Guidelines of the FAS Russia | rubles/per connection | 6,203.00 | 6,447.00 | 8,194.00 | 27.0 |
| Rates per unit of maximum capacity (rubles/kW) to determine the fee for technical connection to electric grids at a voltage level of 20 kV or less and a power of less than 670 kW for the implementation of activities provided for in paragraph 16 of the Guidelines of the FAS Russia | rubles/kW | 66.60 | 441.00 | 302.00 | –32 |
| **Sevkavkazenergo branch** | | | | | |
| Standardized tariff rates for covering the costs of technical connection of power receivers of consumers of electric energy, power grid facilities owned by grid operators and other persons, for the activities specified in paragraph 16 of the Guidelines of the FAS Russia | rubles/per connection | 3,185.53 | 6,096.61 | 3,152.89 | –48 |
| Rates per unit of maximum capacity (rubles/kW) to determine the fee for technical connection to electric grids at a voltage level of 20 kV or less and a power of less than 670 kW for the implementation of activities provided for in paragraph 16 of the Guidelines of the FAS Russia | rubles/kW | 175.87 | 329.88 | 149.59 | –55 |
| **Ingushenergo branch** | | | | | |
| Standardized tariff rates for covering the costs of technical connection of power receivers of consumers of electric energy, power grid facilities owned by grid operators and other persons, for the activities specified in paragraph 16 of the Guidelines of the FAS Russia | rubles/per connection | 5,405.48 | 7,599.07 | 8,156.07 | 7 |
| Rates per unit of maximum capacity (rubles/kW) to determine the fee for technical connection to electric grids at a voltage level of 20 kV or less and a power of less than 670 kW for the implementation of activities provided for in paragraph 16 of the Guidelines of the FAS Russia | rubles/kW | 175.41 | 290.40 | 188.14 | –35 |
| **Stavropolenergo branch** | | | | | |
| Standardized tariff rates for covering the costs of technical connection of power receivers of consumers of electric energy, power grid facilities owned by grid operators and other persons, for the activities specified in paragraph 16 of the Guidelines of the FAS Russia | rubles/per connection | 8,648.54 | 8,997.67 | 9,425.76 | 5 |
| Rates per unit of maximum capacity (rubles/kW) to determine the fee for technical connection to electric grids at a voltage level of 20 kV or less and a power of less than 670 kW for the implementation of activities provided for in paragraph 16 of the Guidelines of the FAS Russia | rubles/kW | 305.88 | 300.44 | 313.54 | 4 |
| **Dagenergo branch** | | | | | |
| Standardized tariff rates for covering the costs of technical connection of power receivers of consumers of electric energy, power grid facilities owned by grid operators and other persons, for the activities specified in paragraph 16 of the Guidelines of the FAS Russia | rubles/per connection | 1,533.27 | 2,633.85 | 3,350.55 | 27.0 |
| Rates per unit of maximum capacity (rubles/kW) to determine the fee for technical connection to electric grids at a voltage level of 20 kV or less and a power of less than 670 kW for the implementation of activities provided for in paragraph 16 of the Guidelines of the FAS Russia | rubles/kW | N/A | N/A | N/A | – |

Information on fee for individual project:

The fee for technical connection under an individual project in 2022 to the electric grids of the branches of Rosseti Northern Caucasus, PJSC was not set by the regulatory authorities.

**3.6. Import substitution**

Rosseti Northern Caucasus, PJSC is implementing the Corporate Import Substitution Plan. This plan includes the implementation of such activities as:

- improvement of the procurement policy, including

* approval/improvement of the procedure for mandatory analysis of the possibility of substituting imported products with domestic products with equivalent technical characteristics and consumer properties when considering the purchase of imported products;
* approval/improvement of internal corporate technical and technological standards aimed at ensuring import substitution in engineering and manufacturing processes;

- encouragement of Russian manufacturers of products (works, services), including:

* formation of a list of imported products that are critical for production and technological processes, which are a priority for the purposes of import substitution;
* creation of a system for informing domestic manufacturers about the Company's plans to purchase imported products;
* participation in joint projects to localize the production of alternatives to imported products or projects aimed at creation/modernization of the Russian goods production facilities;
* formation of a list of Russian products subject to approbation, testing, pilot implementation;
* carrying out testing, approbation, pilot introduction of domestic products at the power grid facilities;
* financing of R&E, D&D, R&D, aimed at the development of import-substituting products;

- management of the import substitution process, including the creation/improvement of a system for monitoring the current values of the activities implementation indicators, etc.

As a result of the comprehensive activities being carried out, Rosseti Northern Caucasus, PJSC has created conditions for supporting Russian manufacturers. Internal regulatory documents establish requirements for the preferential use of domestic equipment in investment projects, including consideration of the possibility of using equipment manufactured by defense industry enterprises. When implementing IP facilities, equipment, materials and systems are selected from the relevant lists of certified equipment approved for use at the facilities of Rosseti, PJSC.

The specified requirements are established in the standard forms of technical specifications for the development of design and working documentation, approved by the order of Rosseti Northern Caucasus, PJSC, No. 779 dated November 23, 2017, as amended by the order No. 885 dated   
December 29, 2017.

As a result of the analysis of the forecast demand and the share of imports in the purchase of equipment and software during the implementation of the IP, the following was revealed:

- for the main and secondary equipment: as part of the implementation of investment projects, there is practically no need for imported equipment;

- for software, import substitution is carried out in accordance with the order of Rosseti Northern Caucasus, PJSC No. 317r dated December 30, 2022 “On the implementation of the Plan of measures for the transition of Rosseti Northern Caucasus, PJSC to the preferential use of domestic software for the period of 2022–2024”.

The share of imports in the purchases of equipment and materials for 2022 in Rosseti Northern Caucasus, PJSC is 0.82%.

**3.7. Power grid assets consolidation**

1. **Description of the general principles of work organization**

Implementation of the strategy for power property consolidation located within the constituent units of the North Caucasian Federal District shall be made by Rosseti Northern Caucasus, PJSC, in the following directions:

- consolidation of property of 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 property of third parties (administrations of local self-government, non-profit organizations (gardeners' non-commercial partnerships, market-gardening non-profit partnerships, cottage settlements, other non-profit associations of citizens who own or otherwise legally possess power grid facilities), legal entities and individuals);

– consolidation of ownerless power grid property (carried out in accordance with the local regulations of the Company in cooperation with municipal authorities).

Since the entry into force of Decree No. 184 of the Government of the Russian Federation dated February 28, 2015, within the territory of the NCFD 18 TGCs have been deprived of the status.

1. **Scope of the power grid assets consolidation**

Rosseti Northern Caucasus, PJSC, organized joint work with the republican/ municipal authorities to identify power grid facilities, identify unregistered property and register title thereto.

A search is underway for possible owners of ownerless facilities, their inspection to determine the technical condition with the execution of bilateral acts with local governments, materials are being prepared to recognize the title of Rosseti Northern Caucasus, PJSC, to facilities in a judicial proceeding or register the title by municipalities.

Based on the results of inventory-taking in the territory of operation of Rosseti Northern Caucasus, PJSC and its subsidiaries and affiliates for the period of 2022, 12,917 electric grid facilities were identified that have signs of ownerless, including: the owner was established for 151 facilities or it was established that the facility was dismantled; title of Rosseti Northern Caucasus Group of Companies in relation to 4,568 facilities was recognized; title of local self-government administrations to 330 facilities was recognized; for 7,868 facilities, work is underway to recognize the ownership of the Rosseti Northern Caucasus Group of Companies through judicial procedures.

In 2022, the following results were achieved.

Rosseti Northern Caucasus, PJSC, signed lease agreements for the municipal power grid facilities of the Maisky and Zolsky districts of the Kabardino-Balkar Republic, SUE KBR Chegemenergo (Chegem, Kabardino-Balkar Republic), UKIO RD, LLC (Kaspiysk, Untsukulsky district of the Republic Dagestan). A contract for the sublease of the property of the urban district of Nalchik of the Kabardino-Balkarian Republic, leased by MUE Kabbalkkommunenergo, was renewed.

The total volume of the consolidated electric grid economy in 2022 is 18,479 c. u. (Kabardino-Balkarian Republic – 17,957 c. u., Republic of Dagestan – 522 c. u.), including:

- 0.6 km of 110 kV power transmission lines;

- 3,930 km of 0.4–10 kV power transmission lines;

- 4 110/35/10 kV substations with a total capacity of 45.8 MVA;

- 558 6–10/0.4 kV transformer substations with a total capacity of 238.5 MVA.

**Monitoring of the scope of the power grid assets consolidation**

| **IDGC description** | 2020 | | | 2021 | | | 2022 | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Rosseti Northern Caucasus, PJSC | **1,454** | **10,105** | **54,639** | **1,556** | **10,002** | **54,702** | **1,857** | **11,017** | **60,447** |
| Purchase of power grid assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease of power grid assets | 1,253 | 9,109 | 49,460 | 1,307 | 9,576 | 51,019 | 1,400 | 9,842 | 52,937 |
| Other (permanent ownership and usage) | 25 | 88 | 591 | 0 | 0 | 0 | 214 | 802 | 3,999 |
| Other (temporary ownership and usage) | 176 | 908 | 4,588 | 250 | 426 | 3,682 | 243 | 373 | 3,510 |

**3. Estimation of the share of Rosseti Northern Caucasus, PJSC in the required gross proceeds (RGP) of the service regions for the last 3 years.**

|  |  |  |
| --- | --- | --- |
|  |  |  |

**3.8. Assets Management**

In pursuance of Decree of the President of the Russian Federation No. 596 dated May 7, 2012, Directives of the Government of the Russian Federation No. 4863p-P13 dated July 7, 2016 and Order No. 894-r of the Government of the Russian Federation dated May 10, 2017 the decision of the Board of Directors of Rosseti Northern Caucasus, PJSC dated December 29, 2021 (Minutes No. 482 dated December 30, 2021) approved the Program for the Disposal of Non-Core Assets of Rosseti Northern Caucasus, PJSC, as amended (the Program).

The Program determines the basic approaches, principles and mechanism for identifying and selling non-core assets, establishes the criteria for assigning the assets to non-core assets, the procedure for maintaining the register of non-core assets, approaches to determination of value of non-core assets, the basic provisions for disposal of non-core assets, the procedure for submission of reports on the progress of implementation of the register of non-core assets.

By the decision of the Board of Directors of Rosseti Northern Caucasus, PJSC, dated February 28, 2023 (Minutes No. 526 dated March 3, 2023), the current Register of Non-core Assets, formed in accordance with the requirements of the Program, was approved.

The term for the sale of non-core assets of Rosseti Northern Caucasus, PJSC, was approved for Q4 2023 – Q1 2024. In 2022, non-core assets were not sold.

**3.9. Performance indicators and increasing the reliability of the integrated power grid**

According to the repair program for 2022, the branches of Rosseti Northern Caucasus, PJSC arranged the performance of the following activities:

- - in 35–110 kV high-voltage grids, 624 km of PTL were overhauled, 262 hectares of PTL routes were cleared from tree and shrub vegetation;

- in distribution grids with a voltage of 10–0.4 kV, 4,634 km of PTL were overhauled, 264 hectares of PTL routes were cleared from tree and shrub vegetation;

- repair of 35–110 kV substation equipment was carried out, including overhaul and mid-level repair of 113 pcs. of power transformers, 2,721 pcs. of switching devices.

- necessary routine maintenance works were carried out at 10(6)/0.4 kV transformer substations (TS), 3,714 10(6)/0.4 kV TS, as well as 708 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 2022–2023.

In accordance with the Plan for the Development of Production Asset Management System of Rosseti Northern Caucasus, PJSC for 2022–2024, approved by the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 515 dd. October 2022), in 2022 measures were taken in the following key areas:

* the features for integration of PAMS with an automated personnel management system were implemented;
* the methodology for calculating the planned coefficient of unworked time for district power grids and the report on workforce productivity in maintenance and repair, taking into account the coefficient of unworked time, was automated;
* features for emergency reserve rate setting, its acquisition, rotation, use, replenishment in the PAMS was automated;
* automation of data transfer from PAMS of subsidiaries and affiliates to data collection and processing automated system (DCPAS) of Technical Inspection, JSC in terms of the technical condition index using API programming interfaces was ensured;
* activities were implemented to integrate PAMS with the automated power equipment repair management system (APE RMS) in order to automate maintenance of the schedule for shutdown of equipment for repairs in terms of PAMS. Based on the results of implementation of the functionality in APE RMS and testing of data transmission, the functionality of PAMS will be put into commercial operation in accordance with cl. 2.13 of PAMS Development Plan for 2022–2024 (Q4 2023).

The emergency stock of materials and equipment is 100% complete.

As of December 2022, the cost of the emergency stock at Rosseti Northern Caucasus, PJSC is 248.5 million rubles, which is 24% lower than the cost of the emergency stock for the same period in 2021, the decrease is due to the implementation of additional repair measures caused by process upsets.

Decision on readiness for work in the 2022/2023 heating season (autumn-winter period) was adopted in relation to the electricity power industry entities of Rosseti Northern Caucasus, PJSC, on the basis of monitoring the implementation by the electricity power industry entities (branches   
of Rosseti Northern Caucasus, PJSC) of conditions of readiness for work in the 2022/2023 heating season. In accordance with the order of the Ministry of Energy of the Russian Federation No. 1185 dated November 3, 2022, the readiness index assigned to Rosseti Northern Caucasus, PJSC, for the 2022/2023 heating season is 96.

**Performance indicators**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | | |
| **2020**  **actual** | **2021**  **actual** | **2022**  **actual** | **Change 2022/2021, %** |
| Number of substations (SS, TS, DS) | pcs. | 25,756 | 26,425 | 26,497 | 0.27 |
| Power of substations (SS, TS, DS) | thousand MVA | 16.00 | 16.51 | 16.67 | 0.96 |
| Length of PTL by circuits | km | 122,504 | 125,258 | 124,889 | –0.29 |

**Indicators of reliability of the integrated power grid and fire safety**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020**  **actual** | **2021**  **actual** | **2022**  **actual** | **Change 2022/2021, %** |
| Пsaidi (for TGC) | hour | 2,286 | 13,630 | 8,498 | –37.7 |
| Пsaifi (for TGC) | pcs. | 1,217 | 3,788 | 3,654 | –3.5 |
| Number of process upsets (accidents) in the 110 kV grid and above | pcs. | 754 | 904 | 813 | –10.1 |
| Number of fires | pcs | 0 | 2 | 4 | +100 |

**3.10. Management systems**

The quality management system (QMS) is a part of the overall management system of the Company, which is designed to ensure the high quality of services provided in accordance with the requirements of regulatory documents, the needs and expectations of consumers and the satisfaction of all stakeholders, including employees, shareholders, investors and partners of the Company.

By the decision of the Management Board of Rosseti Northern Caucasus, PJSC, dated December 6, 2022 (Minutes No. 319 dated December 7, 2022), the Comprehensive Action Plan for Improving the Company’s Management System (hereinafter referred to as the Plan) was approved. The plan includes such sections as “Strategic Management”, “Updating Business Processes for Compliance with Goals”, “Business Process Reengineering”, “Development of the Company's Process Model”, “Implementation of ISO 9001:2015 Standards”, ”Staffing and Organization of Training”, “Creation of the Knowledge Database Information System”, “Information Resources”, “Integration of Efficiency and Effectiveness Indicators into a Single System”, “Accounting and Systematization of Information about the Collective Working Bodies of the Company”, “A Set of Measures Aimed at Optimizing Costs”, “TC Business Process Reengineering”, “Integrated System of Organization Management Support”. In accordance with the Plan for 2023, it is planned to develop regulatory documents in the field of quality and prepare Rosseti Northern Caucasus, PJSC for QMS certification, for 2024 – QMS certification and obtaining an ISO 9001:2015 certificate.

**4. Sustainable development**

Rosseti Northern Caucasus, JSC is a socially responsible company and pays a great deal of attention to issues concerning labour protection, the environment and the development of social programmes. One of the priority activity areas of the Company is preservation and development of the personnel pool, creation of a consolidated, socially protected, creative and economically motivated team of employees, improvement of labor and leisure conditions, promotion of employees’ occupational safety in accordance with the best practices.

The relevance of taking into account ESG factors in the activities of Rosseti Northern Caucasus, PJSC, is enshrined in the Charter of the Company, according to which the goals of the Company's activities are not only to make a profit, but also to create value for all stakeholders, namely: ensuring the efficient and reliable operation of distribution power grid facilities, ensuring the sustainable development of the distribution integrated power grid, ensuring reliable and high-quality energy supply to consumers in terms of the supply and transmission of electricity.

Individual aspects of taking into account ESG factors in the activities of Rosseti Northern Caucasus, PJSC, as well as information on sustainable development management of integrated power grid in these areas are included in the sections of this Annual Report of the Company.

Policies and procedures for sustainable development management

In accordance with the Minutes of the meeting of the Board of Directors of Rosseti, PJSC No. 422 dated July 20, 2020, the Environmental Policy of the Integrated Power Grid was approved. In accordance with the Minutes of the meeting of the Board of Directors of Rosseti Northern Caucasus, PJSC, No. 437 dated October 5, 2020, the Company joined the implementation of the Environmental Policy and approved it as an internal document. For more information, see the Environmental Protection section.

The key objectives of the HR and social policy of Rosseti Northern Caucasus, PJSC aimed at achievement of target benchmarks of the Integrated Power Grid Development Strategy are as follows:

* staffing planning;
* timely provision of the Company's staffing needs with required qualifications;
* ensuring of the effectiveness of the personnel;
* increase in the labor efficiency.

Social benefits and guarantees are provided to the Company's employees in accordance with the Collective Agreement for 2019–2024, concluded in accordance with the provisions of the Labor Code of the Russian Federation and the Industry Tariff Agreement in the electricity power industry of the Russian Federation, as well as the Company's internal organizational and administrative documents.

For more information, see the Human Resources section.

The Company has not approved the Sustainable Development Strategy as an independent, separate document. At the same time, Rosseti Northern Caucasus, PJSC, follows the general strategy of the Rosseti Group, approved by the Board of Directors of Rosseti, PJSC on December 26, 2019. Particular attention is paid to maintaining a balance of interests of all parties, including the state, consumers, shareholders, investors, as well as development of new business lines (non-tariff services). For more details, see the Development Strategy section.

Assignment of responsibility for sustainable development issues among management bodies, members of the executive bodies of the Company, as well as within the organizational structure and their accountability on such issues

Taking into account the ESG factors in the Company's activities is a complex task, its solution requires a coordinated approach and active participation of all the Company's management bodies within their competence.

Participation of the Board of Directors of the Company in the ESG agenda of the Company is characterized to a greater extent by the control and strategic functions. The Company's management is responsible for developing and submitting for consideration by the Board of Directors of Rosseti Northern Caucasus, PJSC of relevant documents related to the ESG agenda. In addition, the Company has formed and operates the Strategy Committee, the Committee for Reliability, the Committee for Technical Connection, the HR and Remuneration Committee, the Audit Committee, responsible for certain issues in the field of sustainable development.

The procedure for the preparation, approval and submission by management of materials for meetings of the Board of Directors of Rosseti Northern Caucasus, PJSC, is determined by the Standard for Organizing the Adoption and Execution of Decisions of the Management Board, Committees under the Board of Directors, the Board of Directors of Rosseti Northern Caucasus, PJSC, and the Boards of Directors of managed Companies, approved by the order of the Company.

The implementation of the Company's policies implies a clear and timely provision and exchange of information, which is also regulated by the Company's internal documents in the relevant areas of the Company's activities. In accordance with sub-cl. 35 of cl. 15.1 of Article 15 of the Charter of Rosseti Northern Caucasus, PJSC, the competence of the Board of Directors of the Company includes consideration of the reports of the General Director on the activities of the Company, on the implementation of decisions of the General Meeting of Shareholders and the Board of Directors of the Company.

Consideration of issues of sustainable development and ESG factors, risks and opportunities associated with these factors, by special committees under the Board of Directors of the Company

Rosseti Northern Caucasus, PJSC, does not have a Committee for Sustainable Development. While, the Company has formed and operates the Strategy Committee, the Committee for Reliability, the Committee for Technical Connection, the HR and Remuneration Committee, the Audit Committee, responsible for certain issues in the field of sustainable development.

Thus, the tasks of the Strategy Committee is to develop and submit recommendations (conclusions) to the Board of Directors of the Company on areas of activity of the Board of Directors that are within the competence of the Committee, in particular: strategic development and priority areas of activity, innovation development, organization of business processes, business planning, dividend policy, risk management, assessment of the performance of the Company and its subsidiaries, as well as other tasks and areas defined by the Corporate Governance Code recommended for use by the letter of the Bank of Russia No. 06-52/2463 dated April 10, 2014 “On the Corporate Governance Code”.

The main goals of establishing the Committee for Technological Connection to Electric Power are to ensure transparency of activities and non-discriminatory access to services for the technical connection of consumers to the Company's electric grids, increase the efficiency of the Company's activities in the provision of additional (non-tariff) services and ensure the profitability of additional (non-tariff) services of the Company, i. a. taking into account the 2030 Digital Transformation Concept.

The objectives of the Personnel and Award Committee are to develop and submit recommendations (conclusions) in the following areas of activity: development of recommendations on the amount of remuneration to members of the Board of Directors of the Company; development of principles and criteria for determining the amount of remuneration for members of the Board of Directors of the Company, the Management Board and the sole executive body of the Company; development of proposals for determining the material terms of contracts with the specified persons; determination of criteria for the selection of nominees to the Company's Board of Directors, the Management Board and for the position of the sole executive body of the Company, preliminary assessment of candidates; regular assessment of the activities of the sole executive body and members of the Management Board of the Company and preparation of proposals for the Board of Directors of the Company on their reappointment.

The main objectives of the Audit Committee: consideration of accounting (financial) statements and supervision over the process of their preparation; control over the reliability and efficiency of the internal control system, risk management system, corporate governance practices; control over the conduct of an external audit and the selection of an auditor; ensuring the independence and objectivity of the internal audit function; supervision over the effectiveness of functioning of the system for countering unfair actions of the Company's employees and third parties.

The objectives of the Committee for Reliability include development and submission of recommendations (opinions) to the Company Board of Directors in the following business lines of the Board of Directors:

1) 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;

2) 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 No. 846 dated October 28, 2009), and their implementation control;

3) expert evaluation of the quality of investigation into causes of technological failures (accidents);

4) 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);

5) 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;

6) control and evaluation of the Company's technical services activities to the extent of ensuring reliable functioning of electric power grids and production safety;

7) expert assessment of the internal control system within the Company;

8) expert assessment of the occupational health and safety management system within the Company;

9) expert evaluation of the environmental policy implementation program;

10) expert assessment of fire and industrial safety.

Taking into account issues of sustainable development, ESG factors in the Company’s information policy

On June 14, 2022, the Board of Directors of Rosseti Northern Caucasus, PJSC, approved the revised Resolution on Information Policy of the Company (Minutes No. 503 dated June 17, 2022).

The Resolution establishes the principles of disclosure of mandatory and additional information contributing to strengthening the publicity and transparency of relations between the Company and shareholders, creditors, potential investors of the Company, professional securities traders, government bodies, as well as other stakeholders; as well as the procedure for communication between members of the management bodies, officials and employees of the Company with shareholders and investors, media representatives and other stakeholders.

Besides, the Resolution defines the list of information disclosed on the Company's website in addition to the information required to be disclosed in accordance with the law of the Russian Federation on the securities market.

As per the Resolution, in accordance with the requirements of the law of the Russian Federation and the recommendations of the Bank of Russia Corporate Governance Code, the Company ensures the preparation and disclosure of the annual report, which provides shareholders and investors with a complete picture of the Company's activities and development for the reporting year. For this purpose, the Company seeks, in addition to the information provided for by the law of the Russian Federation, to include additional information in the annual report, taking into account the recommendations of the Bank of Russia, as well as material non-financial information that makes it possible to have an unbiased and comprehensive view of the Company's environmental impact (including climatic effect), social sector (including observance of human rights) and the economy, as well of the Company’s accounting for ESG factors, risks and opportunities associated with such factors that have a significant impact on the development of the Company. The list of additional information included in the annual report is also defined by this Resolution.

The list of essential topics related to the Company's activities shall be determined by the Company on an annual basis during the preparation of the Company's Annual Report, including through the questionnaire survey of the stakeholders.

In the reporting 2022 year, the Company did not prepare reports in the field of sustainable development and environmental reports as a separate type of reporting. At the same time, in order to demonstrate commitment to the principles of sustainable development, the annual reports of the Company submitted to shareholders as part of the preparation and holding of the annual General Meeting of Shareholders include detailed information on staff management, occupational safety and environmental protection, energy consumption and energy saving, procurement activities, anti-corruption policy and ensuring the security of economic activity, information disclosure, public relations, relations with public authorities and the media, etc. In the structure of this Annual Report, there is also a separate section titled “Sustainable Development”.

**Contribution to the achievement of the UN Sustainable Development Goals**

The concept of sustainable development appeared in the process of combining three main components: economic, social and environmental – and involves the adoption of measures aimed at the optimal use of scarce resources and the use of environmentally friendly – nature, energy and material-saving technologies, at maintaining the stability of social and cultural systems, at ensuring the integrity of biological and physical natural systems.

The Sustainable Development Goals (SDGs) are a set of 17 interrelated goals developed in 2015 by the UN General Assembly as “a blueprint for a better and more sustainable future for all”.

According to the stated goals of the UN, power industry is a key factor contributing to the solution of current problems.

Lack of access to energy could hinder efforts to contain COVID-19 in many parts of the world, according to the UN. Energy services play a key role in disease prevention and pandemic control, from providing health care facilities with electricity and clean water for essential hygiene, to providing communications and information technology services to keep people connected while maintaining social distancing.

To achieve the SDGs, the joint efforts of governments, the private sector, civil society and the inhabitants of the Earth are required.

In June 2020, the first Voluntary National Review of the Achievement of the SDGs by the Russian Federation and the Implementation of the 2030 Agenda for Sustainable Development was published on the UN website. The review reflects the achievements of the Russian Federation in all 17 SDGs and contains the results of a comprehensive monitoring of social and economic development and development of the strategic planning system for the period from 2015.

The Russian Review was prepared by the Analytical Center under the Government of the Russian Federation in cooperation with the Ministry of Economic Development of Russia, the Russian Ministry of Foreign Affairs, Rosstat and other departments, organizations and companies. The work was carried out by topic-specific groups for each SDG.

Prepared based on data from Websites <https://ru.wikipedia.org>, <https://www.un.org>, <https://rosstat.gov.ru>.

According to the Voluntary National Review of the Implementation of the 2030 Agenda for Sustainable Development, Russia has a rich resource base and a developed energy infrastructure. In 2018, 100% of the country's population had access to electricity, and 86% of the available housing stock was provided with heating. In the Doing Business 2020 rating, Russia entered the top ten in terms of ease of connecting to the power supply system, taking the 7th place among 190 countries. In order to ensure universal access to sustainable and state-of-the-art energy sources for everyone in Russia, a set of state policy measures is being implemented, including the Doctrine of Ensuring the Energy Security of the Russian Federation, the Energy Development governmental program. The management system in the field of energy conservation and energy efficiency is being improved by including target indicators in sectoral strategic planning documents at all levels. In 2007–2018 with the growth of Russia's GDP by 14%, its energy intensity decreased by 12%.

Prepared using data from Website <https://sustainabledevelopment.un.org>.

Rosseti Northern Caucasus, PJSC, being an interregional distribution grid company operating in the Russian electricity power industry sector, a natural monopoly, also contributes and facilitates the achievement of the above SDGs.

Information on the contribution of Rosseti Northern Caucasus, PJSC to the achievement of the UN SDGs is reflected in the topic-related sections of this Annual Report of the Company.

**Good health and well-being, end poverty, end hunger (Goals 1–3)**

The key asset of the Company is its employees, owing to whom the Company has been creating, preserving and building up its value and authority over a long span of time. Accomplishment of strategic tasks and goals set to the Company by the government largely depends on the professional competence, diligence and safety of labour practices of its employees.

In the reporting period, Rosseti Northern Caucasus, PJSC carried out work to implement measures aimed at improving the occupational health and safety. Social benefits and guarantees are provided to the Company's employees in accordance with the Collective Agreement for 2019–2024, concluded in accordance with the provisions of the Labor Code of the Russian Federation and the Industry Tariff Agreement in the electricity power industry of the Russian Federation, as well as the Company's internal organizational and administrative documents and provide additional benefits, guarantees and compensations. In order to improve the social protection of employees, the Company has entered into voluntary medical insurance contracts.

Additional information is provided in the sections of this Annual Report “Development Strategy” and “Human Resource Management”.

**Quality education (goal 4)**

Training is one of the priorities of the HR and Social Policy of the Company and is regulated by the Rules for Work with Personnel in the Organizations of the Electricity Power Industry of the Russian Federation.

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

In the territory of the Northern Caucasian Federal District there is one of the largest professional educational institutions in the industry – PEI FPE “Corporate Institute of Power Industry” (Essentuki), the founder of which is Rosseti Northern Caucasus, PJSC.

See additional information in the “HR Management” section of this Annual Report.

**Gender equality (goal 5)**

The gender composition of the Company's employees corresponds to the ratio of personnel typical for power grid companies. As of December 31, 2022, the share of men working in the Company is 78%, women – 22%, respectively. See additional information in the “HR Management” section of this Annual Report.

**Affordable and clean energy (Goal 7)**

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

Energy saving and energy efficiency improvement activities of Rosseti Northern Caucasus, PJSC, in 2022 were arranged in accordance with Federal Act No. 261-FZ dated November 23, 2009 “On Energy Saving and Improving Energy Efficiency ...”, orders of the Russian Ministry of Energy, 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 dated June 2, 261), as well as in accordance with the Energy Saving and Energy Efficiency Improvement Program of Rosseti Northern Caucasus, PJSC for the period up to 2022–2027 (Program) approved by the decision of the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 509 dated August 29, 2022). Additional information is provided in the sections of this Annual Report “Tariff Policy” and “Energy Consumption and Energy Saving”.

**Decent work and economic growth (Goal 8)**

Rosseti Northern Caucasus, PJSC, being a distribution grid company, contributes to the development of the constituent entities of the Russian Federation that are within the Company's area of responsibility. The Company is one of the largest taxpayers and employers in the region, as well as a procurement entity. Rosseti Northern Caucasus, PJSC, as one of the largest employers in the Northern Caucasus Federal District, also sees its role in supporting a stable high economic growth and increased employment in the region. To achieve and maintain the status of a modern highly efficient company the strategic development of the Company is based on implementation of the social policy measures. See additional information in the “Human Resource Management” and “Regional Development” section of this Annual Report.

**Industrialization, innovation and infrastructure (Goal 9)**

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 integrated power grid, enhancing scientific and technical and inventive activities, adapting to introduction of innovations, improvement and development of the innovation system. 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.

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. The investment program of Rosseti Northern Caucasus, PJSC for 2022 is approved by Order of the Russian Ministry of Energy No. 33@ dated November 25, 2022.

In 2022, Rosseti of 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.

Additional information is provided in the sections of this Annual Report “Innovation Activity”, “Investment Activity”.

**Reducing inequalities (Goal 10)**

The Company values every employee, regardless of the employee’s gender, age, skin color, nationality or job title. For that reason all employees are offered equal opportunities for successful and efficient performance, professional development and career advancement.

The Company relies on the principles of honesty and objectiveness when staffing the Company (including managerial positions). The employees are appointed and promoted only based on their competencies and professional qualities.

Labour dynasties are welcomed in the Company. Favorable conditions are created for their development. The Company encourages the succession of generations by promoting respect to the experience of veterans and ensuring knowledge and tradition transfer to the young employees, including within the labour dynasties.

Additional information is provided in the sections of this Annual Report “Development Strategy” and “Human Resource Management”.

**Sustainable cities and communities (Goal 11)**

Rosseti Northern Caucasus, PJSC, as one of the largest employers in the Northern Caucasus Federal District, also sees its role in supporting a stable high economic growth and increased employment in the region. To achieve and maintain the status of a modern highly efficient company the strategic development of the Company is based on implementation of the social policy measures. See additional information in the “Regional Development” section of this Annual Report.

**Responsible consumption and production (Goal 12)**

Energy saving and energy efficiency improvement activities of Rosseti Northern Caucasus, PJSC, in 2022 were arranged in accordance with Federal Act No. 261-FZ dated November 23, 2009   
“On Energy Saving and Improving Energy Efficiency ...”, orders of the Russian Ministry of Energy, 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 dated June 2, 261), as well as in accordance with the Energy Saving and Energy Efficiency Improvement Program of Rosseti Northern Caucasus, PJSC for the period up to 2022–2027 (Program) approved by the decision of the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 509 dated August 29, 2022).

In accordance with the Minutes of the meeting of the Board of Directors of Rosseti, PJSC No. 422 dated July 20, 2020, the Environmental Policy of the Integrated Power Grid was approved. In accordance with the Minutes of the meeting of the Board of Directors of Rosseti Northern Caucasus, PJSC, No. 437 dated October 5, 2020, the Company joined the implementation of the Environmental Policy and approved it as an internal document.

Additional information is provided in the sections of this Annual Report “Energy Consumption and Energy Saving” and “Environmental Protection”.

**Combating climate change, preservation of marine ecosystems, preservation of terrestrial ecosystems (goals 6, 13–15)**

In accordance with the Minutes of the meeting of the Board of Directors of Rosseti, PJSC No. 422 dated July 20, 2020, the Environmental Policy of the Integrated Power Grid was approved. In accordance with the Minutes of the meeting of the Board of Directors of Rosseti Northern Caucasus, PJSC, No. 437 dated October 5, 2020, the Company joined the implementation of the Environmental Policy and approved it as an internal document.

Additional information is provided in the “Environmental Protection” section of this Annual Report.

**Peace, justice and strong institutions (Goal 16)**

Interaction with business partners is based on a long-term cooperation in full compliance with the corporate rules. The Company is interested in mutually beneficial cooperation. In interactions with the Company the abuse of dominant position or unfair competition is unacceptable. The Company does not accept corruption in any form and expects that its business partners adhere to the same principles.

In accordance with Article 13.3 of the Federal Law No. 273-FZ dd. December 25, 2008 “On Combating Corruption”, Rosseti Northern Caucasus, PJSC implements a set of measures and tasks aimed at preventing and combating corruption.

Rosseti Northern Caucasus, PJSC conducts ongoing control and regular monitoring of the efficiency of implemented anti-corruption standards and procedures and controls implementing thereof.

On July 8, 2020, the Board of Directors of Rosseti Northern Caucasus, PJSC approved a new version of the Anti-Corruption Policy of Rosseti, PJSC and subsidiaries and affiliates of Rosseti, PJSC (Minutes No. 427 dated July 9, 2020).

In 2022, Rosseti Northern Caucasus, PJSC regularly interacted with regional and federal authorities in order to implement tasks related to the operation and development of the integrated power grids of the Northern Caucasus Federal District (NCFD), as well as to fulfill the instructions of the Government Commission for issues of social and economic development of NCFD, instructions of the Ministry of Energy of the Russian Federation and Rosseti, PJSC.

Additional information is provided in the sections of this Annual Report “Anti-Corruption Policy and Ensuring the Security of Economic Activities” and “Information Disclosure, Public Relations, Relations with Public Authorities and Mass Media”.

**Partnerships for sustainable development (Goal 17)**

Business of Rosseti Northern Caucasus, PJSC is arranged in such a manner as to meet the needs of stakeholders to the maximum possible extent. The Company is open to a productive dialogue with stakeholders. The process of transforming resources into value for stakeholders of Rosseti Northern Caucasus, PJSC, is described in the Stakeholder Engagement section of this Annual Report.

**4.1. HR Management**

The key objectives of the HR and social policy of Rosseti Northern Caucasus, PJSC aimed at achievement of target benchmarks of the Integrated Power Grid Development Strategy are as follows:

* planning staffing needs – ensuring availability of accurate information on the operational and predictive numerical and qualitative needs in the labor force, necessary and sufficient to perform the tasks assigned by the Company;
* timely provision of the Company's staffing needs with required qualifications;
* ensuring of the effectiveness of the personnel;
* increase in the labor efficiency.

These key objectives of the HR and social policy are achieved by implementing a set of measures in various areas of activities and achievement of the target benchmarks:

* in the field of organizational design;
* in the field of staffing and development of human resources;
* in the field of personnel efficiency management (personnel motivation);
* in the field of social benefits and guarantees;
* in the field of youth policy;
* in the field of safety of the personnel and the labour culture.

The Company annually ensures the growth of labor productivity (under comparable conditions of the Company's activities).

**Number and quality of personnel**

The average number of employees of Rosseti Northern Caucasus, PJSC, in 2022 amounted to 14,367 persons, which is higher than for the same period of 2021 by 2.34%.

**The average number of employees of Rosseti Northern Caucasus, PJSC for 2020–2022, persons**

The growth of the average staffing number in 2022 is due to the full year of operation of Kabbalkenergo and Karachaevo-Cherkesskenergo in connection with taking over the functions of a last resort provider in the territory of the Kabardino-Balkarian Republic and the Karachay-Cherkess Republic (orders of the Ministry of Energy of the Russian Federation Nos. 510, 511 dated June 29, 2021 “On assignment of the status of a last resort provider of a local grid operator”).

**Distribution of the average staffing number of Rosseti Northern Caucasus, PJSC for 2022, %**

The level of staffing in the Company at the end of 2022 was 97%. The level of provision with the production personnel of the Company amounted to 97%. In general, the Company's staffing for three years has been at a fairly high level and reaches the target value of 97%.

The level of active turnover in the Company at the end of 2022 amounted to 7.5%.

In 2022, 1,413 employees were hired, including 1,147 (81.2%) – operational staff, 45 people (3.2%) – non-operational personnel.

The average age of the Company's employees in 2022 compared to 2021 increased to 45.7 years (45 years in 2021), which is mainly due to the increase in the share of employees aged 35–50 over the past three years (+1.32 p.p.), with a simultaneous decrease in the share of employees under the age of 35 (–1.14 p.p.).

**Personnel structure by age over time for 2020–2022**

The personnel of the Company is characterized by a rather high level of qualification of its employees. As of December 31, 2022, 77.95% of the Company's employees have professional education. Including 34 employees have a PhD degree. Analysis of the personnel composition by level of education makes it possible to conclude that over the past three years the share of personnel without professional degree has been systematically decreasing from 23.39% in 2020 to 22.05% in 2022 (a decrease of 1.34 p.p.).

**Personnel structure by level of education over time for 2020–2022**

The gender composition of the Company's employees corresponds to the ratio of personnel typical for power grid companies. As of December 31, 2022, the share of men working in the Company is 76%, women – 24%, respectively, analysis by categories is given in the chart:

**Gender composition by categories of employees in 2022, %**

**Personnel remuneration system**

In accordance with the current Regulations on the remuneration of executives and employees of branches of the Company, monthly (current) bonuses are provided to employees for the achievement of key performance indicators. In addition, additional bonuses may be paid to the Company's employees:

- based on the results of work for the quarter, year;

- for fulfillment of especially important tasks (works);

- for revealing facts of non-contractual and unaccounted electricity consumption.

**Dynamics of indicators of the average number of employees and average salary of employees**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020** | **2021** | **2022** | **change**  **2022/2021, %** |
| Average number of employees | persons | 11,244.2 | 14,038.6 | 14,367.1 | 2.34 |
| Average salary of employees | thousand rubles | 44.116 | 44.508 | 49.637 | 11.52 |
| Average salary of administrative and management personnel | thousand rubles | 82.534 | 77.851 | 83.312 | 7.01 |
| Average salary of production personnel | thousand rubles | 40.092 | 41.023 | 45.716 | 11.44 |

**Social benefits and guarantees**

Social benefits and guarantees are provided to the Company's employees in accordance with the Collective Agreement for 2019–2024, concluded in accordance with the provisions of the Labor Code of the Russian Federation and the Industry Tariff Agreement in the electricity power industry of the Russian Federation, as well as the Company's internal organizational and administrative documents and provide additional benefits, guarantees and compensations.

* financial assistance for anniversaries;
* financial assistance in case of birth of a child and marriage registration;
* monthly compensation payment to women on leave to care for a child up to three years;
* financial assistance in case of dismissal in connection with a call for military service;
* financial assistance in connection with the death of employees and members of their families;
* financial assistance in case of annual leave (once a year);
* financial assistance in case of a serious illness requiring long-term treatment or surgical intervention;
* additional leave without pay (in connection with the marriage of an employee or his/her children, the death of relatives or family members, the birth of a child, moving to a new place of residence);
* other benefits and payments.

In addition, the Company provides support to non-working pensioners. In 2022, material assistance was provided to former employees of the Company – participants in the Great Patriotic War and home front workers on the anniversary of the Victory in the Great Patriotic War. Employees of the Company, being combat veterans, were provided with material assistance in connection with the celebration of Defender of the Fatherland Day.

Within celebration of the New Year, employees' children aged from 0 to 14 years were given Christmas gifts.

For increasing the social security of employees, the Company concluded a voluntary health insurance agreement between the Company and SOGAZ, OJSC. The agreement provides for out- and in-patient sanatorium-and-health-resort service. Each Company’s employee may have a medical advise 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 the Company, in addition to the voluntary medical insurance contract, in order to increase the social protection of employees, an insurance contract against accidents and illnesses was concluded with ENERGOGARANT insurance, PJSC dated November 26, 2020 No. 200005-700-000841 with a validity period from January 1, 2021 until December 31, 2023. Insurance coverage allows for the payment of additional material compensation to employees (beneficiaries) in connection with disability, health problems or death due to an accident. Insurance coverage is provided to employees both during work and while on the way from the place of residence to the place of performance of official duties and back.

**Personnel training and development**

Training is one of the priorities of the HR and Social Policy of the Company and is regulated by the Rules for Work with Personnel in the Organizations of the Electricity Power Industry of the Russian Federation.

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

In the reporting year, 14,476 people (100.8% of the average number of personnel), including 13,692 production staff (94.6% of the total number of trainees) took part in training sessions. The distribution of employees who took part in off-the-job educational programs in 2022 by category was as follows: managers – 1,965 people (13.6% of the total number of trainees), specialists – 1,712 people (11.8%), workers – 10,799 people (74.6%).

In 2022, 4,804 people were trained using distant learning format (33.2% of the total number of trainees). The average number of training hours per employee in 2022 was 34.8 hours, including: men – 42.2 hours, women – 10.6 hours.

In the territory of the Northern Caucasian Federal District there is one of the largest professional educational institutions in the industry – PEI FPE “Corporate Institute of Power Industry” (Essentuki), the founder of which is Rosseti Northern Caucasus, PJSC. The corporate training center is designed for 278 people. Among the facilities there is a training building with classrooms, laboratories for training electric power personnel, a library, a training ground, and a dormitory for 104 people. On the basis of corporate off-the-job training centers in 2022 professional training, retraining and upgrade was provided to 12,852 persons, which amounts to 88.8% of the total number of trainees.

**Dynamics of personnel training indicators**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020** | **2021** | **2022** | **change**  **2022/2021, %** |
| Number of employees who took part in off-the-job training programs / relative to average number of personnel | persons; % | 10,204; 73.2 | 13,440; 90.8 | 14,476; 100.8 | 7.7 10.0 |
| - including employees trained on the basis of their own training centers / ratio to the total number of employees undergoing off-the-job training | persons; % | 8,624; 84.5 | 12,231; 91.0 | 12,852 88.8 | 5.1; −2.2 |
| The number of production personnel who completed off-the-job training, including on the basis of their own training centers | persons; persons. | 9,974; 8,662 | 12,742; 11,643 | 13,692; 12,490 | 7.5; 7.3 |
| Distribution of the number of employees who took part in off-the job training programs by category (managers, specialists and other employees, workers) | %; %; % | 9.4;  14.0; 76.6 | 8.2;  16.0; 75.8 | 13.6; 11.8; 74.6 | 5.4; −4.1; −1.2 |
| Number of employees who took part in training programs implemented using distant learning format | persons | 4,023 | 2,321 | 4,804 | 107.0 |
| Average hours of training per employee by gender (male; female) | person – hour; person – hour | 65.2 5.3 | 76.8; 4.0 | 42.2 10.6 | −45.1; 165.0 |

In 2022, a professional development program was implemented for the winners of the first All-Russian competition “Power Industry Leaders”, in which 3 representatives of the Company took part. The program was implemented on the basis of Independent Non-profit Higher Educational Organization “Skolkovo Institute of Science and Technology”. Taking into account the task of creating a pool of professionals who are ready to implement new technological solutions and who can become leaders in implementing changes, the students studied modern methods and technologies for managing energy systems, digital technologies and optimization methods in the energy sector, economics of energy systems and other relevant topics, and also worked on projects on topics that are in demand for the industry and the integrated power grid.

Key suppliers of educational services, apart from internal training center, are the following: – FSI “Teaching office "Rostechnadzor”, Moscow, PEI FVE REGCON Training Center and others.

Such cooperation allows the Company's managers and specialists to undergo advanced training in the main areas with the necessary frequency, as well as to study under further professional education programs in the electrical engineering areas of specialization.

In 2022, as part of the implementation of plans to bring the qualification level of the Company's employees in line with the requirements established by professional standards, 413 employees of the Company (or 4.9% of the total number of those undergoing off-the-job training) took part in professional training, retraining and advanced training.

The number of personnel who underwent assessment procedures as part of the assessment of corporate and managerial competencies (at the time of hiring, being selected to the talent pool, psychophysiological examination) amounted to 2,121 people. (14.8% of the average number of personnel). An independent assessment of qualifications (based on qualification assessment centers) was not carried out in 2022.

**Youth policy**

The power company has set off on the road to provide active, motivated to develop and work in the electricity power industry sector young people of the Northern Caucasus, with the ability for exact sciences, the opportunity to become part of the largest electric grid company in the region.

Since 2018, in order to develop talented schoolchildren, increase their motivation to study under energy-oriented programs and for the purpose of their subsequent employment, the Company has been participating in the organization and holding of the All-Russian Olympiad for schoolchildren of the Rosseti Group of Companies. Thus, in 2022, 891 schoolchildren from the Northern Caucasus took part in the Olympiad, 4 persons were among the winners. Based on the results of the Olympiad, 2 schoolchildren received the right to participate in the Energy Project Session of the Rosseti Group of Companies at the facilities of the All-Russian Children's Center Orlyonok and the opportunity to work on projects related to the use of new energy supply technologies.

In order to ensure practice-oriented training of personnel, the Company actively cooperates with educational institutions of higher and secondary vocational education in the following areas:

- targeted training of students in areas that are in demand in the power grid complex, taking into account the long-term need for young specialists; currently, 27 students are enrolled in higher education institutions on a targeted basis, including 11 students in the “Electric Power and Electrical Engineering” area of specialization in 2022;

- organization of internships and pre-graduation practical training for students, in 2022, 558 students of universities and colleges completed internships in the structural divisions of the Company;

- organization of the work of student teams – from July 1 to July 29, 2022, the work of the Vershina construction team was organized, 30 university students, members of the construction team, performed work as part of a repair program carried out using own resources. 10 students took part in the closing ceremony of the construction teams of Rosseti, PJSC, which took place in October 2022 in Moscow.

- employment of graduates – in 2022, 41 young specialists were employed by the company.

For the purpose of professional adaptation of young specialists – former graduates, the Company uses a mentoring system.

In order to develop intellectual and creative potential, acquire new knowledge, young specialists of the Company actively participate in various all-Russian and international events: Youth Day, a regional festival that took place in Makhachkala on June 26, 2022, as well as a forum for communities of young professionals “Forsage-2022”, which took place from July 17 to 23, 2022 in the Kaluga region.

In order to involve employees in the implementation of the corporate youth policy in Rosseti Northern Caucasus, PJSC and managed Companies, personnel and social policy of Rosseti Northern Caucasus, PJSC, in February 2021, the Youth Council of Rosseti Northern Caucasus group of companies was established with the following main areas of work:

- assistance to the moral, professional, intellectual and physical development of young specialists of the Company;

- assistance in the orientation of young specialists;

- assistance to young professionals in solving social problems;

- prevention of negative phenomena among the young people;

- education of young specialists in the spirit of patriotism and respect for other peoples.

During 2022, the Youth Council organized the following events:

- corporate intellectual game among the employees of the Company;

- a charity event for children of sponsored orphanages “Special Wish Christmas Tree”.

**Corporate and sports events**

Promoting a healthy lifestyle is one of the important areas of the Company's social policy. In November 2022, the Company's employees took part in the XII online Open Chess Tournament of power engineers in memory of M. M. Botvinnik.

In April and October 2022, the Company's employees took an active part in the city-wide subbotniks (Saturday voluntary work day).

In February 2022, the children of the Company’s employees took part in the children’s drawing competition “Rosseti: children draw!”, held by Rosseti, PJSC, and in November, on the occasion of the professional holiday – Power Engineer’s Day, Rosseti Northern Caucasus, PJSC held a competition of children’s drawings “I draw this world”, based on the results of which all participants were awarded diplomas, and the winners were given valuable gifts.

**Rewards campaign**

In total, 1,131 employees of the Rosseti Northern Caucasus Group received awards in 2022, including:

|  |  |
| --- | --- |
| The number of employees who received incentives from the President of the Russian Federation and incentives from the Government of the Russian Federation | – |
| The number of employees given departmental awards of the Russian Ministry of Energy | 52 |
| The number of employees given industry-specific awards | 56 |
| The number of employees given corporate awards, including: | 415 |
| - Rosseti, PJSC | 88 |
| - Rosseti Northern Caucasus, PJSC | 327 |
| The number of employees given other awards | 193 |

**4.2. Occupational and industrial safety**

**Occupational and industrial safety management**

In order to establish a unified system for organizing labor management in the Company and ensure safe and normal working conditions for employees at all stages of production, control compliance with occupational safety requirements at all levels of management in accordance with the requirements of order of Rosseti, PJSC No. 334r dated July 27, 2018 the Regulations on the Occupational Health Management System in the Rosseti, PJSC Group of Companies (OHMS Regulations) were put into effect.

Among the executive staff an in the subdivisions of the branches, work was organized and carried out to bring the regulations on subdivisions and job descriptions of the Company's employees in line with the OHMS Regulations.

There are no significant violations in the field of occupational safety in Rosseti Northern Caucasus, PJSC.

In order to ensure safe and normal working conditions for employees at all stages of production, monitor compliance with occupational safety requirements at all levels of management, increase the efficiency and responsibility of officials organizing and monitoring the effectiveness of the Occupational Health Management System (OHMS) during the OS Days (Occupational Safety Days) inspections of compliance with the requirements of the current OHMS were carried out, including by officials of the Company's divisions responsible for their organization. Based on the identified violations, the directors of the Company's branches were given ordinances, the execution of which was monitored by specialists from the Department of Industrial Safety and Industrial Control of Rosseti Northern Caucasus, PJSC.

Identification of hazards and risk assessment in the field of occupational safety in Rosseti Northern Caucasus, PJSC, branches of Rosseti Northern Caucasus, PJSC and Chechenenergo, JSC is carried out on the basis of the standard of the Rosseti Group STO 34.01-30-001.2-2020 “Identification and Assessment of Professional Risks. Risk Control and Occupational Risk Management”.

Identification and assessment is carried out by a team of specialists who perform hazard identification and risk assessment.

An employee who is part of the hazard identification and risk assessment team must have sufficient competence to carry out the work and meet the following minimum requirements:

- know and be able to apply the principles, procedures and methods for identifying hazards and assessing occupational risk levels;

- know and understand:

- regulatory legal acts in the field of occupational safety;

- local regulations and other internal documents in the field of occupational safety in force in Rosseti, PJSC (subsidiaries and affiliates, branch of subsidiaries and affiliates (MES);

- structure, type of activity, functions and tasks of structural divisions (production structural divisions), at the workplaces of which hazard identification and risk assessment are carried out;

- production equipment (machines, mechanisms, tools and devices) used by employees of structural divisions (production structural divisions);

- possess personal qualities and skills that include the following:

- the ability to clearly formulate concepts and express ideas orally or in writing;

- interpersonal skills (diplomacy, tactfulness and ability to listen);

- the ability to be unbiased in the process of performing work;

- the ability to make sound judgments based on objective data.

The investigation of occupational accidents is carried out on the basis of the Regulations on the specifics of the investigation of occupational accidents in certain industries and organizations, the forms of documents, the relevant classifiers necessary for the investigation of occupational accidents, approved by order of the Ministry of Labor and Social Protection of the Russian Federation No. 223n dated April 20, 2022.

Investigation and record of minor incidents are carried out on the basis of the local regulation of Rosseti Northern Caucasus, PJSC, branches of Rosseti Northern Caucasus, PJSC, Chechenenergo, JSC.

Occupational safety training for employees at Rosseti Northern Caucasus, PJSC in accordance with the requirements of Decree of the Government of the Russian Federation No. 2464 dated December 24, 2021 is a large complex that includes briefings on occupational safety, internships at the workplace, training in first aid, training in the use and application of personal protective equipment and training in occupational safety requirements, safe methods and techniques for performing work.

In the reporting year, work was carried out (within the framework of the VHI) on an in-depth examination of the state of the cardiovascular system of production personnel aged 40 years and over, as well as additional measures for the purpose of more detailed and early identification of diseases of the cardiovascular system of employees.

Rosseti Northern Caucasus, PJSC operates 92 hazardous production facilities of III and IV hazard classes, identified by signs of danger:

- use of hazardous substances (gas consumption networks);

- use of equipment operating under a pressure of more than 0.07 MPa (air collector platform);

- use of fixed load-lifting mechanisms (transport sections – cranes, towers).

In accordance with the requirements of Federal Law No. 116-FZ dated July 21, 1997 “On Industrial Safety of Hazardous Production Facilities”, Decree of the Government of the Russian Federation No. 2168 dated December 18, 2020 “On the Organization and Implementation of Production Control over Compliance with Industrial Safety Requirements at a Hazardous Production Facility”, the Company organized the procedure for making and implementing decisions on diagnostics, testing, certification of technical equipment used at HPFs (order of Rosseti Northern Caucasus, PJSC No. 104 dated March 27, 2023).

In case of incidents or accidents at HPFs, Rosseti Northern Caucasus, PJSC conducts a technical investigation of their causes in accordance with the requirements of the Regulations on the Organization of Production Control over Compliance with Industrial Safety Requirements at a Hazardous Production Facilities.

Order No. 649 of IDGC of Northern Caucasus, PJSC dated October 15, 2018 approved the Policy of the Rosseti Group of Companies in the field of occupational safety, the main objectives of which are:

- creating healthy and safe working conditions;

- consistent and continuous reduction of the rate of work-related injuries and occupational diseases;

- creating and maintaining a positive image of the employer in the labor market, strengthening the confidence of shareholders, investors, creditors and other stakeholders;

- ensuring a high level of corporate safety culture.

No occupational diseases of employees were registered in the Company in 2022.

In order to improve the level of production discipline, solve problems of electrical safety, as well as introduce new principles of an effective occupational safety management system, the Company is implementing the concept of “zero accidents” (Order No. 450 dated October 15, 2021).

A program of measures (road map) for the implementation of this concept has been developed and approved.

The roadmap activities planned for 2022 were implemented practically in full volume:

- meetings of the Company were held in the format of strategic sessions with the involvement of employees of Technical Supervision Center, branch of Rosseti, PJSC;

- as part of the implementation of the “zero accident” concept technical supervisors visit divisions of the Company and meet with teams of employees in branches;

- the “key safety rules” are disseminated and promoted, which are the rules of the top importance that determine the basic model of behavior of employees when performing work associated with a high risk of injury, strict adherence to these rules is ensured;

- the Action Plan for the development and implementation of elements of a system of financial and non-financial motivation of employees is being implemented;

- training of occupational safety coaches from among the company's employees takes place as part of the implementation of the “zero accident” concept;

- other events.

The event on organization of the Competition of Professional Skills of Production Personnel (cl. 6.3 of the roadmap) became an exception. It was not held in agreement with Rosseti, PJSC due to the difficult financial situation of the Company).

In order to ensure the priority of preserving [health](http://slovari.yandex.ru/%7E%D0%BA%D0%BD%D0%B8%D0%B3%D0%B8/%D0%9E%D1%85%D1%80%D0%B0%D0%BD%D0%B0%20%D1%82%D1%80%D1%83%D0%B4%D0%B0/%D0%97%D0%B4%D0%BE%D1%80%D0%BE%D0%B2%D1%8C%D0%B5/) and life of [employees](http://slovari.yandex.ru/%7E%D0%BA%D0%BD%D0%B8%D0%B3%D0%B8/%D0%9E%D1%85%D1%80%D0%B0%D0%BD%D0%B0%20%D1%82%D1%80%D1%83%D0%B4%D0%B0/%D0%A0%D0%B0%D0%B1%D0%BE%D1%82%D0%BD%D0%B8%D0%BA/) of the Company relative to any other results of [labor activity](http://slovari.yandex.ru/%7E%D0%BA%D0%BD%D0%B8%D0%B3%D0%B8/%D0%9E%D1%85%D1%80%D0%B0%D0%BD%D0%B0%20%D1%82%D1%80%D1%83%D0%B4%D0%B0/%D0%A2%D1%80%D1%83%D0%B4%D0%BE%D0%B2%D0%B0%D1%8F%20%D0%B4%D0%B5%D1%8F%D1%82%D0%B5%D0%BB%D1%8C%D0%BD%D0%BE%D1%81%D1%82%D1%8C/) during 2022, in accordance with the requirements of the Labor Code of the Russian Federation, work was carried out to ensure safe working conditions at workplaces and to prevent work-related injuries and injuries of third parties at the Company's facilities, namely:

* the annual activities determined by the order of the Ministry of Labor and Social Development of the Russian Federation No. 181n dated March 1, 2012, the activities of the Comprehensive Program to reduce the risk of injury to personnel of Rosseti Northern Caucasus, PJSC and third parties at the facilities of Rosseti Northern Caucasus, PJSC (Comprehensive Program), approved by order of Rosseti Northern Caucasus, PJSC No. 378 dated August 30, 2022 “On approval of programs to reduce the risk of injury”, were fulfilled;
* to control the state of working conditions, means of protection, provision of personnel with special clothing, footwear, sanitary and living conditions in all branches of the Company, the Occupational Safety Day (OS Day) was held monthly, in the work of the commissions for which the members of the Central Commission of the executive staff of the Company on organization of the OS Day took an active part;
* to control the state of health and maintain the functional activity of the personnel, the Companies carried out preliminary, periodic, pre-trip and post-trip medical examinations, psychiatric examination of the personnel, work was carried out to ensure the psychological and physiological safety of professional activities;
* to control the state of occupational safety in the divisions of the Companies, employees of the occupational safety and production control department provided methodological assistance on occupational safety issues;
* on the basis of the requirements of Article 218 of the Labor Code of the Russian Federation, in order to organize joint actions of the employer and employees to ensure fulfillment of occupational safety requirements, prevent work-related injuries, occupational diseases and maintain the health of employees, the Occupational Safety Committees worked in the executive office and branches of the Company;
* to promote occupational safety, eliminate work-related injuries and increase the responsibility of employees of the Company's branches for their personal safety and the safety of their subordinate personnel, the Company holds meetings in the work teams of all branches of the Company on prevention and non-admission of accidents;
* the reasons and circumstances of accidents that occurred with employees of subsidiaries and affiliates of Rosseti, PJSC were discussed and analyzed with the personnel of the Company. The issues of checking the fact of analyzing the causes and circumstances of accidents and bringing to the attention of the personnel of operational and information reports about accidents that occurred in 2022 are monthly included in the programs for holding the OS Days;
* to prevent work-related injuries, improve the state of safety and workplace hygiene, improve the culture of production, establish an integrated approach to eliminate identified violations and eliminate the causes of their occurrence, promptly eliminate shortcomings in the structural divisions of Rosseti Northern Caucasus, PJSC, the OS Days are usually carried out in an integrated way.

During the OS Day, highly qualified employees of the branch and the executive office of the Company conducted classes with the operating personnel of the network sections of the Distribution Zone. The causes and circumstances of accidents that occurred in the integrated power grid of Rosseti, PJSC, were analyzed during the training sessions, the reasons for violations by personnel of the requirements of operational dispatch discipline were analyzed, psychological tests, lectures, etc. were conducted, the possible consequences and responsibility of personnel for violations of the requirements of OS rules, including criminal one, were discussed. This work is very effective in terms of improving the skills of operating personnel and increasing their responsibility for compliance with the requirements of the Rules.

Demonstrative work authorizations are arranged in all branches of electric grid of Rosseti Northern Caucasus on a quarterly basis (during the OS Day).

Conducting demonstrative work authorizations is one of the forms of personnel training and is aimed at solving the following tasks:

* checking the ability of operational personnel to prepare the workplace in accordance with the measures specified in the work permit (order), the nature and place of work, to conduct briefing of members of the work team at the time of authorization;
* checking the ability of responsible supervisors, employees responsible to accept the workplace with due quality and instruct the team on the technology of performing work and safety measures when performing the work;
* interaction of operational, maintenance personnel and engineering and technical employees in carrying out the necessary measures to prepare the workplace and conduct targeted briefings upon authorization;
* analysis of errors arising in the process of implementation of organizational and technical measures for the preparation of the workplace and admission to work;
* a comprehensive assessment of readiness of operational and repair teams.

Analysis of assessment of the quality of organization of OS Days is carried out at conference calls with the participation of members of the Central Committee of the executive office of the Company.

When holding OS Day during the year, the specific features of its organization were taken into account:

* before the start of the repair campaign;
* during the repair campaign;
* during the period from November to December, special attention is paid to the analysis of the effectiveness of occupational safety measures taken during the year.

**Indicators in terms of occupational safety management**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | | |
| **2020**  **actual** | **2021**  **actual** | **2022**  **actual** | **Change 2022/2021, %** |
| Occupational safety expenses[[18]](#footnote-18) | million rubles | 136.7 | 177.6 | 112.53 | –36.6 |
| *Occupational accidents* | | | | | | |
| For employees: | | | | | | |
| The number of persons injured during occupational accidents with a fatal outcome, the number of occupational accidents with a fatal outcome | persons/pcs. | 1/1 | 3/3 | 2/2 | –33 |
| The number of persons injured during occupational accidents with severe injuries, the number of occupational accidents with severe injuries | persons/pcs. | 0/0 | 0/0 | 1/1 | +100 |
| For persons who are not employees, but whose work and (or) workplace is controlled by the Company: | | | | | | |
| The number of persons injured during occupational accidents with a fatal outcome, the number of occupational accidents with a fatal outcome | persons/pcs. | 0/0 | 0/0 | 0/0 | 0 |
| The number of persons injured during occupational accidents with severe injuries, the number of occupational accidents with severe injuries | persons/pcs. | 0/0 | 0/0 | 0/0 | 0 |
| *Occupational diseases and work associated with increased danger* | | | | | | |
| For employees: | | | | | | |
| The number of occupational diseases that caused the death of an employee in the reporting year | pcs. | 0 | 0 | 0 | 0 |
| The number of employees recognized as disabled as a result of an occupational disease in the reporting year | persons | 0 | 0 | 0 | 0 |
| The number of persons with an occupational disease identified in the reporting period | persons | 0 | 0 | 0 | 0 |

**Environmental performance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020**  **actual** | **2021**  **actual** | **2022**  **actual** | **Change 2022/2021, %** |
| Gross emissions of pollutants into the atmosphere, total | tons | 17.146 | 18.469 | 23.307 | 26 |
| Water consumption volume | m3 | – | 186.167 | 561.83 | 201 |
| Waste generated | tons | 1,992.79 | 2,419.667 | 3,019.056 | 24.5 |
| The volume of waste transferred for recycling and neutralization | tons | - | 127.732 | 213.744 | 68 |
| Fee for adverse environmental impacts | thousand rubles | 163.78 | 143.59 | 93.173 | –35.1 |
| Equipping power grid facilities with bird protection devices | pcs. | 1,116 | 1,369 | 1,325 | –3 |

**4.3. Environmental protection**

In accordance with the Minutes of the meeting of the Board of Directors of Rosseti, PJSC No. 422 dated July 20, 2020, the Environmental Policy of the Integrated Power Grid was approved. In accordance with the Minutes of the meeting of the Board of Directors of Rosseti Northern Caucasus, PJSC, No. 437 dated October 5, 2020, the Company joined the implementation of the Environmental Policy and approved it as an internal document.

**The main goals facing the integrated power grid in the field of environmental protection:**

* reduction in the share of obsolete equipment used at power grid facilities and containing hazardous substances;
* reduction in the amount of deforestation during laying and maintenance of clearings when overhead lines are arranged in forest areas;
* reducing the negative impact on the environment during the construction of power grid facilities.

**Results in the field of environmental protection**

The branches of Rosseti Northern Caucasus, PJSC signed agreements with local operators for the transportation and disposal of municipal solid waste. Waste is placed at specialized landfills that do not have a negative impact on the environment, included in the State Register of waste disposal facilities.

Stavropolenergo, branch of Rosseti Northern Caucasus, PJSC, is carrying out sanitary cleaning of the power canal of the Essentuki HPP. By order of the branch, persons responsible for the sanitary condition of the water protection zone of the HPP were appointed.

Over the past 2022, no work on the recultivation of disturbed land was carried out.

**Conservation of biodiversity**

Access to the Company's energy facilities is enclosed byexternal fences (mesh fences or reinforced concrete fences), which prevents free access of small rodents, wild and domestic animals.

In 2022, more than 1,340 bird guides were installed on high-voltage power lines to save the bird population.

**Waste generation indicators and indicators related to waste management**

All branches of Rosseti Northern Caucasus, PJSC concluded agreements with regional operators for the collection and disposal of municipal solid waste.

Environmental safety specialists of the Company's branches concluded agreements with specialized organizations licensed for this type of activity to transfer III–V hazard class waste for disposal or neutralization.

A centralized agreement was concluded with the Federal State Unitary Enterprise “Federal Environmental Operator” for the provision of services for I–II hazard class waste management.

The amount of waste generated and transferred in 2022:

- 2,855.791 tons placed, an increase of 28% compared to the previous year. The increase in the volume of solid municipal waste generation is due to connection of Nalchik urban electric grids to Kabbalkenergo branch;

- 171.862 tons disposed, an increase of 222%. In 2022, waste generated in 2021 was also transferred for disposal;

- 41.882 tons neutralized, a decrease of 44%.

At the end of the reporting period, 8.031 tons of I-II hazard class waste remained at the Company's production sites. The agreement with Federal State Unitary Enterprise “Federal Environmental Operator” was concluded in a timely manner, but for certain applications for the removal of waste, no dates and responsible contractor were set for the removal by the Federal Environmental Operator.

In 2022, no environmental violations were recorded in Rosseti Northern Caucasus, PJSC. No penalties were imposed on the Company in terms of environmental safety.

Financing of environmental projects of other organizations was not provided.

**Environmental protection costs**

In 2022, environmental protection costs at Rosseti Northern Caucasus, PJSC amounted to 16,982.85 thousand rubles. The diagram shows a comparison of costs of the previous and current years.

**4.4. Energy consumption and energy saving**

Energy saving and energy efficiency improvement activities of Rosseti Northern Caucasus, PJSC in 2022 were arranged in accordance with Federal Law of the Russian Federation dated November 23, 2009 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 Rossetti OJSC (Minutes No. 156 dated June 2, 2014)), as well as in accordance with the Energy Saving and Energy Efficiency Improvement Program of Rosseti Northern Caucasus, PJSC for 2022–2027. (Program) approved by the decision of the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 509 dated August 29, 2022).

To ensure the implementation of the Program in the executive office of Rosseti Northern Caucasus and in the branches of Rosseti Northern Caucasus, PJSC in accordance with the order of Rosseti, PJSC No. 561 dated September 9, 2013 “On the Organization of Work on Energy Saving and Improving Energy Efficiency”, Rosseti, PJSC has appointed managers responsible for monitoring the implementation of the Program, established task forces to analyze the implementation of the Programs (order of IDGC of Northern Caucasus OJSC No. 518 dated October 7, 2013 “On the Organization of Work on Energy Saving and Improving Energy Efficiency in IDGC of Northern Caucasus OJSC”, order of Kabbalkenergo, branch of IDGC of Northern Caucasus OJSC No. 145 dated April 26, 2018, order of Karachay-Cherkess branch of IDGC of Northern Caucasus OJSC No. 290 dated October 14, 2013 “On the Organization of Work on Energy Saving and Improving Energy Efficiency in the Karachay-Cherkess branch of IDGC of Northern Caucasus OJSC”, order of the North Ossetia branch of IDGC of Northern Caucasus OJSC No. 595 dated October 15, 2013, decree of Sevkavkazenergo, branch of IDGC of Northern Caucasus OJSC No. SOF/7r dated January 25, 2018 “On the Organization of Work on Energy Saving and Improving Energy Efficiency”, order of Stavropolenergo, branch of IDGC of Northern Caucasus, PJSC No. 259 dated November 1, 2017 “On the Organization of Work on Energy Saving and Improving Energy Efficiency”, order of Ingushenergo, branch of IDGC of Northern Caucasus, PJSC No. 16 dated February 1, 2018 “On the Organization of Work on Energy Saving and Improving Energy Efficiency”, decree of Dagenergo, branch of Rosseti Northern Caucasus, PJSC No. 1.1/157-r dated September 13, 2021 “On Approval of the Grid Reporting Regulations”).

**Energy consumption and energy saving indicators**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicators | Unit of measurement | Period | | | |
| 2020 | 2021 | 2022  actual | Change 2022/2021, % |
| Consumption of fuel and energy resources (FER) | thousand toe | 15.33 | 15.3 | 16.4 | 7 |
| million rubles | 438.41 | 485.94 | 503.42 | 4 |

**Amount of energy resources used in 2022**

| Item No. | Type of resources | Unit of measurement | 2022 Plan | 2022 Actual | Variation, % |
| --- | --- | --- | --- | --- | --- |
| 1. | Thermal energy | Gcal | 6,674.54 | 6,301.42 | –6 |
| thousand toe | 0.95 | 0.9 | –6 |
| million rubles, net of VAT | 18.86 | 14.25 | –24 |
| 2. | Electric energy | mln kW\*h | 49.26 | 51.14 | 4 |
| thousand toe | 5.91 | 6.14 | 4 |
| million rubles, net of VAT | 208.95 | 171.29 | –18 |
| 3. | Motor gasoline | thousand l | 4,989.31 | 5,498.18 | 10 |
| thousand toe | 5.65 | 6.23 | 10 |
| million rubles, net of VAT | 206.41 | 221.89 | 7 |
| 4. | Diesel fuel | thousand l | 1,639.97 | 2,069.41 | 26 |
| thousand toe | 2.02 | 2.55 | 26 |
| million rubles, net of VAT | 77.85 | 90.37 | 16 |
| 5. | Natural gas\* | thousand m3 | 359.38 | 611.27 | 41 |
| thousand toe | 0.41 | 0.58 | 41 |
| million rubles, net of VAT | 5.5 | 5.62 | 2 |
| \* Including gas used as a motor fuel in the amount of 0.11 thousand m3 (2.056 million rubles VAT exclusive), as well as gas used for the needs of administrative and industrial buildings, in the amount of 502.25 thousand m3 (3.56 million rubles VAT exclusive). | | | | | |

Other types of energy resources in 2022 were not consumed by the Company.

**4.5. Regional development**

Rosseti Northern Caucasus, PJSC, operates throughout the Northern Caucasus Federal District. The district was created by Decree of the President of the Russian Federation dated 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 the mentioned features of the district are the opportunities of the Company, making it possible 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 Company management.

Factors of region investment attractiveness:

* special governmental support measures;
* special institutes of development for the district;
* opportunity to develop any types of tourism;
* transport accessibility;
* wide 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 borders – 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 political 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 Northern Caucasus Federal District.

Constituent entities of the Russian Federation included into the area of responsibility of Rosseti Northern Caucasus, PJSC, are characterized by rather weak development of the territory. However, the developed infrastructure, including power engineering, is the necessary condition for territory development and the city growth. Understanding our responsibility in this area, the company applies every effort to build a high-technology, reliable and safe grid infrastructure.

Rosseti Northern Caucasus, PJSC, as one of the largest employers in the Northern Caucasus Federal District, also sees its role in supporting a stable high economic growth and increased employment in the region. To achieve and maintain the status of a modern highly efficient company the strategic development of the Company is based on implementation of the social policy measures.

**4.6. 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) approved by the Company’s Board of Directors, Order No. 330 made by Rosseti Northern Caucasus, PJSC, on June 17, 2019 “About Procurement Activity Arranging”.

Procurements 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 (Procurements Organizer).

The main principals for procurement activity arranging shall be:

a) proper (long-term and short-term) planning of procurement activity, making it possible to draw fast decisions to adjust procurements parameters (where applicable);

b) equality, justice, nondiscrimination and absence of any other unwarranted competition restrictions as to procurement participants;

c) targeted and cost-effective expenditure of funds for acquisition of goods, works, services and implementation of measures aimed at reducing customer costs;

d) no limitation of admission to participate in the procurement by establishing unmeasured requirements to the participants of purchase;

e) ensuring the procurement activity transparency;

f) honest and reasoned choice of the most preferential offers upon the comprehensive review of benefits and costs (first of all, products prices and quality);

g) complying with the applicable law standards governing the procurement activity arrangement.

The procurement procedure may be held in several ways:

- **competition** is a procedure that is carried out to attract applications and choose 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 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 arranged if there is no need to immediately conduct the procurement procedure from a single source and the complexity of the product or the conditions for its delivery do not allow an auction, a request for prices; in the event that the customer needs to have an option to withdraw from the procurement or conclude a contract and if the initial (maximum) price of the contract does not exceed 10 million rubles (VAT inclusive);

**- request for quotations** – the request for quotations can be carried out when purchasing simple products where there is a functioning market, the only criterion is the price, and provided that the contract price does not exceed 5 million rubles for a public price inquiry (with value added tax);

- **relative assessments of prices** is carried out when there are clearly formulated technical specifications for the purchased products, including when the functional characteristics (consumer properties) of the goods, dimensions, packaging, shipment of goods are determined, specific requirements for the deliverables of work (services) are established in the form of a technical assignment, there is no time to conduct another competitive bidding (procurements with the relative assessment of prices are carried out with an amount of up to 100,000 rubles VAT inclusive.);

- **procurement from the sole supplier** is used if it is necessary to purchase unique goods; if the products can be received from only one supplier and no equivalent replacement option is available; in the event that there is a need for additional procurement by renewal of contracts; in the case when the contract was concluded based on the results of a competitive bidding and the possibility of renewal was provided for in the procurement documentation; in the event that, by decision of the CPB of the customer, the procurement can be made through the participation of the customer in auctions, tenders or other procedures organized by sellers of products.

Subject to cl. 3 of the Procurements 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 fact, 499 procurements were made for the period for a total amount of 7,499,616.48 thousand rubles, VAT exclusive.

Also by types of procurements:

84 procurements (tender (public tender, tender in electronic form, non-public tender in electronic form, non-public tender in non-electronic form)) in the amount of 2,486,410.63 thousand rubles, VAT inclusive (10.8% the total procurement amount, 35.3% of the total procurement volume in terms of value);

6 procurements (request for quotations based on the results of a competitive shortlisting) in the amount of 86,530.90 thousand rubles, VAT inclusive (19.6% the total procurement amount, 11.0% of the total procurement volume in terms of value);

29 procurements (request for proposals (request for proposals in electronic form, non-public request for proposals in electronic form, non-public request for proposals in non-electronic form)) in the amount of 153,885.30 thousand rubles, VAT inclusive (5.4% the total procurement amount, 2.1% of the total procurement volume in terms of value);

78 procurements (request for quotations (request for quotations in electronic form, non-public request for quotations in electronic form, non-public request for quotations in non-electronic form)) in the amount of 210,609.48 thousand rubles, VAT inclusive (1.9% the total procurement amount, 0.4% of the total procurement volume in terms of value);

36procurements from the sole supplier in the amount of 12,422.03 thousand rubles, VAT exclusive (13% of the total procurement amount, 8.9% of the total procurement volume in terms of value);

42 procurements from the sole supplier based on the results of failed public procedures in the amount of 177,089.21 thousand rubles, VAT exclusive (23.6% of the total procurement amount, 39.1% of the total procurement volume in terms of value);

out of which procedures with the only participant (one submitted application) for the amount of 802.748.89 thousand rubles, VAT exclusive (87.63% of the procurement amount based on the results of failed public procedures in terms of value);

out of which procedures with the only qualified participant (one application satisfies TOR, applications of other participants are refused) for the amount of 96,840.31 thousand rubles, VAT inclusive (50.2% of the procurement amount based on the results of failed public procedures in terms of value).

Also by types of activity:

Reconstruction and technical re-equipment of power grid facilities – 32 procurements for the amount of 400,239.73 thousand rubles, VAT inclusive (27.9% of the total procurement amount, 20.9% of the total procurement volume in terms of value);

“Power repair production, maintenance – 128 procurements for the amount of 1,335,925.65 thousand rubles, VAT inclusive (15.5% of the total procurement amount, 11.8% of the total procurement volume in terms of value);

IT-procurement – 19 procurements for the amount of 54 221.66 thousand rubles, VAT inclusive (3.7% of the total procurement amount, 3.1% of the total procurement volume in terms of value);

“Other procurements” – 73 procurements for the amount of 1,360,535.71 thousand rubles, VAT inclusive (33.9% of the total procurement amount, 50.6% of the total procurement volume in terms of value);

104 procurements using the “Relative Assessments of Prices” method in the amount of 36,940.65 thousand rubles, VAT inclusive, using the electronic trading system.

The number of procurements using e-commerce made 434 procurements for the amount of 7,376,085.85 thousand rubles, VAT exclusive (88.00% of total procurement amount, 91.10% of the total procurement volume (excluding procurements from the sole supplier) in terms of value).

**Information on the number and total cost of contracts concluded as a result of procurement from SMEs for the reporting period:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Number of contracts | Contract value (thousand rubles, VAT inclusive) | Total amount of payment under concluded contracts (thousand rubles, VAT inclusive)\* | Share of concluded and paid contracts\*, % |
| Procurement from SMEs\* | 345 | 6,532,123.33 | 2,064,235.08 | 89.55 |
| including procurements only among SMEs (“special auctions”) | 229 | 1,792,539.69 | 675,236.23 | 20.92 |

\* The data are generated in accordance with the requirements of Decree of the Government of the Russian Federation No. 1352 dd. December 11, 2014.

The economic effect based on the results of the procurement procedures for the period amounted to 360,909.15 million rubles, VAT inclusive, or 4% of the declared planned value of procurements.

**4.7. Anti-corruption policy and ensuring the security of economic activity**

**1. The system for implementing the Anti-Corruption Policy in the Company**

In accordance with Article 13.3 of the Federal Law No. 273-FZ dd. December 25, 2008   
“On Combating Corruption”, Rosseti Northern Caucasus, PJSC implements a set of measures and tasks aimed at preventing and combating corruption.

Rosseti Northern Caucasus, PJSC conducts ongoing control and regular monitoring of the efficiency of implemented anti-corruption standards and procedures and controls implementing thereof.

On July 8, 2020, the Board of Directors of Rosseti Northern Caucasus, PJSC approved a new version of the Anti-Corruption Policy of Rosseti, PJSC and subsidiaries and affiliates of Rosseti, PJSC (Anti-Corruption Policy) (Minutes No. 427 dated July 9, 2020).

The adopted Anti-Corruption Policy is a single strategic document of Rosseti, PJSC and its subsidiaries, which defines the unified approach of the Rosseti Group of Companies to the implementation of the requirements of Article 13 of Federal Law No. 273-FZ dd. December 25, 2008 “On Combating Corruption”, concerning the development and adoption of measures to prevent and combat corruption.

This Anti-Corruption Policy is aimed at solving the following tasks: development and implementation of a set of organizational, explanatory and other measures to ensure that employees comply with prohibitions, restrictions and requirements established for combating corruption, unification of anti-corruption standards for employees of the Company and its controlled Companies, ensuring control over the imposition of the statutory legal liability in each case of non-compliance with prohibitions, restrictions and requirements established for the purpose of combating corruption, including measures to prevent and (or) resolve conflicts of interest, ongoing work aimed at development of negative attitude towards corruption among employees.

Implementation of regulations and anti-corruption policy requirements was carried out in the reporting period in the context of the List of Anti-corruption Activities in Rossetti, PJSC, and its subsidiaries and affiliates (Appendix No. 1 to the Anti-Corruption Policy) and the Actions Plan for prevention and combating corruption in Rosseti Northern Caucasus, PJSC, in 2022.

In order to improve the legal regulation of anti-corruption activities of the Company and the managed Companies, to form a common approach to work on prevention and combating corruption in 2022, a number of organizational and administrative documents governing the main areas of work were developed, implemented and updated:

- Order No. 10 dated January 20, 2022 “On Amendments to Order No. 268 dated June 30, 2021 (On Measures to Prevent Corruption – to Prevent and Resolve the Conflict of Interests in Rosseti Northern Caucasus, PJSC, and Controlled Companies);

- Order No. 33 dd. February 8, 2022 “About Approving the Plan of Corruption-Fighting Measures in Rosseti Northern Caucasus, PJSC, and Controlled Companies for 2022”;

- Order No. 119 dated March 22, 2022 “On Amendments to Order No. 333 dated August 20, 2020” (On Enforcement of the Law of the Russian Federation in the Field of Insider Information);

- Order No. 260 dated June 20, 2022 “On Amendments to Order No. 268 dated June 30, 2021   
(On Measures to Prevent Corruption – to Prevent and Resolve the Conflict of Interests in Rosseti Northern Caucasus, PJSC, and Controlled Companies);

- Order No. 279 dated June 28, 2022 “On the Organization of Work to Disclose Information on the Chain of Counterparty Owners”;

- Order No. 527 dated November 8, 2022 “On Conducting an Anonymous Survey”.

Such organizational and administrative documents to an adequate degree enable the Company to perform anti-corruption operations, to estimate the state of work, to correct and improve in day-to-day operations in the context of the Russian law.

The full text of the Anti-Corruption Policy of Rosseti, PJSC and subsidiaries and affiliates of Rosseti, PJSC is presented in the Anti-Corruption Policy section on the official website of Rosseti Northern Caucasus, PJSC: <http://www.rossetisk.ru/about/antikorruptsionnaya-politika/>.

**2. Main Directions of the Anti-Corruption Policy**

In accordance with the requirements of the Anti-Corruption Policy, the Company and controlled Companies took part in collective initiatives to combat and prevent corruption (Rosseti Northern Caucasus, PJSC is a member of the Anti-Corruption Charter – certificate No. 2071 dated May 25, 2015).

As part of monitoring the implementation of anti-corruption activities, in order to confirm compliance with the requirements of the Anti-Corruption Charter of Russian Business, on June 30, 2022, completed declarations were sent to the Chamber of Commerce and Industry of the Russian Federation on compliance with the provisions of the Anti-Corruption Charter of Russian Business of Rosseti Northern Caucasus, PJSC and controlled Companies.

The Company is carrying out work to prevent and resolve conflicts of interest, organized the annual declaration of the conflict of interest of the Company's employees and the declaration of the conflict of interest of candidates for vacant positions in Rosseti Northern Caucasus, PJSC and controlled Companies at the time of hiring, as well as when transferring employees. analysis of the information obtained in the course of declaring a conflict of interest of employees is carried out. The report on declaring the conflict of interest of employees of Rosseti Northern Caucasus, PJSC, in accordance with the current organizational and administrative documents, is submitted to Rosseti, PJSC on a timely basis.

As part of fulfillment of the task of annual declaration a conflict of interest in 2022 a campaign was held for annual declaration of the conflict of interest between the executive and administrative personnel of the Company's executive office and controlled companies for 2021, in accordance with the requirements of Order of Rosseti Northern Caucasus, PJSC No. 268 dd. June 30, 2021 “On Measures to Prevent Corruption – to Prevent and Resolve the Conflict of Interest in Rosseti Northern Caucasus, PJSC, and Controlled Companies”; A total of 2,038 employees submitted a declaration. In the course of verification of employees’ conflict of interest declaration, 7 cases of pre-conflict situations related to the performance of certain functions of an employee of the Company in relation to relatives were identified. All pre-conflict situations were resolved in the ordinary course of business.

In order to exclude any personal interests of employees (candidates) in the course of their employment duties implementing and business decisions making, and identification, prevention and resolution of the conflict of interest in the reporting period, the work was undertaken to verify the declarations of conflict of interest of applicants for work in the Company and its controlled companies. 3,030 declarations of candidates for the job were checked in 2022, the corresponding conclusions were prepared. 40 opinion are executed and submitted to the structural subdivisions of the Company’s and its controlled companies’ HR Department and organization design having influenced making the decisions to refuse to make a labor contract with an applicant for any vacancy (inaccurate information provided by the applicant in the declaration of such applicant’s conflict of interests, received information about an applicant’s unreliability, etc.).

As part of the implementation of standards and procedures designed to ensure diligent work, in order to identify facts of affiliation and other abuse in Q1 in 2022, measures were performed to verify information on income, property and obligations of property nature for 2022 in respect of employees, holding positions in Rosseti Northern Caucasus, PJSC and their close relatives for 2021.

The Company has Order No. 334 dated August 6, 2021, approving the Procedure for accepting, considering and resolving applications from applicants (employees, contractors of Rosseti Northern Caucasus, PJSC and controlled Companies, other individuals and legal entities) about possible facts of corruption (Procedure). The Procedure provides for a consolidated mechanism to arrange accepting, reviewing and handling appeals filed by the employees of Rosseti Northern Caucasus, PJSC, and controlled companies, contractors and other natural and legal persons about any possible corruption facts and governs settling the goals of any possible corruption facts checking and respective measures elaborating to suppress corruption offences. Such Procedure provides for available for all parties means of appeals sending and preliminary consideration, terms and such consideration control, the form of keeping the Log of Registering and Recording Filers’ Appeals in connection with possible corruption facts in all the Company’s branches and controlled companies. In 2022 in accordance with the established procedure 27 appeals were registered about possible corruption facts in the Company and its controlled companies. Based on the results of inspections, a number of violations were identified in four cases, for which appropriate measures were taken.

As part of implementing requirements of a common Corruption Fighting Standard in conducting corruption fighting control in the procurement, procurement documentation and participants in the procurement/contractors were checked in order to assess their level of reliability and integrity, conflict of interest settlement, exclusion of affiliation and other abuse associated with positions held in Rosseti Northern Caucasus, PJSC.

On a permanent basis, work is carried out to form list of Company's insiders, on timely notification of persons included in the list of insiders, transmission of information about insiders to securities trade organisers (stock exchanges), preparation and direction of the relevant statements, as well as to verify the chain of owners of procurement participants, compilation and checking information about the concluded agreements with counterparties of the Company, managed Companies, beneficiaries, entering data into the Automated System for Analysis and Collection of Information on Beneficiaries (AS ACIB) of Rosseti, PJSC.

**3. The Company's objectives for 2023 and the medium term in the field of implementation of the Anti-Corruption Policy**

The implementation of the Anti-Corruption Policy in 2023 will be carried out in accordance with the Anti-Corruption Plan of Rosseti Northern Caucasus, PJSC and controlled Companies for 2023, approved by order of Rosseti Northern Caucasus, PJSC No. 47 dated February 13, 2023.

In order to improve anti-corruption activities, for the purpose of fulfilling the tasks of preventing and combating corruption, additional coverage is required in the area of organization of work on monitoring the fulfillment of instructions of management of the Company in the field of combating corruption in branches and controlled Companies, monitoring of the implemented procedures in order to evaluate the effectiveness, interaction with structural divisions of Rosseti Northern Caucasus, PJSC, law enforcement agencies and authorities. It is also necessary to focus on identification and localization of specific negative processes, countering corrupt practices, develop, together with other divisions of the Company, of the appropriate measures to minimize the threat to Company.

1. Carrying out on a regular basis of activities aimed at identifying affiliation and unreliability of counterparties participating in procurement procedures, conflicts of interest of employees, implementation of preventive measures to prevent damage to the Company during the procurement procedures, control of insider information, annual conflict of interest declaration by employees, functioning of the Committee of Rosseti Northern Caucasus, PJSC and controlled companies on compliance with the corporate ethics standards and resolution of conflicts of interest.

2. Monitoring compliance by employees of Rosseti Northern Caucasus, PJSC and controlled Companies with the requirements of the Anti-Corruption Policy of Rosseti, PJSC and subsidiaries and affiliates of Rosseti, PJSC, and the Corporate Code of Ethics and Business Conduct of Rosseti Northern Caucasus, PJSC and controlled Companies.

3. Analysis of business areas of the Company, controlled Companies in order to identify corruption risks, implementation of measures to minimize them.

4. Raising awareness of employees in legal matters, development of recommendations, training programs, holding training sessions and testing of employees in the Company, controlled Companies, annual familiarization of employees with changes in legislative acts in the field of combating corruption.

5. Identification of corruption offences in the Company, interaction with authorities and management bodies, law enforcement agencies, interaction with the Directorate of Internal Audit and Control, the Directorate for Public Relations.

6. Organization and conduct of inspections on the revealed facts of corruption offences in the Company and controlled Companies.

7. Identification, as part of regular monitoring, of economically unjustified expenses in areas with a high corruption risk (exchange of business gifts, entertainment expenses, charitable donations, remuneration to external consultants, etc.).

8. Ensuring control over the continuous operation of available data transmission channels, feedback mechanisms, a helpline, an anti-corruption hotline, etc.

9. Ensuring the participation of the Company in collective initiatives to combat and prevent corruption.

**Safety assurance indicators**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | |
| **2020** | **2021** | **2022**  **actual** | **Change 2022/2021, %** |
| Monitoring activities aimed at preventing corruption, internal audits, comprehensive audits of the financial and economic activities of branches, during which, among other things, the presence of corruption manifestations was checked | pcs. | 4,937 | 5,828 | 9,278 | 59.19 |
| Anti-corruption control of procurement activities stages (consideration of analytical notes, issues submitted for consideration at the meetings of the Central Procurement Body (Central Tender Committee), anti-corruption examination of draft contracts, verification of procurement participants for possible affiliation with the Company's employees | pcs. | 3,665 | 3,619 | 4,094 | 13.12 |
| Considered appeals to the hotline on the facts of corruption | pcs. | 43 | 45 | 27.0 | –40 |
| Prevented material damage based on the results of the work performed | million rubles | 103.5 | 37.2 | 241.08 | 548.06 |

**4.8. Information disclosure, public relations, relations with public authorities and mass media**

Disclosure of information on the securities market

Information disclosure is an important element of the Company's corporate governance, providing an opportunity for the Company's shareholders, investors and other stakeholders to get an objective idea of the results of the Company's activities, its plans and development directions.

The Company policy of Company information disclosure is aimed at providing the high degree of confidence from shareholders, potential investors, contractors and other stakeholders. This aspect is implemented by providing the said persons with information about themselves, their activities and the Company's securities in an amount sufficient for the said persons to make reasonable and informed decisions regarding Rosseti Northern Caucasus, PJSC and its securities.

In 2022 the Company disclosed information in compliance with the requirements set forth in the Russian Federation law for issuers, who place and/or trade securities in the Russian Federation: Federal Law No. 208-FZ dd. December 26, 1995 “On Joint-Stock Companies” (hereinafter referred to as the Federal Law “On Joint-Stock Companies”), Federal Law “On the Securities Market”, Bank of Russia Regulation No. 714-P dated March 27, 2020 “On Disclosure of Information by Issuers of Issue-grade Securities” and other regulatory legal acts of the Russian Federation, as well as additionally disclosed other information. At the beginning of 2021, Rosseti Northern Caucasus, PJSC had a Resolution on Information Policy approved by the Board of Directors on March 30, 2018 (Minutes No. 339 dated March 30, 2018). Besides, in 2022, the Board of Directors of the Company approved a new Resolution on Information Policy of Rosseti Northern Caucasus, PJSC (Minutes No. 503 dated June 17, 2022).

Rosseti Northern Caucasus, PJSC discloses the information, inter alia, on the basis of the relevant plan, which is published on the corporate [website](https://www.rossetisk.ru/shareholders_and_investors/kalendar_investora/) of the Company in the section “To Shareholders and Investors / Investor Calendar”.

Key events are covered on the website <http://www.rossetisk.ru>, information is published about the main production and financial and economic indicators of the Company, the implementation of the investment program, as well as data for customers and other information about the Company.

The activities of the Company in the disclosure of material information is based on the principles of regularity, consistency and efficiency, accessibility, completeness, reliability and comparability.

Due to the fact that on March 20, 2008 the Federal Financial Markets Service registered a share issue prospectus of IDGC of Northern Caucasus OJSC, placed by converting shares of Stavropolenergo, JSC, Dagenergo, JSC, KEUK, JSC into additional shares of IDGC of Northern Caucasus OJSC upon merger, and in accordance with Article 30 of Federal Law “On the Securities Market”, from Q1 2008 the Company discloses information in the form of quarterly reports (issuer reports), notices of material facts, data that may have a significant impact on the value of securities of a joint-stock company. The Company publishes information on the information resource – in the news feed of SCREEN, LLC information agency at: <http://disclosure.skrin.ru/disclosure/2632082033>, on the Company’s website: <http://www.rossetisk.ru> (<http://www.mrsk-sk.ru>), and in printed media.

Besides, in pursuance of cl. 5.4.2 of the Resolution on Information Policy of the Company, approved by the Board of Directors of the Company on March 30, 2018 (Minutes No. 339 dated March 30, 2018), in 2018 the English version of the corporate website of Rosseti Northern Caucasus, PJSC became available. On this web page the Company publishes general information about its activities, management and control bodies, its mission and strategy, the registrar, the authorized capital, the largest shareholder, the structure of the Company by branches and controlled companies, dividend history, the auditor, the procedure for providing information upon request, determining principles and approaches to the organization of the risk management and internal control system in the Company, material risks that may affect the Company's activities, bond issues, the annual reports, contact data for all stakeholders, etc. Expert RA Rating Agency (RAEX) as part of the analysis of the quality of management of Rosseti Northern Caucasus, PJSC in 2022, noted the high information transparency of the Company's website in both Russian and English as a positive rating factor. While, the Company is systematically working to improve the English-language page of the website.

As part of the XIX Annual Practical Conference “Annual Report: Leaders' Experience”, organized by RAEX rating agency (RAEX-Analytics), a rating of annual reports of profit-making organizations for 2021 was prepared. The annual report of Rosseti Northern Caucasus< PJSC (for shareholders and investors) was assigned a 4-star rating, which is assessed by the competition experts as a very high quality of the Annual Report. Rosseti Northern Caucasus, PJSC considers the annual report as an important source of information disclosure and a communication tool with shareholders, stock exchanges, potential investors, authorities and consumers, which performs informational, public relations and image-making functions.

The Company also strives to restrict the possibility of conflicts of interest arising and to prevent misuse of insider information. The procedure for using insider information is established by the Regulations on Insider Information approved by the Board of Directors of the Company on June 21, 2019 (Minutes No. 384 dated June 24, 2019).

Public relations and relations with public authorities

In 2022, Rosseti Northern Caucasus, PJSC regularly interacted with regional and federal authorities in order to implement tasks related to the operation and development of the integrated power grids of the Northern Caucasus Federal District (NCFD), as well as to fulfill the instructions of the Government Commission for issues of social and economic development of NCFD, instructions of the Ministry of Energy of the Russian Federation and Rosseti, PJSC.

In 2022, the management of Rosseti Northern Caucasus, PJSC took part in organizing and holding working meetings and sessions at the federal level.

At the regional level, at the initiative of Rosseti Northern Caucasus, PJSC, the following events were held:

- 14 working meetings with heads of regions of the Northern Caucasus Federal District;

- more than 50 meetings with regional governments;

- 65 meetings with heads of municipalities.

In 2022, interaction with the Office of the Plenipotentiary Representative of the President of the Russian Federation in the NCFD was brought to a new qualitative level in terms of implementing priority measures aimed at improving the payment discipline of electricity consumers.

Thus, on the initiative of Rosseti Northern Caucasus, PJSC, on July 14 and September 23, 2022, the Office of the Plenipotentiary Representative of the President of the Russian Federation in the NCFD held meetings with the participation of heads of the executive authorities of the constituent entities of the Russian Federation within the NCFD, following which official instructions were issued on the need to take measures on repayment of receivables and ensuring 100% payment discipline.

Also, the heads of regional executive authorities were instructed to provide for the allocation of funds in the regional and municipal budgets for the full repayment of overdue debts of consumers financed from regional and local budgets.

In order to improve the payment discipline of electricity consumers financed from regional and municipal budgets, an agreement was reached jointly with the executive and legislative authorities of the constituent entities of the NCFD on the participation of Rosseti Northern Caucasus, PJSC in the process of forming expenditure obligations of regional and municipal budgets for payment for electricity.

Besides, work is actively carried out on systemic interaction with the legislative authorities of the constituent entities of the NCFD in matters of participation of representatives  
of Rosseti Northern Caucasus, PJSC in the development of industry-related legislative initiatives.

On October 24, 2022 under the leadership of the Deputy Plenipotentiary Representative of the President of the Russian Federation in the NCFD V. E. Nadykto, on the basis of the executive office of Rosseti Northern Caucasus, PJSC, an interdepartmental meeting was held on the issue of improving the payment discipline of consumers financed from the regional and municipal budgets of the Republic of Ingushetia. As a result of the meeting, a decision was made to sign an Action Plan to reduce overdue receivables for consumed electricity between Rosseti Northern Caucasus, PJSC and the Government of the Republic of Ingushetia, a Plan to consolidate power grid facilities in the Republic of Ingushetia, as well as an Action Plan to eliminate non-contractual electricity consumption.

In pursuance of the List of Orders of the President of the Russian Federation No. Pr-325 dated February 17, 2022, given following the results of the meeting on the work during the autumn-winter heating period, as well as the Deputy Prime Minister of the Russian Federation A. V. Novak, Programs for the sustainable economic development of the power industry sector and housing and public utilities of the Karachay-Cherkess Republic, the Republic of Ingushetia, the Chechen Republic, the Republic of Dagestan and the Republic of North Ossetia – Alania were developed and approved, together with the relevant ministries of the regions.

In 2022, based on the decisions taken by the meeting of the Headquarters of Rosseti, PJSC on project interaction dated October 10, 2022, as well as in order to fulfill the instructions of the First Deputy Prime Minister of the Russian Federation A. R. Belousov, Agreements on the implementation of the Regional Investment Standard (RIS) with the governments of the republics of Dagestan, Ingushetia, Kabardino-Balkaria and Karachay-Cherkessia were signed. Agreements with the governments of the Stavropol Territory, North Ossetia – Alania and the Chechen Republic are scheduled to be signed in 2023.

The subject matter of the Agreements is the interaction of the parties within the framework of the implementation of the Regional Investment Standard, which is a system for supporting new investment projects in the constituent entities of the Russian Federation, approved by Order of the Ministry of Economic Development of Russia No. 591 dated September 30, 2021.

In order to develop the best practices on the implementation of National Projects and the implementation of RIS in the constituent entities of the Russian Federation, it is planned to hold joint workshops with Rosseti, PJSC with the participation of the governments of the constituent entities, the leadership of regional project offices and established regional investment development agencies, in March and April 2023.

For effective interaction and development, together with the authorities and law enforcement agencies of the NCFD, of the necessary strategic decisions for the development of the electricity power industry, representatives of the management of Rosseti Northern Caucasus, PJSC take part in the work the Headquarters for ensuring the security of power supply in the Stavropol Territory, the Republic of Ingushetia, the Republic of Dagestan, the Kabardino-Balkarian Republic, Committees for the Prevention and Response to the Emergency Situations and Ensuring Fire Safety of the Regions and the NCFD Committee, as well as in the regional Interdepartmental Work Groups on the issues of the fuel and energy sector.

As part of the implementation of socially oriented activities, Rosseti Northern Caucasus, PJSC actively participated in political and significant social events, interacting with public opinion leaders and political elites.

In April 2022, humanitarian assistance to refugees from the Donetsk People's Republic and Lugansk People's Republic was provided using the donations from employees of the Rosseti Northern Caucasus Group of Companies. On April 20, 2022, the bare necessities were transferred to the temporary accommodation center for refugees – Rostov Region, Natalevka settlement, Sputnik children's recreation camp.

On August 12, 2022, representatives of Rosseti Northern Caucasus, PJSC took part in the educational seminar “Young Leader” of the North Caucasian branch of the Higher Party School of the UNITED RUSSIA Party.

From August 13 to August 27, 2022, Rosseti Northern Caucasus, PJSC took part in the All-Russian Youth Forum “Mashuk-2022” in the status of a partner, with the establishment of five main prizes for the finalists of the forum – certificates for training in ANO VO «University of Innopolis» under the professional educational program – “Team Management and Leadership in the Digital World”.

The Mashuk Forum is held annually under the auspices of the Plenipotentiary Representative of the President of the Russian Federation in the NCFD and is a tool for the development of an ongoing effective communication and educational platform for the introduction of new methods of self-realization of young people.

In order to encourage business activity, develop communications with public organizations, civil society institutions, strengthen interregional ties, in 2022 the management of Rosseti Northern Caucasus, PJSC took part in leading industry events, including the following:

- forum “North Caucasus-2022: Measures to Increase Economic Sustainability Under Sanctions” (March 28–29, 2022, Stavropol Territory, Pyatigorsk);

- Second North Caucasian Energy Forum (June 30 – July 2, 2022, Stavropol Territory, Mineralnye Vody urban district, MinvodyEXPO IEC);

- International Youth Educational Forum “Caspian-2022” (September 12–13, 2022, Republic of Dagestan, Izberbash);

- VII All-Russian Occupational Safety Week (September 20–27, 2022, Sochi, Federal Territory “Sirius”);

- All-Russian conference in the field of procurement “Public Contract – the Engine of Competition” (September 21–24, 2022, Sochi, Federal Territory “Sirius”);

- The Fifth International Forum “The Northern Caucasus in a Changing World” (October 13–14, 2022, Stavropol Territory, Zheleznovodsk);

- All-Russian Tariff Conference (October 19–20, 2022, Sochi).

To increase the openness and transparency of the activities of Rosseti Northern Caucasus, PJSC, take into account public opinion in the implementation of programs for the development of the integrated power grid, as well as monitor the effectiveness of the system of interaction between the Company's management and civil society and the timeliness of response to requests and complaints from applicants, since April 2022, regional branches of the Public Reception Office of the General Director of Rosseti Northern Caucasus, PJSC have started working in each region of the NCFD.

The work of the Public Reception Office is organized both in in-person and distant formats.

Interaction with the media and external communications

The Media Relations Department of Rosseti Northern Caucasus, PJSC conducts information work in accordance with the Unified Communication Policy of Rosseti, PJSC.

In 2022, despite the objective measures taken by the Company to optimize costs and cease working with resources prohibited in Russia, the Company's PR unit did not allow a decrease in the indicators of quality presence in the media space.

The policy of maintaining transparency in the field of external communications is still at a high level, the standard of relations with various target audiences has been improved.

Based on the results of work in 2022, the operating team prepared and placed about 20.2 thousand publications in the media about the activities of the power company, in the structure of which the federal media occupy about 45% against the established standard of 15%.

In addition, in terms of quantitative and qualitative indicators of published media materials, the Company is **regularly included in the top 3 of daily monitoring of Rosseti, PJSC.** The Company was rated **number two** in the rating of presence in the media space among all subsidiaries and affiliates of Rosseti, PJSC, based on the results of work in 2022.

24/7 personal communications with residents of the regions of the North Caucasus were continued. Immediate and direct communication in social media is supported. Personal involvement and a personalized approach, assistance in solving problems are the key targets for the external communications unit in working with consumer requests.

It is important to note that the specialists of the Department prevented the growth of negative publications, which are mainly related to power supply interruptions, including during the period of weather anomalies. Containment and mitigation of negative attitude and social tension in the public space is one of the main tasks that the Company's PR unit solves on an ongoing basis.

To improve the level and quality of media relations, as well as the status and reputation of the Company in the media space, the power company interacts with regional offices of the leading federal media, including GIA TASS, IA Interfax, RIA Novosti (Russia Today), VGTRK – GTRK, Rossiiskaya Gazeta, Expert Yug, Arguments and Facts, Komsomolskaya Pravda, Moskovsky Komsomolets, as well as all leading media platforms of the regions of the NCFD.

In 2022, exclusive interviews were organized for the top management of the Company, as well as press events with the participation of the management of the power company. In order to solve common communication tasks in terms of cooperation between the Company and the authorities, the Department has established efficient, prompt and close interaction with the external communication units of the Heads and governments of all regions of the NCFD.

All key events of the Society were widely covered in the media space

Particular attention was paid to the development and implementation of special communication projects aimed at promoting the Company's production activities, as well as popularizing the Company's social policy.

**Communication projects for the prevention and elimination of electrical injuries**

***Social and communication project “TOK-UROK”***

In 2022, a ***new macro-regional communication project “TOK-UROK”*** was developed and implemented *with an updated topic-specific information campaign on the prevention of children's electrical injuries.*

**Leaders of teenage opinion** in all regions of the North Caucasus were involved in the promotion of vital rules of power industry. Popular peers urged schoolchildren to unconditionally comply with electrical safety rules and held topic-specific quizzes, during which the children were able to test their knowledge.

The following teenagers were among the caring representatives of the youth and participated in the project of power industry workers: participant of the show “Best of all” on Channel One Victoria Leshchinskaya from Kabardino-Balkaria, the winner of the All-Russian contest “Little Miss Russia 2022” Fariza Dzgoeva from North Ossetia, the leader of the school government Yaroslav Mirgorodsky from the Stavropol Territory and others.

Prevention of electrical injuries, including among children, is an important part of the long-term socially oriented work of the Company. The Company pays close attention to the prevention of injuries at power facilities among both third parties and industry employees. Despite the high activity of preventive work, the issue of compliance with vital electrical safety rules remains relevant. Working with children and teenagers, power industry workers try to look for non-standard solutions. For example, last year Rosseti Northern Caucasus involved a medical volunteer in the work on the topic of electrical injuries by implementing a special project called “Pulse of Light”. This year, power industry workers decided to involve teenage opinion leaders to work with the schoolchildren due to closeness of views.

***Special project “Safe Power Industry” – vital rules in children's creativity***

Bright, creative, non-standard works were presented by children from the regions of the NCFD at the macro-regional competition of children's drawings on the topic of electrical safety ***“Safe Power Industry”*.** This project was also carried out in the Company for the first time and was aimed at students of secondary educational institutions of the Northern Caucasus Federal District aged 9 to 16 inclusive.

Out of more than 110 works, drawings of winners and awardees were selected, which were published in a special topic-specific booklet: they can be viewed by a wide audience.

Thanks to this project, power industry workers were able to evaluate the effect of topic-specific lessons that specialists conduct in schools throughout the year. Most of the presented works were in line with the stated topic. The above means that schoolchildren receive vital knowledge from power industry workers in an easy to understand and accessible form, which allows children to memorize and follow the rules for careful handling of electricity and proper behavior near power facilities.

Besides, the external communications unit provided extensive information support for the activities implemented in the Company as part of the implementation of the ***international concept of “Zero Accidents”.*** In addition to the preparation and placement of publications in the media and social media, special topic-specific visual products, as well as videos, were created.

**Communication projects dedicated to the celebration of Victory Day in the Great Patriotic War**

***Social and patriotic communication project “Military Glory Power Facility”***

Rosseti Northern Caucasus initiated the social and patriotic action ***“Military Glory Power Facility”***, coinciding with the 80th anniversary of the start of the Battle for the Caucasus in order to perpetuate the memory of the heroic pages in the history of power grid facilities during the Great Patriotic War (GPW).

At the Vladikavkaz-1 substation in North Ossetia and Nalchik-110 substation in Kabardino-Balkaria, which provided electricity to consumers during the GPW, memorial information plaques “Military Glory Power Facility” with the history of power supply centers were installed. The opening ceremony of the memorial plaques took place with the participation of veterans, representatives of the Company's management, relevant departments and public organizations.

“***The Name of a Hero***” is an information and patriotic campaign, within the framework of which excursions were held in all regions of the Company’s activity for students to the substations, to which, in honor of the 75th anniversary of the Great Victory, names of Heroes of the Great Patriotic War and power industry were given.

In addition, a series of publications about the acts of bravery of power industry workers, about the heroism of industry workers responsible for electric power supply during the Great Patriotic War, was prepared for placement in the leading regional media and social media.

**Communication projects to promote distant consumer services and improve payment discipline**

Within the framework of a client-oriented policy, the Company's specialists are continuously working on the introduction of new and improvement of the existing consumer services, including distant ones. In the reporting year, the Company's mobile application “*Light Online*” was launched.

To popularize the services, as well as to regularly explain the benefits of using the Company's resources, the Media Relations Department manufactured special topic-specific game videos and audios that were posted on social media, as well as on the air of regional TV and radio channels.

PR campaigns ***“Easy Pay”, “Pay for the Sake of Light!” with the participation of public opinion leaders*** talking about the convenience of the Company's distant payment services, calling for paying for consumed electricity in a timely manner to ensure reliable energy supply to the regions, were held.

Reliability of the integrated power grid, improvement of payment discipline, prevention of theft, reduction of energy resource losses are part of the set of key production tasks of the Company, the solution of which requires constant communication support and explanation of the significance of the work being conducted for consumers.

For these purposes, the external communication unit also continued the implementation of the following traditional projects: *“High Voltage”, “Stop, Thief of Electrical Energy!” (emphasis on the detection of theft by legal entities, mining farms), “PTL-STOP!” (unscheduled inspections involving media representatives), “Meet Electricity”, “Reliable Partner” (publications based on the principle “good example is the best sermon” about conscientious consumers of various categories who timely fulfill their obligations to the Company and telling debtors why this is important).*

Large-scale media support was organized as part of the celebrations associated with putting into operation of the modernized 110 kV ***Krasny Oktyabr*** substation in the Stavropol Territory.

Active communications were organized within the framework of the participation of representatives of the Company in the work of the *North Caucasian Energy Forum*, as well as the *All-Russian Youth Forum “Mashuk”.* The company traditionally acts as a partner of both venues.

Special attention is paid to promoting the image of a power industry worker fulfilling its mission in a responsible manner. Special projects aimed at popularizing the profession have been developed and implemented.

***The informational and explanatory image video project “Why We Do This”*** (*broadcast on digital TV “Kavkaz24”, as well as on the corporate resources of the Company*) is demonstrable and clearly tells about the important things: we tell and show people why we do this or that work, how exactly it affects the increase in the reliability of energy supply and the development of the industry as a whole.

***“Bright Monday”*** is a video project about the everyday life of power industry workers.

***“The Personage of the Industry”*** is a digital project that introduces the audience to the Company's employees, their work, hobbies and interests.

**Information on interaction with the media for 2023**

The power company will continue activities within the framework of the unified information policy of the Rosseti Group. New non-standard communication projects have already been prepared, the implementation of which will be carried out throughout 2023. As it used to be, the external communications unit will be focused on the consumer of electricity, for the sake of which thousands of employees of Rosseti Northern Caucasus work as a single well-oiled machine.

**5. Corporate Governance Report**

**5.1. Controlling Shareholder Memorandum**

As of the end of 2022, the largest shareholder is Rosseti, PJSC with a 96.47% stake in the authorized capital of Rosseti Northern Caucasus, PJSC (taking into account the actually placed shares of the current issue as of the end of 2022). Based on the recommendations of the Corporate Governance Code of the Bank of Russia and in order to further implement its principles in the activities of Rosseti Northern Caucasus, PJSC, Rosseti, PJSC prepared and the Company published a controlling shareholder (Rosseti, PJSC) memorandum in relation to controlled electric grid companies, including Rosseti Northern Caucasus, PJSC. The text of the memorandum is posted on the website of Rosseti Northern Caucasus, PJSC in the “Mission and Strategy” section at: <https://www.rossetisk.ru/about/mission_and_strategy/>.

Rosseti, PJSC owns controlling stakes in 14 key distribution grid companies, including Rosseti Northern Caucasus, PJSC. Rosseti, PJSC considers these controlled equity stake as strategic assets, the alienation of which is not planned. While, the key task of Rosseti, PJSC in the field of managing these subsidiaries, in accordance with the Development Strategy of the Rosseti Group of Companies for the period up to 2030, approved by the Board of Directors of Rosseti, PJSC (Minutes No. 388 dated December 26, 2019), is the development of the integrated power grid based on advanced innovative technologies to meet consumer demand and solve the problems of social and economic growth of the Russian Federation.

Rosseti, PJSC manages the Group companies in accordance with common corporate standards aimed at ensuring the efficiency of business processes, controlling their quality, minimizing all types of corporate risks. Additional information on key tasks in relation to assets and principles of corporate governance is set out in the Controlling Shareholder (Rosseti, PJSC) Memorandum in relation to controlled electric grid companies, which is posted [on the corporate website](https://www.rossetisk.ru/about/mission_and_strategy/) of Rosseti Northern Caucasus, PJSC.

**5.2. General information on corporate governance in the Company**

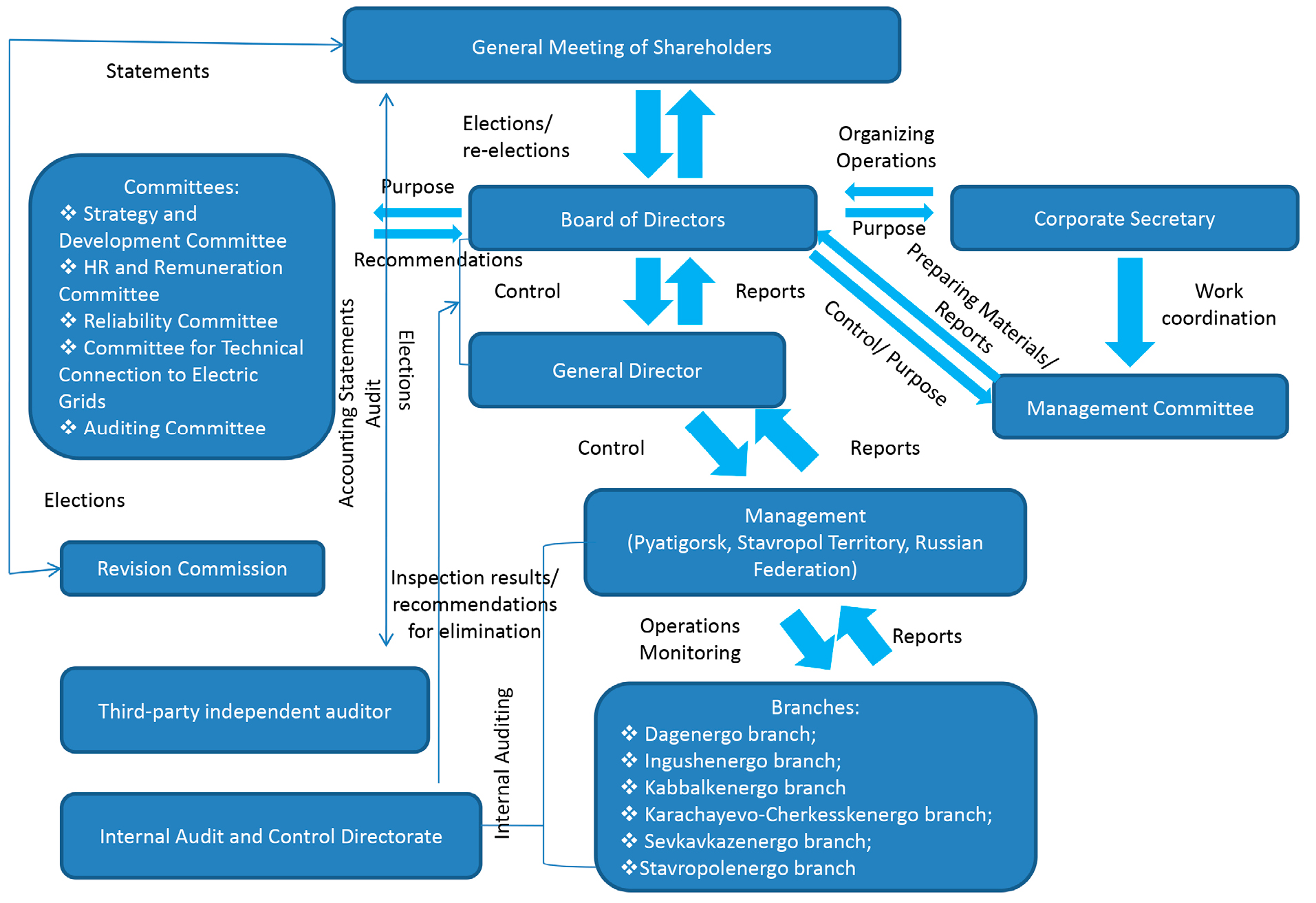
Corporate Governance is the system of relations between the Company’s executive officers, its Board of Directors, shareholders and other stakeholders being the instrument of the Company’s goals setting and the means for such goals achieving and of effective control ensuring for the Company’s operations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

The Company recognizes the rights of all stakeholders provided for by the Russian law, 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 comply to the fullest extent with the advanced principles of corporate governance set forth 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 internal documents of the Company and are based on the provisions of the Russian law, as well as recommendations of the Code of Corporate Governance of the Bank of Russia. The texts of local regulatory documents of Rosseti Northern Caucasus, PJSC are available on the Company’s website in the section “For Shareholders and Investors/Charter and Bylaws” at: <https://www.rossetisk.ru/shareholders_and_investors/dokumenty/ustav/>.

**Structure of the corporate governance system of Rosseti Northern Caucasus, PJSC**



In general, the corporate governance system in 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 and Committees of the Board of Directors. Appropriate documents were adopted to regulate their activities, as well as issues of remuneration for members of the management and control bodies and Committees of the Board of Directors of the Company. An independent director takes part in the work of the Audit Committee.

A Corporate Secretary was elected, ensuring the proper compliance with the procedure for preparation and holding the General Meeting of Shareholders and operations of the Board of Directors. The activities of the Corporate Secretary are regulated by the relevant regulation. In 2022, the Board of Directors made decisions on the termination of powers or the election of a new Corporate Secretary (Minutes No. 501 dated June 6, 2022 and No. 509 dated August 29, 2022).

The Board of Directors is responsible for making decisions related to the appointment and dismissal of the executive bodies of the Company. Thus, Roman Alexeevich Levchenko was elected General Director of Rosseti Northern Caucasus, PJSC from February 18, 2022 to February 17, 2025 inclusive (Minutes No. 486 dated February 18, 2022). The issue on agreement on candidacies for specific positions with the executive staff of the Company as determined by the Board of Directors of the Company, was also considered.

In addition, the Board of Directors plays a key role in controlling the activities of the Company's executive bodies, as well as ensuring that the Company's executive bodies act in accordance with the strategic development guidelines and the main areas of the Company's activities. In 2022, the Board of Directors regularly reviewed reports on various areas of the Company's activities.

All most important matters the Board of Directors strives to consider in the course of in-person meetings. The form of holding a meeting of the Board of Directors is determined taking into account the importance of the agenda items and recommendations provided for by the Corporate Governance Code of the Bank of Russia. In addition, the form of holding meetings of the Board of Directors in 2022 was determined taking into account the need to prevent the seasonal spread of acute respiratory viral diseases.

The Board of Directors of Rosseti Northern Caucasus, PJSC pays special attention to corporate governance practices. In this case, the guidelines are the principles and recommendations specified in the Corporate Governance Code of the Bank of Russia. Rosseti Northern Caucasus, PJSC is carrying out focused work aimed at maintenance of the accumulated positive experience in this area of activity and best practices of corporate governance implemented in the Company, as well as at their development.

On a regular basis, the Company analyzes the compliance of the corporate governance system with the goals and objectives of the Company. The Company strives for the results of such an analysis to be sufficiently objective. The study of corporate governance practices is carried out in various ways: independently (to present information as part of the Annual Report according to the forms recommended by the Bank of Russia), in the course of an internal audit of the Company in accordance with the methodology approved by the Company (with subsequent consideration of the results at meetings of the Board of Directors and the Audit 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 is being implemented to prevent corruption and reduce reputational risks. Thus, the Company has an Anti-Corruption Policy and the Employee Corporate Code of Ethics and Business Conduct, as well as the Resolution on Insider Information.

The implementation of the information policy by the Company is carried out by the executive bodies, while the control over compliance with the information policy is carried out by the Board of Directors.

The structure of the share capital of the Company determines the composition of its Board of Directors, which is formed taking into account the proposals of the main shareholder. The number of members of the Board of Directors of the Company is 11, with one director meeting the criteria of independence in accordance with the Corporate Governance Code of the Bank of Russia. At the same time, the Corporate Governance Code of the Bank of Russia recommends that the independent directors make at least one third of the elected composition 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 of the Bank of Russia. 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 parties concerned, that is deemed as the status of an independent director as defined by the Corporate Governance Code of the Bank of Russia.

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 (IA&CD) administratively subordinate to the General Director and functionally subordinate to the Board of Directors through its Audit Committee operates in the company. In the reporting year of 2022, the Board of Directors of Rosseti Northern Caucasus, PJSC, periodically considered the issues of organizing a risk management and internal control system, as well as internal audit system.

Rosseti Northern Caucasus has a Resolution on Dividend Policy approved by the Board of Directors of the Company on February 5, 2018 (Minutes No. 330 dated February 6, 2018). The Company’s dividend policy is based on strict observation of shareholders’ rights stipulated by laws of the Russian Federation, the Articles of Association and internal documents of the Company, and is aimed to improve investment potential of the Company and to increase its market capitalization.

The Company is aware that its activities in the field of achieving sustainable development goals are important for a wide range of stakeholders (shareholders, consumers of products and services, local communities, labor teams, state bodies, local governments, etc.), who can also provide significant impact on the creation of long-term value by the Company. In view of the above, the governing bodies and management of Rosseti Northern Caucasus, PJSC pay special attention to the issues of the Company's impact on the environment, social matters and the economy.

In particular, in the reporting year of 2022, the Board of Directors regularly considered issues related to the Company's ESG agenda, namely:

- approved the Resolution on Information Policy of the Company (Minutes No. 503 dated June 17, 2022), regulating the disclosure of non-financial information, reviewed the report of the General Director of the Company on compliance with the Resolution on Information Policy of the Company for 2021 (Minutes No. 503 dated June 17, 2022);

- approved an agreement on extension of the Collective Agreement of the Company for 2019–2021 until December 31, 2024 (Minutes No. 491 dated March 14, 2022);

- approved the Innovation Development Policy of Rosseti, PJSC as an internal document of the Company (Minutes No. 503 dated June 17, 2022);

- considered the report of the internal audit of the Company on the assessment of corporate governance performance for the corporate year of 2020–2021 (Minutes No. 496 dated April 25, 2022);

- the following reports were considered:

* on the implementation of the updated Company Development Plan for 2021 (Minutes No. 510 dated September 12, 2022);
* on the fulfillment of the KPI of the General Director of the Company “Implementation of the Company Development Plan” for 2020 (Minutes No. 510 dated September 12, 2022);
* on implementation of the Plan (Program) for reducing electrical energy losses in the electric grids of the Company for 2022–2026 (Minutes No. 510 dd. September 12, 2022);
* on indicators of the level of reliability and quality of the services provided for the entire Company, which are subject to tariff regulation based on the long-term performance regulation parameters, for 2021 (Minutes No. 511 dd. September 15, 2022);
* on implementation of the Company's Smart Metering Development Program   
  for 2020–2030, over 2021 (Minutes No. 513 dd. October 6, 2022);
* based on the results of assessment of the personal performance of the General Director of the Company for 2020 (Minutes No. 493 dated April 1, 2022), etc.

**Main changes in corporate governance**

Changes in the composition of management and control bodies

Roman Alexeevich Levchenko was elected General Director of Rosseti Northern Caucasus, PJSC (Minutes of the meeting of the Board of Directors of the Company No. 486 dd. February 18, 2022).

On June 16, 2022, the annual General Meeting of Shareholders of Rosseti Northern Caucasus, PJSC was held, at which a decision was made to elect members of the Board of Directors and the Auditing Commission of the Company (Minutes No. 25 dated June 17, 2022). The members are set forth below.

On October 28, 2022, the Company’s Board of Directors determined the composition of the Company’s Management Board, which shall consist of 6 persons. I. S. Komissarov, Deputy General Director for Investment Activities of the Company, was also elected to the Company’s Management Board.

Approval of the restated Resolution on Information Policy

At the beginning of 2022, Rosseti Northern Caucasus, PJSC had a Resolution on Information Policy approved by the Board of Directors on March 30, 2018 (Minutes No. 339 dated March 30, 2018). In 2022, the Board of Directors of the Company approved a new Resolution on Information Policy of Rosseti Northern Caucasus, PJSC (Minutes No. 503 dated June 17, 2022). The new Resolution on Information Policy of Rosseti Northern Caucasus, PJSC was developed in connection with:

- issue by the Bank of Russia of an information letter No. IN-06-28/56 dated July 26, 2021 in order to consolidate the approaches and criteria for determining, as well as the procedure and timing for disclosing information that can have a significant impact on the assessment of the Company and the value of its securities (material information);

- issue by the Bank of Russia of an information letter No. IN-06-28/49 dated July 12, 2021 in order to improve the procedure for disclosing non-financial information;

- a change in the procedure for disclosing certain decisions of the Board of Directors in accordance with the Regulation of the Bank of Russia No. 714-P dated March 27, 2020 “On Disclosure of Information by Issuers of Issue-grade Securities” – the draft Regulation fixes a list of individual resolutions of the Board of Directors of the Company, disclosed additionally in comparison with the requirements of clause 15.1 of chapter 15 of Regulation No. 714-P,

as well as in order to improve the corporate governance practice and further implement the recommendations of the Code.

Governance quality rating

In 2022 Expert RA (RAEX) rating agency confirmed the management quality rating of Rosseti Northern Caucasus, PJSC at the level of A++.gq (the highest level of management quality).

**Analysis of the state and assessment of the level of corporate governance**

The Company continues to solve the task of adaptation and acceptable implementation of recommendations of the Code of Corporate Governance of the Bank of Russia into the corporate governance system of Rosseti Northern Caucasus, PJSC. A special methodology for assessing by the Company the compliance with the principles of corporate governance enshrined in the Code of Corporate Governance of the Bank of Russia has not been approved by the Company. However, since 2016, the corporate governance practice of Rosseti Northern Caucasus, PJSC has been annually analyzed for compliance with the provisions of the Corporate Governance Code of the Bank of Russia using the recommendations of the Bank of Russia. As part of the preparation of the Annual Report for 2022, the Recommendations on Compiling a Report on Compliance with the Principles and Recommendations of the Corporate Governance Code of the Bank of Russia (Letter of the Bank of Russia No. IN-06-28/102 dated December 27, 2021) were used. The analysis showed that Rosseti Northern Caucasus, PJSC complies with 55% of such principles, partially complies with 28% principles, and does not comply with 17% principles. Therefore, in many cases, we use alternative mechanisms and corporate governance tools (see Appendix 1 to the Annual Report).

In addition, in 2022, the Company's IA&CD conducted an assessment of the efficiency of the Company's corporate governance as a whole. The relevant report was preliminary reviewed by the Audit Committee of the Board of Directors at a meeting held on September 22, 2022 (Minutes No. 156 dated September 22, 2022). The specified report was considered by the Board of Directors of the Company on October 28, 2022 (Minutes No. 515 dated October 31, 2022). **The methodology for assessing the efficiency of corporate governance in Rosseti Northern Caucasus, PJSC and controlled energy sales companies** was approved by order of Rosseti Northern Caucasus, PJSC No. 342 dated August 5, 2021, as amended by order No. 369 dated July 2022. 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 of the Company of unbiased and independent information about the state of the corporate governance in the Company and drafting recommendations aimed to raise the efficiency of the corporate governance in the Company.

Compliance of corporate governance with the principles and recommendations laid down in the Corporate Governance Code and/or the Listing Rules, and/or best corporate practices is the criterion for assessing corporate governance.

The corporate governance assessment includes the following principal fields:

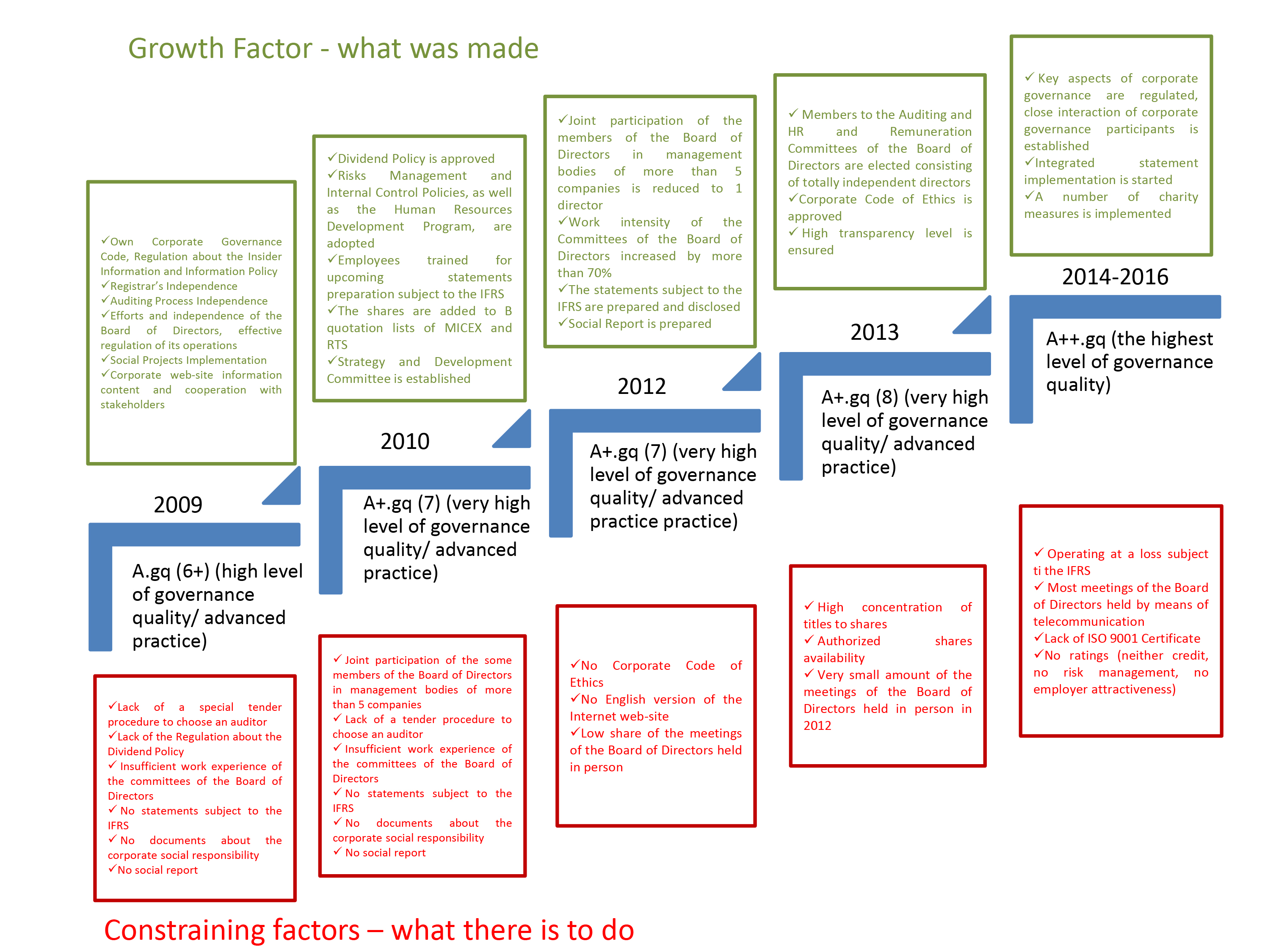
* review for compliance with the ethical principles and corporate value of the Company;
* review of the procedure of the Company setting goals and monitoring/controlling their achievement;
* checking the level of available standards and information counteractions procedures (including as to the matters of risks management and internal control) at all levels of the Company’s governance including counteraction with stakeholders;
* review for ensuring the rights of shareholders inclusive of controlled companies and efficiency of interaction with stakeholders;
* checking the procedure of information disclosing about the Company’s operations.

The corporate governance is assessed by establishing the compliance of its components with the criteria defined in the questionnaire for corporate governance assessment. The criteria are disclosed via the answers to the questions for each corporate governance 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.

Based on the results of the corporate governance assessment, the internal auditor generates a report. The Report discloses in detail the evidence substantiating the assessment assigned by the internal audit (with an indication of the Company's local regulations and quoting the relevant clauses thereof). 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.

In addition, in 2022, an annual **third party independent audit** of the governance quality in Rosseti Northern Caucasus, PJSC, was carried out by Expert RA (RAEX) rating agency. 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. As part of this analysis, the rating agency paid special attention to taking into account ESG factors in the activities of Rosseti Northern Caucasus, PJSC, in particular, the following was analyzed: whether the Company has relevant documents and policies; practical issues of preparing reports in the field of sustainable development; delineation of powers and responsibilities of management bodies; availability of KPIs related to sustainable development within the framework of the Company's operations; implementation of social projects by the Company; assessment of non-financial risks by the Company, including ESG risks, partners and customers, etc.

**Demonstration of management quality of Rosseti Northern Caucasus, PJSC in independent ratings according to version of Expert RA rating agency**



Sources: Expert RA, Rosseti Northern Caucasus, PJSC

**In 2017–2022 Expert RA (RAEX) rating agency confirmed the management quality rating of Rosseti Northern Caucasus, PJSC at the level of A++.gq (the highest level of management quality). This assessment means that the management quality system to the highest possible extent promotes the respect for and protection of the stakeholders’ rights.**

**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 conducting an annual independent comprehensive analysis of the compliance of practices of Rosseti Northern Caucasus, PJSC with the principles set forth in the Corporate Governance Code of the Bank of Russia;
* continue the assessment of corporate governance in accordance with the approved methodology;
* submit to the Board of Directors a report on complying with the Resolution on Information Policy of the Company on an annual basis;
* continue work on the analysis of the internal documents of the Company and their updating and modification as necessary.

The planned activities in relation to the implementation of certain principles of corporate governance are set out in Appendix 1 to the Russian version of the Annual Report.

**5.3. Governing bodies, Committees of the Board of Directors, Corporate Secretary**

Management bodies of Rosseti Northern Caucasus, PJSC:

* General Meeting of Shareholders;
* Board of Directors;
* Management (Collegial Executive Body)
* General Director (single member executive body).

**5.3.1. General Meeting of Shareholders**

The General Meeting of Shareholders shall be the supreme governance body of Rosseti Northern Caucasus, PJSC. In accordance with Article 47 of the Federal Law “On Joint-Stock Companies”, the Company is obliged to hold an annual General Meeting of Shareholders annually.

**On June 16, 2022, the annual General Meeting of Shareholders of Rosseti Northern Caucasus, PJSC was held.** There was a quorum for holding the above mentioned annual General Meeting of Shareholders of the Company.

Decisions made (Minutes No. 25 dated June 17, 2022):

* - the Company’s Annual Report, annual Accounting (Financial) Statement for 2021 were approved;
* the decision is made not to pay dividends on ordinary shares of the Company as of the end of 2021;
* members to the Board of Directors and the Auditing Commission were elected;
* the Company’s auditor was approved;
* Revised Regulations on the Auditing Commission of the Company were approved.

The competence of the General Meeting of Shareholders is established by Article 48 of Federal Law “On Joint-Stock Companies” and Article 10 of the Charter of Rosseti Northern Caucasus, PJSC.

Matters assigned to the responsibility of the General Meeting of Shareholders may not be delegated to the Board of Directors or executive bodies. The General Meeting of Shareholders does not have the right to take decisions on matters not reserved to them by the Federal Law On Joint-Stock Companies.

**5.3.2. Report of the Board of Directors of the Company**

The Board of Directors is a collegial management body that controls the activities of the executive bodies of the Company and performs other functions assigned to it by law or the Charter of the Company. The Company’s Board of Directors shall perform general management of the Company’s activities, except for addressing the issues referred to the competence of the General Meeting of Shareholders by the Federal Law “On Joint-Stock Companies” and the Charter. Board of Directors – governing body that determines the Company's development strategy

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 law 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 “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 may not be delegated to the General Director or the Management Board of Rosseti Northern Caucasus, PJSC.

In 2022, 39 meetings of the Board of Directors of Rosseti Northern Caucasus, PJSC, were held (1 of which in presentia and in absentia). In 2021, 39 meetings of the Board of Directors of Rosseti Northern Caucasus, PJSC, were held (1 of which in presentia and in absentia). In 2020, 40 meetings of the Board of Directors of Rosseti Northern Caucasus, PJSC, were held (all of which in absentia).

During 2022, the Board of Directors considered 157 issues (in 2021 – 125, in 2020 – 164) and made the following core resolutions:

**in the field of development of the corporate governance system and interaction with shareholders, the securities market:**

* the Prospectus of the Company's securities was approved, providing for an extension of the term for the placement of securities, in accordance with sub-clause 12 of Article 22 of the Federal Law No. 39-FZ dd. April 22, 1996 “On the Securities Market” (Minutes No. 485 dd. February 18, 2022);
* the annual General Meeting of Shareholders of the Company was convened, and other issues related to the preparation and holding of the annual General Meeting of Shareholders of the Company were considered (Minutes No. 489 dated March 9, 2022, No. 495 dated April 19, 2022, No. 498 dated May 13, 2022, No. 499 dd. May 20, 2022);
* position of the Company (representatives of the Company) on the agenda item of the meeting of the Board of Directors of Dagestan Grid Company, JSC, was elaborated (Minutes No. 500 dated May 24, 2022, No. 502 dated June 14, 2022 No. 502 dated June 17, 2022, No. 503 dated September 15, 2022);
* the Corporate Secretary of the Company was elected (Minutes No. 501 dated June 6, 2022, No. 509 dated August 29, 2022);
* the Resolution on Information Policy of the Company was approved (Minutes No. 503 dated June 17, 2022);
* A. V. Molsky, Deputy General Director for Investments, Capital Construction and Services of Rosseti, PJSC, was elected Chairman of the Board of Directors of the Company (Minutes No. 504 dated June 30, 2022);
* the budgets of a number of Committees of the Board of Directors of the Company were approved (Minutes No. 505 dated July 14, 2022, No. 517 dated November 24, 2022);
* members of the Committees of the Board of Directors of the Company were elected (Minutes No. 509 dated August 29, 2022, No. 510 dated September 12, 2022, No. 512 dated September 26, 2022, No. 513 dated October 6, 2022);
* the amount of remuneration for the services of the Company's auditors (association of auditors (joint participant) as part of TSATR – Audit Services, LLC (leader of the joint participant) (former name – Ernst & Young LLC) and DELOVOY PROFIL Audit Company, JSC (member of the joint participant)) for the provision of services for the audit of accounting (financial) statements for 2022 prepared in accordance with RAS, the audit of consolidated financial statements prepared in accordance with IFRS for the year ending December 31, 2022 (Minutes No. 511 dated September 15, 2022);
* the Action Plan of the Board of Directors of the Company for the 2022–2023 corporate year (Minutes No. 512 dated September 26, 2022) was approved;
* decisions were made to amend the Company’s Securities Prospectus and approve amendments to the Securities Prospectus of Rosseti Northern Caucasus, PJSC (Minutes No. 516 dated November 7, 2022);
* the restated Regulations on the Audit Committee under the Board of Directors of the Company was approved (Minutes No. 518 dated December 8, 2022);

**in the field of procurement activities:**

* the Company's procurement plan for 2022 (Minutes No. 483 dated January 17, 2022   
  was approved).
* a decision was made on accession to the amendments to the “Uniform Procurement Standard of Rosseti, PJSC (Regulations on Procurement)” (Minutes No. 494 dated April 4, 2022, No. 513 dated October 6, 2022, No. 517 dated November 24, 2022);

**in the field of internal audit, internal control, risk management:**

* the Methodology for calculating and evaluating the fulfillment of functional KPIs by the head and employees of IA&CD of the Company was approved (Minutes No. 503 dated June 17, 2022 and 516 dated November 7, 2022);
* target KPI values for CEO and employees of IA&CD of the Company were determined (Minutes No. 503 dated June 17, 2022, No. 516 dated November 7, 2022);
* the budget of the Company's IA&CD for 2022 (Minutes No. 503 dated June 17, 2022   
  was approved).
* the preferred risk (risk appetite) of the Company for 2022 (Minutes No. 508 dated August 11, 2022) was approved;
* the budget and work plans of IA&CD were approved (Minutes No. 520 dd. January 9, 2023) were approved;

**in the field of investment activity:**

* the draft investment program of the Company for the 2023–2027 was approved and changes made to the Company's investment program for the period of 2022–2026, approved by Order No. 34@ of the Russian Ministry of Energy dated December 27, 2021 (Minutes No. 487 dated February 28, 2022);
* Scenario conditions for optimizing the Company's investment program were approved (Minutes No. 511 dated September 15, 2022);

**in the field of property management:**

* the Regulations for the reconstruction of the Company's facilities, carried out at the initiative of third parties (Minutes No. 508 dated August 11, 2022) were approved;
* amendments to the Regulations for the reconstruction of the Company's facilities, carried out at the initiative of third parties (Minutes No. 519 dated December 14, 2022) were approved;

**in the field of the implementation of the personnel policy, changes in the composition of management bodies, committees of the Board of Directors of the Company:**

* R.A. Levchenko was elected General Director of the Company from February 18, 2022 to February 17, 2025 inclusive (Minutes No. 486 dated February 18, 2022);
* an agreement on extension of the Collective Agreement of the Company for 2019–2021 until December 31, 2024 (Minutes No. 491 dated March 14, 2022) was approved.
* candidates for certain positions in the executive body of the Company were approved, as determined by the Board of Directors of the Company (Minutes No. 492 dated March 17, 2022, No. 497 dated May 06, 2022, No. 507 dated July 21, 2022, No. 508 date August 11, 2022);
* the target values of the KPI of the General Director of the Company for 2022 were approved (Minutes No. 510 dated September 12, 2022);
* personal tasks were approved for the directors of the Company's branches to achieve the planned indicators for the level of electric power losses and achieve the level of payment for the supplied electricity in the retail market (minutes No. 504 dated June 30, 2022);
* an agreement was approved to amend the Collective Agreement of the Company for 2019–2021 subject to an extension for a period until December 31, 2024 (Minutes No. 515 dated October 31, 2022);
* the composition of the Management Board of the Company was determined, Deputy General Director for investment activities of the Company, I. S. Komissarov, was elected to the Management Board of the Company (Minutes No. 515 dated October 31, 2022);
* amendments were made to the Methodology for calculating and evaluating the fulfillment of key performance indicators of the General Director of the Company (Minutes No. 521 dated January 9, 2023);
* amendments were made to the target KPI values of the General Director of the Company for 2022 (Minutes No. 521 dated January 9, 2023);

**in the field of economics and finance:**

* the Company's Insurance Protection Program for 2022 was approved (Minutes No. 484 dated February 14, 2022);
* the Company's cost estimate for the Q1 2022 was approved (Minutes No. 488 dated February 28, 2022);
* the Company's plan for operations with bills of exchange of third parties, issued by the bank (Minutes No. 490 dated March 14, 2022) was approved;
* the Company's credit plan was approved (Minutes No. 491 dated March 14, 2022, No. 497 dated May 6, 2022, No. 506 dated July 21, 2022, and No. 514 dated October 26, 2022);
* the restated Regulations on insurance coverage of the Company (Minutes No. 496 dated April 25, 2022);
* the candidacy of the Company's insurer was approved (Minutes No. 496 dated April 25, 2022,   
  No. 501 dated June 06, 2022, No. 505 dated July 14, 2022, No. 509 dated August 29, 2022,   
  No. 515 dated October 31, 2022, No. 520 dated January 9, 2023);
* the Company's business plan for 2022 was approved and the forecast indicators for 2023–2026 were taken under advisement (Minutes No. 502 dated June 14, 2022);

**in the field of technical, innovation policies, information security, procurement activities:**

* the Innovation Development Policy of Rosseti, PJSC as an internal document of the Company (Minutes No. 503 dated June 17, 2022) was approved;
* amendments were made to the Regulations “On the Uniform Technological Policy in the Integrated Power Grid” (Minutes No. 505 dated July 14, 2022);
* the adjusted Information Security Program of the Company, taking into account the provisions of the Decrees of the President of the Russian Federation No. 166 dd. March 30, 2022 “On Measures to Ensure the Technological Self-sufficiency and Security of the Critical Information Infrastructure of the Russian Federation” and No. 250 dated May 1, 2022 “On Additional Measures to Ensure the Information Security of the Russian Federation” (Minutes No. 510 dated September 12, 2022) was approved;
* the Development Plan for the Production Asset Management System and the Company's Resource Plan for 2022–2024 (Minutes No. 515 dated October 31, 2022) was approved;

**in the field of provision of services, energy saving:**

* the Company's Policy in the field of energy saving and energy efficiency improvement (Minutes No. 504 dated June 30, 2022) was approved;
* the Company's action plan for reducing the overdue accounts receivable for power transmission services and dispute settlement was approved (Minutes No. 504 dated June 30, 2022, No. 506 dated June 21, 2022, No. 517 dated November 24, 2022);
* the Plan (Program) for reducing electrical energy losses in the electric grids of the Company for 2022–2026 was approved (Minutes No. 510 dated August 29, 2022);
* the Company’s Program for power saving and power efficiency improvement for the period until 2027 was approved (Minutes No. 509 dated August 29, 2022);
* the Company's transition to the provision of services in accordance with the provisions of the Regulations for granting access to third parties to overhead power transmission lines of subsidiaries of Rosseti, PJSC for arrangement of fiber-optic communication lines as per order of Rosseti, PJSC No. 374 dated August 1, 2022 (Minutes No. 517 dated November 24, 2022) was approved.

**Reports on various areas of activity were considered:**

**in the field of development of corporate governance system:**

* on implementation of decisions taken at meetings of the Board of Directors of the Company (Minutes No. 484 dated February 14, 2022, No. 491 dated March 14, 2022, No. 509 dated August 29, 2022, No. 513 dated October 6, 2022, No. 520 dated January 9, 2023);
* on assessment of corporate governance (Minutes No. 496 dated April 25, 2022, No. 515 dated October 31, 2022);
* on compliance with the Resolution on Information Policy of the Company for 2021 (Minutes No. 503 dated June 17, 2022);
* on expenditure for the preparation and holding of the annual General Meeting of Shareholders of the Company (Minutes No. 510 dated September 12, 2022);

**in the field of internal audit, internal control, risk management:**

* on compliance with the plan of work and internal audit activities for 2021, including the results of self-assessment of internal audit quality as of the end of 2021, and on compliance with the plan of activities to develop and improve the internal audit of the Company in 2021 and the plan of activities aimed at professional development of internal auditors in the Company (Minutes No. 503 dated June 17, 2022);
* on the organization, functioning and efficiency of the internal control system and the risk management system of the Company for 2021 (Minutes No. 503 dated June 17, 2022);
* Audit report No. 03-2022-SK dated February 14, 2022 on “Evaluation of the efficiency of the internal control system and the Company's risk management system for 2021” (Minutes No. 503 dated June 17, 2022);
* on the results of assessment of progress in identifying and selling the Company's non-core assets in 2021 (Minutes No. 503 dated June 17, 2022);

**in the field of economics and finance:**

* on ensuring insurance coverage (Minutes No. 483 dated January 17, 2022, No. 491 dated March 14, 2022);
* on financial and economic activities (Minutes No. 484 dated February 14, 2022, No. 510 dated September 12, 2022);
* on the credit policy of the Company (Minutes No. 505 dated July 14, 2022, No. 513 dated October 6, 2022, No. 518 dated December 8, 2022);
* on the implementation of the updated Company Development Plan for 2021 (Minutes No. 510 dated September 12, 2022);
* on execution of the business plan of the Company (Minutes No. 517 dated November 24, 2022, No. 519 dated December 14, 2022);

**in the field of investment activity:**

* on the progress of implementation of the Company's investment projects included in the list of priority facilities (Minutes No. 496 dated April 25, 2022, No. 511 dated September 15, 2022, No. 517 dated November 24, 2022);
* on approval of the investment program of the Company 2022–2026 and changes made to the Company's investment program for 2016–2022, approved by Order No. 1470 of the Russian Ministry of Energy dated December 30, 2016, as amended by Order of the Russian Ministry of Energy No. 32@ dated December 29, 2020 (Minutes No. 503 dated June 17, 2022).
* on the progress of implementation of the Company's investment program (Minutes No. 511 dated September 15, 2022, No. 519 dated December 14, 2022);

**in the field of implementation of the anti-corruption policy:**

* on the results of anti-corruption monitoring in the Company based on the results of 2021 (Minutes No. 501 dated June 6, 2022);

**in the field of property management:**

* on the progress of execution of the register of non-core assets of the Company (Minutes No. 496 dated April 25, 2022, No. 505 dated July 14, 2022, No. 511 dated September 15, 2022, No. 517 dated November 24, 2022);

**in the field of sale of services, energy efficiency improvement, technical connection:**

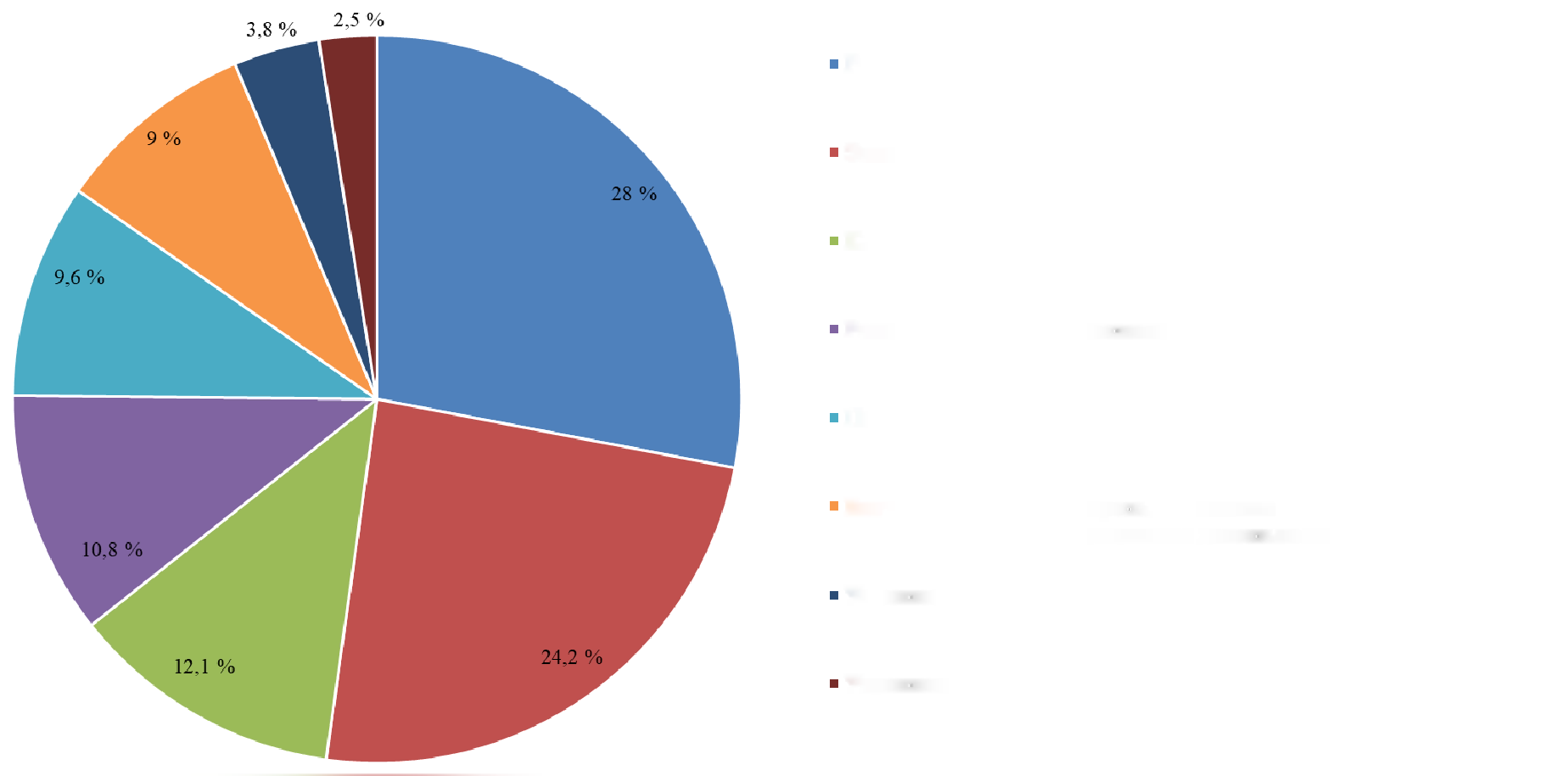
* on the current situation in the activities of the Company for the technical connection of consumers to electric grids (Minutes No. 501 dated June 6, 2022, No. 515 dated October 31, 2022, No. 519 dated December 14, 2022);
* on implementation of the action plan for reducing the overdue accounts receivable for power transmission services and dispute settlement was approved (Minutes No. 504 dated June 30, 2022, No. 506 dated June 21, 2022, No. 517 dated November 24, 2022);
* on implementation of the Plan (Program) for reducing electrical energy losses in the electric grids of the Company for 2022–2026 (Minutes No. 510 dated September 12, 2022, No. 518 dated December 8, 2022, No. 521 dated January 9, 2023);
* on indicators of the level of reliability and quality of the services provided for the entire Company, which are subject to tariff regulation based on the long-term performance regulation parameters (Minutes No. 511 dated September 15, 2022);
* on implementation of the Company's Smart Metering Development Program for 2020–2030 (Minutes No. 513 dated October 6, 2022);
* on implementation of the Plan (Program) for reducing electrical energy losses in the electric grids of Rosseti Northern Caucasus, PJSC for 2021–2025 (Minutes No. 517 dated November 24, 2022);

**in the field of fulfilling KPIs and assessing the performance of the General Director of the Company:**

* on the results of the assessment of the performance of the General Director of the Company (Minutes No. 493 dated April 1, 2022);
* on the fulfillment of the KPIs of the General Director of the Company “Implementation of the Company Development Plan” for 2020 (Minutes No. 510 dated September 12, 2022);
* on the fulfillment of the KPIs of the General Director of the Company for 2021 (Minutes No. 520 dated January 9, 2023).

During 2022, the Board of Directors issued 42 orders to the Company's management (in 2021 – 48, in 2020 – 57).

**Categories of matters considered by the Board of Directors in 2022, %**



Corporate governance and cooperation with shareholders development

Economics and finance

Personnel policy

Sale of services, TC and power efficiency policy

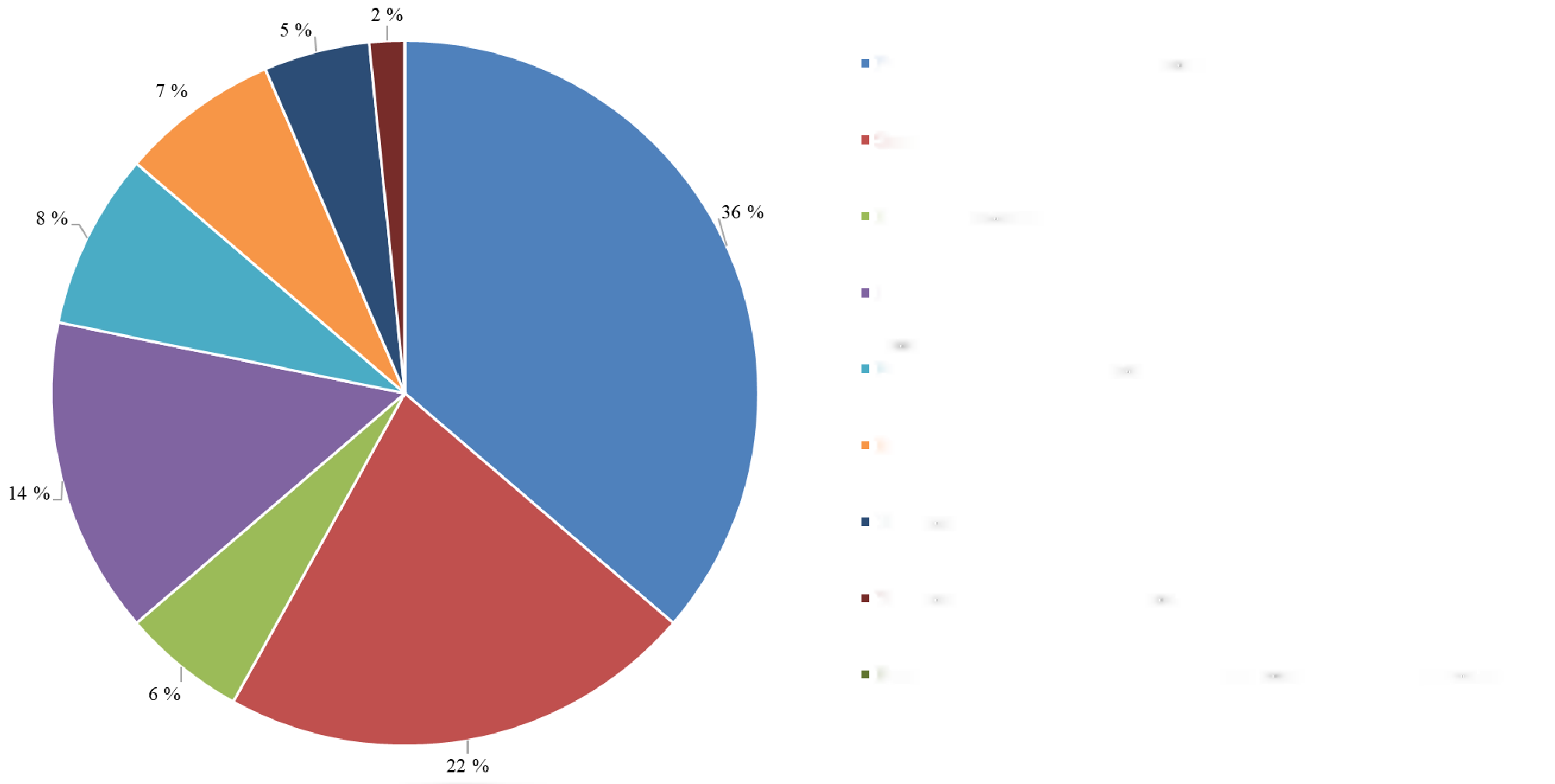
Raising the grid reliability, innovative, technical development, investments, occupational safety, information technology, environmental policy

Internal audit and control, risks management, economic stability, anti-corruption activity

Property management and power grid assets consolidation

Procurement activity management

**Categories of matters considered by the Board of Directors in 2021, %**



Interaction with the society, public authorities, charity

Procurement activity management

Property management and power grid assets consolidation

Internal audit and control, risks management, economic stability, anti-corruption activity

Sale of services, TC and power efficiency policy

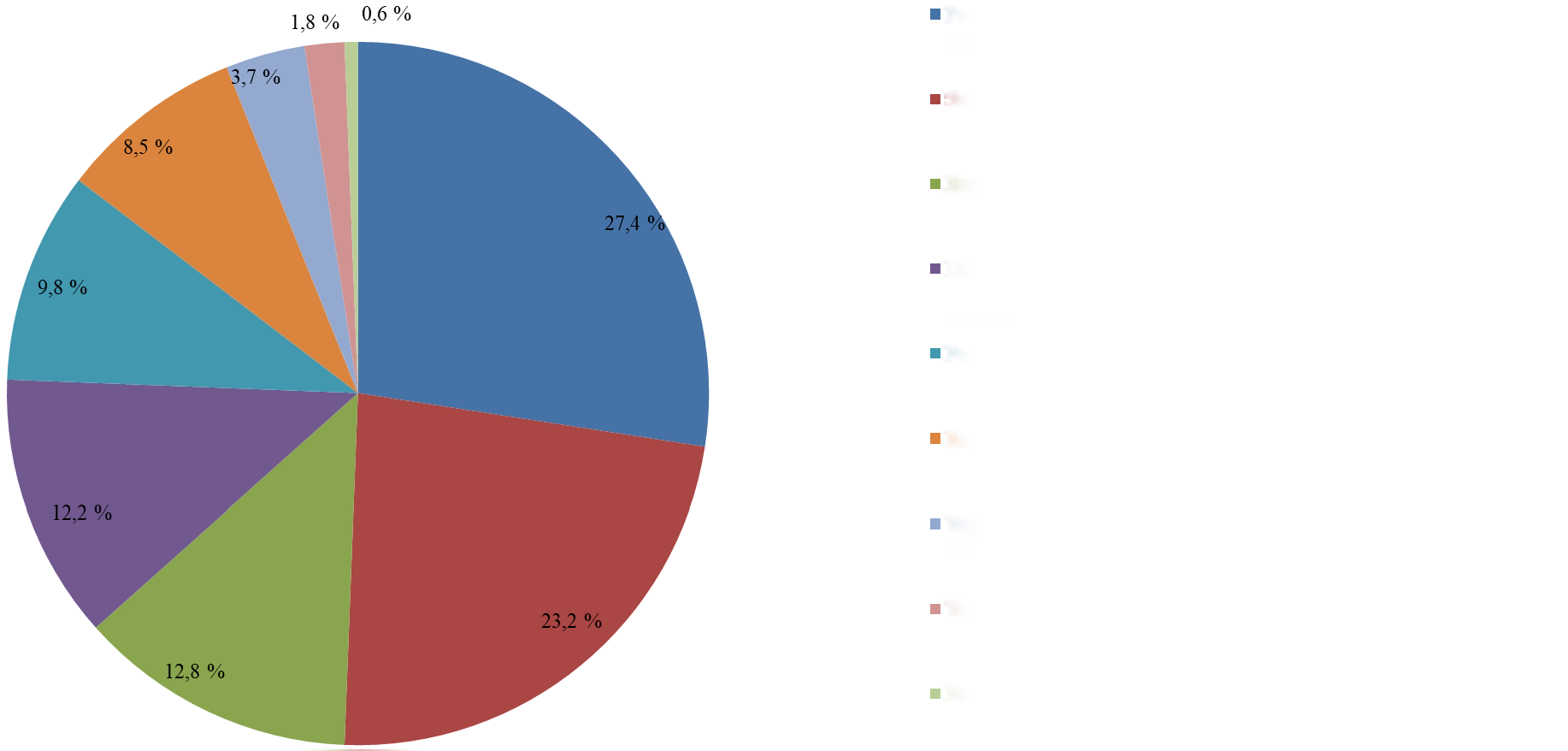
Corporate governance and cooperation with shareholders development

Economics and finance

Personnel policy

Raising the grid reliability, innovative, technical development, investments, occupational safety, information technology, environmental policy

**Categories of matters considered by the Board of Directors in 2020, %**



Corporate governance and cooperation with shareholders development

Economics and finance

Personnel policy

Raising the grid reliability, innovative, technical development, investments, occupational safety, information technology, environmental policy

Sale of services, TC and power efficiency policy

Internal audit and control, risks management, economic stability, anti-corruption activity

Property management and power grid assets consolidation

Procurement activity management

Interaction with the society, public authorities, charity

Details of the decisions made by the Board of Directors in 2022 are provided on the Company’s website in the section “For Shareholders and Investors/Corporate Governance/Board of Directors” at <https://www.rossetisk.ru/shareholders_and_investors/korporativnoe_upravlenie/sovet_direktorov/>.

**Involvement of directors in the work of the Board of Directors in 2022\***

| **Full name of Director** | **Resolution of the General Meeting of Shareholders on the election of the Board of Directors** | **Corporate year when the person was a member of the Board of Directors** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2022** | | | **39** |
| including meetings in presentia (in presentia/absentia) | | | **1** |
| **Yuri Vladimirovich Goncharov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021;  June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2021–2022**  **2022–2023** | **39/39** |
| including in presentia | **1/1** |
| **Pavel Vladimirovich Grebtsov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **21/21** |
| including in presentia | **0/1** |
| **Vladislav Albertovich Kapitonov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **21/21** |
| including in presentia | **1/1** |
| **Daniil Vladimirovich Krainsky** | May 31, 2021, Minutes No. 24 dd. June 2, 2021;  June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2021–2022**  **2022–2023** | **37/39** |
| including in presentia | **0/1** |
| **Roman Alexeevich Levchenko** | May 31, 2021, Minutes No. 24 dd. June 2, 2021;  June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2021–2022**  **2022–2023** | **39/39** |
| including in presentia | **1/1** |
| **Andrei Vladimirovich Mayorov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021;  June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2021–2022**  **2022–2023** | **39/39** |
| including in presentia | **1/1** |
| **Aleksey Valeryevich Molsky** | May 31, 2021, Minutes No. 24 dd. June 2, 2021;  June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2021–2022**  **2022–2023** | **39/39** |
| including in presentia | **1/1** |
| **Viktor Nikolayevich Palagin** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **21/21** |
| including in presentia | **0/1** |
| **Nataliya Vladimirovna Paramonova** | June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2022–2023** | **18/18** |
| including in presentia | **0/0** |
| **Alexey Alexanderovich Polinov** | June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2022–2023** | **14/18** |
| including in presentia | **0/0** |
| **Egor Vyacheslavovich**  **Prokhorov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021;  June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2021–2022**  **2022–2023** | **34/39** |
| including in presentia | **1/1** |
| **Nikolay Ivanovich Sasin** | May 31, 2021, Minutes No. 24 dd. June 2, 2021;  June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2021–2022**  **2022–2023** | **39/39** |
| including in presentia | **1/1** |
| **Anton Sergeevich Ulyanov** | June 16, 2022, Minutes No. 25 dd. June 17, 2022; | **2022–2023** | **17/18** |
| including in presentia | **0/0** |
| **Igor Vladimirovich Feoktistov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **0/21** |
| including in presentia | **0/1** |

\* In presentia – meetings that the director attended in the form of joint presence

A/B–А–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 the work of the Board of Directors in 2021\***

| **Full name of Director** | **Resolution of the General Meeting of Shareholders on the election of the Board of Directors** | **Corporate year when the person was a member of the Board of Directors** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2021** | | | **36** |
| including meetings in presentia (in presentia/absentia) | | | **1** |
| **Yuri Vladimirovich Goncharov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020;  May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2020–2021**  **2021–2022** | **36/36** |
| including in presentia | **1/1** |
| **Pavel Vladimirovich Grebtsov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **16/16** |
| including in presentia | **1/1** |
| **Vitaly Valerievich Ivanov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **10/20** |
| including in presentia | **0/0** |
| **Vladislav Albertovich Kapitonov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020;  May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2020–2021**  **2021–2022** | **36/36** |
| including in presentia | **1/1** |
| **Daniil Vladimirovich Krainsky** | November 23, 2020, Minutes No. 23 dd. November 27, 2020;  May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2020–2021**  **2021–2022** | **36/36** |
| including in presentia | **1/1** |
| **Marina Alexandrovna Lavrova** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **20/20** |
| including in presentia | **0/0** |
| **Roman Alexeevich Levchenko** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **16/16** |
| including in presentia | **1/1** |
| **Andrei Vladimirovich Mayorov** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **16/16** |
| including in presentia | **0/1** |
| **Aleksey Valeryevich Molsky** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **16/16** |
| including in presentia | **1/1** |
| **Viktor Nikolayevich Palagin** | May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2021–2022** | **13/16** |
| including in presentia | **1/1** |
| **Alexander Viktorovich Peshkov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **20/20** |
| including in presentia | **0/0** |
| **Egor Vyacheslavovich**  **Prokhorov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020;  May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2020–2021**  **2021–2022** | **36/36** |
| including in presentia | **0/1** |
| **Vasily Vladimirovich Rozhkov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **20/20** |
| including in presentia | **0/0** |
| **Nikolay Ivanovich Sasin** | November 23, 2020, Minutes No. 23 dd. November 27, 2020;  May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2020–2021**  **2021–2022** | **36/36** |
| including in presentia | **1/1** |
| **Igor Vladimirovich Feoktistov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020;  May 31, 2021, Minutes No. 24 dd. June 2, 2021 | **2020–2021**  **2021–2022** | **30/36** |
| including in presentia | **0/1** |
| **Dmitry Alexandrovich Chevkin** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **20/20** |
| including in presentia | **0/0** |

\* In presentia – meetings that the director attended in the form of joint presence

A/B–А–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 the work of the Board of Directors in 2020\***

| **Full name of Director** | **Resolution of the General Meeting of Shareholders on the election of the Board of Directors** | **Corporate year when the person was a member of the Board of Directors** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2020** | | | **40** |
| including meetings in presentia (in presentia/absentia) | | | **0** |
| **Dmitry Mikhailovich Andropov** | June 25, 2019, Minutes No. 20 dd. June 27, 2019 | **2019–2020** | **15/15** |
| including in presentia | **0/0** |
| **Dmitry Alekseyevich Bobkov** | June 25, 2019, Minutes No. 20 dd. June 27, 2019 | **2019–2020** | **15/15** |
| including in presentia | **0/0** |
| **Vasily Valerievich Varseev** | May 29, 2020, Minutes No. 22 dd. May 29, 2020 | **2020–2021** | **9/23** |
| including in presentia | **0/0** |
| **Yuri Vladimirovich Goncharov** | May 29, 2020, Minutes No. 22 dd. May 29, 2020;  November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **25/25** |
| including in presentia | **0/0** |
| **Pavel Vladimirovich Grebtsov** | June 25, 2019, Minutes No. 20 dd. June 27, 2019  May 29, 2020, Minutes No. 22 dd. May 29, 2020; | **2019–2020**  **2020–2021** | **38/38** |
| including in presentia | **0/0** |
| **Denis Lvovich Guryanov** | June 25, 2019, Minutes No. 20 dd. June 27, 2019 | **2019–2020** | **15/15** |
| including in presentia | **0/0** |
| **Vitaliy Anatolievich Domnich** | June 25, 2019, Minutes No. 20 dd. June 27, 2019 | **2019–2020** | **15/15** |
| including in presentia | **0/0** |
| **Vitaly Valerievich Ivanov** | June 25, 2019, Minutes No. 20 dd. June 27, 2019  May 29, 2020, Minutes No. 22 dd. May 29, 2020;  November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2019–2020**  **2020–2021** | **40/40** |
| including in presentia | **0/0** |
| **Vladislav Albertovich Kapitonov** | May 29, 2020, Minutes No. 22 dd. May 29, 2020;  November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **25/25** |
| including in presentia | **0/0** |
| **Sergey Vladimirovich Kiryukhin** | June 25, 2019, Minutes No. 20 dd. June 27, 2019  May 29, 2020, Minutes No. 22 dd. May 29, 2020; | **2019–2020**  **2020–2021** | **29/38** |
| including in presentia | **0/0** |
| **Daniil Vladimirovich Krainsky** | May 29, 2020, Minutes No. 22 dd. May 29, 2020;  November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **25/25** |
| including in presentia | **0/0** |
| **Marina Alexandrovna Lavrova** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **2/2** |
| including in presentia | **0/0** |
| **Andrei Vladimirovich Mayorov** | May 29, 2020, Minutes No. 22 dd. May 29, 2020 | **2020–2021** | **23/23** |
| including in presentia | **0/0** |
| **Aleksei Yuryevich Perets** | June 25, 2019, Minutes No. 20 dd. June 27, 2019 | **2019–2020** | **15/15** |
| including in presentia | **0/0** |
| **Alexander Viktorovich Peshkov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **2/2** |
| including in presentia | **0/0** |
| **Egor Vyacheslavovich**  **Prokhorov** | May 29, 2020, Minutes No. 22 dd. May 29, 2020;  November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **25/25** |
| including in presentia | **0/0** |
| **Aleksandr Mikhailovich Pyatigor** | June 25, 2019, Minutes No. 20 dd. June 27, 2019 | **2019–2020** | **13/15** |
| including in presentia | **0/0** |
| **Vasily Vladimirovich Rozhkov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **2/2** |
| including in presentia | **0/0** |
| **Nikolay Ivanovich Sasin** | June 25, 2019, Minutes No. 20 dd. June 27, 2019  May 29, 2020, Minutes No. 22 dd. May 29, 2020;  November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2019–2020**  **2020–2021** | **40/40** |
| including in presentia | **0/0** |
| **Olga Andreevna Sergeeva** | June 25, 2019, Minutes No. 20 dd. June 27, 2019 | **2019–2020**  **2020–2021** | **15/15** |
| including in presentia | **0/0** |
| **Igor Vladimirovich Feoktistov** | November 23, 2020, Minutes No. 23 dd. November 27, 2020 | **2020–2021** | **2/2** |
| including in presentia | **0/0** |
| **Dmitry Alexandrovich Chevkin** | May 29, 2020, Minutes No. 22 dd. May 29, 2020;  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–А–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.

Assessment of the Board of Directors performance

In 2022, no special assessment of performance of the Board of Directors of Rosseti Northern Caucasus, PJSC was carried out. The Company has not approved the corresponding assessment methodology. While, in 2022, an assessment of the Company's corporate governance efficiency as a whole was made, including for the Board of Directors component. The relevant report was preliminary reviewed by the Audit Committee of the Board of Directors at a meeting held on September 22, 2022 (Minutes No. 156 dated September 22, 2022). The specified report was considered by the Board of Directors of the Company on October 28, 2022 (Minutes No. 515 dated October 31, 2022). Also in 2022, an annual analysis of the quality of the Company’s management was carried out by Expert RA rating agency (RAEX) The analysis was carried out, i. a. by factor “Management and Control Bodies”.

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 of Bank of Russia, as well as the Employee Corporate Code of Ethics and Business Conduct 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 (in accordance with the Charter of the Company), allowing the shareholders to get information about the candidates, sufficient to understand 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” at: <https://www.rossetisk.ru/shareholders_and_investors/korporativnoe_upravlenie/materialy-k-obshchim-sobraniyam-aktsionerov/>.

According to the Corporate Governance Code of 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 a strict sense of the above criteria, the Board of Directors of Rosseti Northern Caucasus, PJSC includes one independent director – N. I. Sasin, head of OPORA RUSSIA representative office in the Northern Caucasus Federal District, member of the Management Board of OPORA RUSSIA. 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.

The number of members of the Board of Directors of Rosseti Northern Caucasus, PJSC: 11 persons.

**Current Board of Directors** elected by the Annual General Meeting of Shareholders on June 16, 2022 (Minutes No. 25 dd. June 17, 2022). In accordance with Article 65 of the Federal Law “On Joint-Stock Companies”, the annual General Meeting of Shareholders was held by decision of the Board of Directors of the Company.

**Aleksey Valeryevich Molsky**

**Chairman of the Board of Directors**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on May 31, 2021.

Year of birth: 1980.

Education:

* higher, Moscow Power Engineering Institute, “Electric Power Systems and Grids” and “Economics and Management at the Enterprise”, engineer.

Information on positions held:

2012–2020 – Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board, Deputy Chairman of the Management Board for Investments, Capital Construction and Sales of Services of FGC UES, PJSC;

2016–2020 – Member of the Management Board of FGC UES, PJSC;

since 2020 and as of the end of 2022 – Deputy General Director for Investments, Capital Construction and Sales of Services of Public Joint-Stock Company Rosseti (concurrently), member of the Management Board of Public Joint-Stock Company Rosseti; Deputy General Director for Investments, Capital Construction and Sales of Services, Member of the Management Board (since October 2022) of Public Joint-Stock Company Federal Grid Company – Rosseti (previous full name until October 12, 2022 – Public Joint-Stock Company Federal Grid Company of the Unified Energy System, abbreviated name – FGC UES, PJSC).

Also, as of the end of 2022 – member of the Presidium of the Association “Russian National Committee of the International Council on Large Electric Systems of High Voltage” (RNC CIGRE), a member of the Boards of Directors of Rosseti Kuban, PJSC, TRK, PJSC, Rosseti Volga, PJSC, Rosseti Siberia, PJSC, Rosseti North-West, PJSC, Rosseti Siberia Tyvaenergo, JSC, TCC, JSC, R&D Center of FGC UES, Rosseti Lenenergo, PJSC, Rosseti Moscow Region, PJSC, Tomsk Backbone Grids, JSC, Energocenter, JSC, Yantarenergosbyt, JSC, Rosseti Tyumen, JSC, Rosseti Digital, JSC, Mobile GTPS, JSC, CIUS UES, JSC, IPS SakRusenergo, JSC, TaigaEnergoStroy, JSC, member of the Supervisory Board of the Association “NP Market Council”.

**Yuri Vladimirovich Goncharov**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on May 29, 2020.

Year of birth: 1977.

Education:

* higher, Moscow State Mining University, Management, Master of Management;
* higher, Moscow Institute of Economics, Jurisprudence, Bachelor of Law.

Information on positions held:

since 2018 and as of the end of 2022 – Chief Advisor of Rosseti, PJSC.

Also, as of the end of 2022, he is a member of the Boards of Directors of Rosseti Tyumen JSC, SZEUK JSC Rosseti Yantar, PJSC, Rosseti Kuban, PJSC, Rosseti Center, PJSC, Rosseti Volga, PJSC, IDGC of Ural,OJSC, Rosseti Northern Caucasus, PJSC, member of the Strategy Committee of the Board of Directors of Rosseti Northern Caucasus, PJSC, Chairman of the Audit Committee of the Board of Directors of Rosseti Northern Caucasus, PJSC.

**Nataliya Vladimirovna Paramonova**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on June 16, 2022.

Year of birth: 1970

Education:

* State Academy of Oil and Gas named after Ivan Gubkin, Process Automation Engineer;
* Institute of Business and Politics, economist with a degree in Accounting, Analysis and Audit.

Information on positions held:

since 2018 – Head of the Planning and Economic Department of the Tariff Policy Department, Director of the Department of Economics of Rosseti, PJSC, as of the end of 2022 – Head of the Department of Economics of Public Joint-Stock Company Rosseti.

Also, as of the end of 2022, – member of the Boards of Directors of Real Estate Engineering Center UES, JSC, Rosseti Yantar, JSC, Rosseti Northern Caucasus, PJSC, Kuban Backbone Grids, JSC, Chairman of the Strategy Committee of the Board of Directors of Rosseti Northern Caucasus, PJSC.

**Vladimir Yurievich Platonov**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on June 16, 2022.

Information on positions held:

since 2022 and as of the end of 2022 – Deputy General Director for Security of Public Joint-Stock Company Rosseti.

Also, as of the end of 2022 – a member of the Boards of Directors of Rosseti Northern Caucasus, PJSC, Dagestan Energy Supply Company, PJSC, Sevkavkazenergo, JSC.

**Daniil Vladimirovich Krainsky**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on May 29, 2020.

Year of birth: 1979.

Education:

* higher, Moscow State Law Academy, Jurisprudence, lawyer.

Information on positions held:

since 2017 – Chief Adviser, Adviser of Public Joint-Stock Company Rosseti, as of the end of 2022 – Deputy General Director for Legal Support of Public Joint-Stock Company Rosseti;

since 2018 – Deputy General Director for Legal and Corporate Governance of Rosseti Lenenergo, PJSC, as of the end of 2022 – Advisor to the General Director of Rosseti Lenenergo, PJSC (concurrently);

since 2020 and as of the end of 2022 – Deputy General Director for Legal Support of Public Joint-Stock Company Federal Grid Company – Rosseti (concurrently).

Since October 2022 – Member of the Management Board of Public Joint-Stock Company Federal Grid Company – Rosseti.

Also, as of the end of 2022 – member of the Boards of Directors of Rosseti Lenenergo, PJSC, Rosseti Siberia, PJSC, Rosseti Center, PJSC, Rosseti Moscow Region, PJSC, Rosseti Volga, PJSC, TRK, PJSC, Rosseti Yantar, JSC, R&D Center of FGC UES, JSC, Rosseti Tyumen, JSC, Rosseti Digital, JSC, CIUS UES, JSC, Public Joint-Stock Company Federal Grid Company – Rosseti, Rosseti Northern Caucasus, PJSC, Chairman of the Boards of Directors IDGC of Ural, OJSC, Rosseti Yug, PJSC, Rosseti Kuban, PJSC, Real Estate Engineering Center UES, JSC, member of the Management Board of Public Joint-Stock Company Rosseti, Public Joint-Stock Company Federal Grid Company – Rosseti, Rosseti Lenenergo, PJSC.

**Roman Alexeevich Levchenko**

**Executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on May 31, 2021.

Year of birth: 1979.

Education:

* Pyatigorsk Trade and Economic College, degree in Accounting, Control and Analysis of Economic Activity;
* higher, North Caucasian State University, Jurisprudence, lawyer.

Information on positions held:

2017–2021 – General Director of the Group Engineering, LLC;

2021–2022 – Deputy General Director for Interaction with Electricity Market Entities of Rosseti Northern Caucasus, PJSC;

2021–2022 – Acting General Director of Rosseti Northern Caucasus, PJSC;

since 2021 and as of the end of 2022 – member of the Management Board of Rosseti Northern Caucasus, PJSC;

2021–2022 – Acting Chairman of the Management Board of Rosseti Northern Caucasus, PJSC;

since 2022 and as of the end of 2022 – General Director, Chairman of the Board of Rosseti Northern Caucasus, PJSC.

Also, as of the end of 2022 – a member of the Board of Directors of Rosseti Northern Caucasus, PJSC.

**Andrei Vladimirovich Mayorov**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on May 29, 2020.

Year of birth: 1967

Education:

* higher, Moscow Power Engineering Institute (Technical University), degree in Electric Power Systems and Grids, electrical engineer;
* advanced training under the program “Management of Power Companies in a Market Economy”, State University of Management;
* Research and Technology Center of the Joint-Stock Company Federal Grid Company of the Unified Energy System (postgraduate training program), Candidate of Technical Sciences.

Information on positions held:

2018–2022 – Deputy General Director – Chief Engineer, First Deputy General Director – Chief Engineer of Public Joint-Stock Company Rosseti;

since 2020 and as of the end of 2022 – member of the Management Board of Public Joint-Stock Company Rosseti.

2020 – First Deputy Chairman of the Management Board — Chief Engineer of FGC UES, PJSC.

2020–2022 – First Deputy General Director – Chief Engineer of Public Joint-Stock Company Federal Grid Company – Rosseti, (previous full name until October 2020, 2022 – Public Joint-Stock Company Federal Grid Company of the Unified Energy System, abbreviated name – FGC UES, PJSC).

since 2022 and as of the end of 2022 – General Director of Rosseti – MES of the Center, PJSC.

Also, as of the end of 2022 – a member of the Boards of Directors of Rosseti North-West, PJSC Rosseti Northern Caucasus, PJSC, Public Joint-Stock Company Federal Grid Company – Rosseti, Chairman of the Board of Directors of Rosseti Volga, PJSC, member of the Board of the Association of Industry Digital Development Organizations “Digital Power Industry”, member of the Presidium of the Association “Russian National Committee of the International Council on Large Electric Systems of High Voltage” (RNC CIGRE).

**Alexey Alexanderovich Polinov**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on June 16, 2022.

Year of birth: 1978.

Education:

* higher, Moscow State University of Civil Engineering, degree in Economics and Management at the Enterprise (Construction Sector), economist-manager, Candidate of Economic Sciences.

Information on positions held:

since 2018 and as of the end of 2022 – Advisor to the General Director (concurrently), Deputy General Director for Economics and Finance, Member of the Management Board (since 2019) of Rosseti Lenenergo, PJSC;

2021–2022 – Chief Advisor, Acting Deputy General Director for Economics and Finance (since 2022) of Public Joint-Stock Company Rosseti;

2022 – Acting Deputy General Director for Economics and Finance (concurrently) of Public Joint-Stock Company Federal Grid Company – Rosseti (previous full name until October 2020, 2022 – Public Joint-Stock Company Federal Grid Company of the Unified Energy System, abbreviated name – FGC UES, PJSC).

since 2022 and as of the end of 2022 – Deputy General Director for Economics and Finance (concurrently) of Public Joint-Stock Company Federal Grid Company – Rosseti;

since 2022 and as of the end of 2022 – member of the Management Board of Public Joint-Stock Company Federal Grid Company – Rosseti.

Also, as of the end of 2022 – a member of the Board of Directors of Public Joint-Stock Company Federal Grid Company – Rosseti, Rosseti Lenenergo, PJSC, Rosseti Yantar, PJSC, Rosseti Siberia, PJSC, Rosseti North-West, PJSC, Rosseti Moscow Region, PJSC, Rosseti Yug, PJSC, Rosseti Kuban, PJSC, IDGC of Ural, OJSC, Rosseti Northern Caucasus, PJSC, Rosseti Digital, JSC, CIUS UES, JSC, FGC – Asset Management, LLC.

**Egor Vyacheslavovich Prokhorov**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on May 29, 2020.

Year of birth: 1982

Education:

* higher, St. Petersburg State University, degree in Mathematical Methods in Economics, economist-mathematician, Candidate of Economic Sciences.

Information on positions held:

2013–2022 – Deputy General Director for Finance, Deputy General Director for Strategy, Deputy General Director of Public Joint-Stock Company Rosseti;

2020–2022 – Deputy General Director for Strategy of FGC UES, PJSC (concurrently).)

Also, as of the end of 2022 – a member of the Boards of Directors of Rosseti Northern Caucasus, PJSC, TRK, PJSC.

**Nikolay Ivanovich Sasin**

**Independent member of the Board of Directors**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on June 20, 2016.

Year of birth: 1969

Education:

* Higher, Volsk Higher Military Base School of Red Star Order of Lenin Komsomol, engineer-economist;
* Federal State-Funded Educational Institution of Higher Professional Education Moscow State University of Economics, Statistics and Informatics, degree in “Business Valuation”;
* Federal State-Funded Educational Institution of Higher Professional Education Moscow Aviation Institute (NRU), Presidential program for managerial personnel “Management”;
* Federal State-Funded Educational Institution of Higher Professional Education Stavropol State Agrarian University, economist-manager, degree in Anti-crisis Management.

Information on positions held:

from 2010 and as for the end of 2022 – the Chairman of the Stavropol Regional Office of the All-Russian Public Organization of Small and Medium-Sized Enterprises OPORA RUSSIA,

since 2014 and as of the end of 2022 – a Coordinator in the Northern Caucasus Federal District, member of the Management Board of the All-Russian Public Organization for Small and Medium-Sized Enterprises OPORA RUSSIA;

2015–2020 – Investment Director of Goryachevodsky agricultural production cooperative;

since 2016 and as of the end of 2022 – the Chairman of the Regional Division in the Stavropol Territory of All-Russia political party PARTIYA ROSTA,

2017–2020 – Deputy General Director of Market Line LLC.

since 2020 and as of the end of 2022 – General Director of Rosseti – MES of the Center, PJSC.

since 2022 and as of the end of 2022 – General Director of SAS GROUP LLC.

Also as of the end of 2022 – member of the Audit Committee of the Board of Directors  
of Rosseti Northern Caucasus, PJSC, member of the Board of Directors of Rosseti Northern Caucasus, PJSC.

**Anton Sergeevich Ulyanov**

**Non-executive Director**

First elected to the Board of Directors of Rosseti Northern Caucasus, PJSC on June 16, 2022.

Year of birth: 1979.

Education:

* higher, State Higher Professional Education Institution “Moscow State Law Academy”, degree in Jurisprudence, lawyer.

Information on positions held:

2017–2021 – Deputy Head of Department – Head of Department of the Prosecutor General's Office of the Russian Federation;

2021 – Chief Advisor of Rosseti, PJSC;

since 2021 and as of December 29, 2022 – Director for Internal Control and Risk Management – Head of the Department for Internal Control and Risk Management of Public Joint-Stock Company Federal Grid Company – Rosseti;

since 2021 and as of the end of 2022 – Director for Internal Control and Risk Management – Head of the Department for Internal Control and Risk Management of Public Joint-Stock Company Rosseti (concurrently).

Also as of the end of 2022 – member of the Boards of Directors of Rosseti Siberia, PJSC, Rosseti Volga, PJSC, Rosseti Center and Volga Region, PJSC, Rosseti Northern Caucasus, PJSC, member 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.

**Current Board of Directors**

|  |  |
| --- | --- |
| **Criteria description** | **Indicator value** |
| **Total number** | **11 directors** |
| Status, including | |
| Independent directors | 9% (1 director) |
| Executive directors | 9% (1 director) |
| Non-executive directors | 82% (9 directors) |
| **Age, including** | |
| Under 35 years old, inclusive | 0% (0 directors) |
| From 36 to 65 years old inclusive | 100% (11 directors) |
| 66 years and older | 0% (0 directors) |
| **Length of service as a member of the Board of Directors of the Company\*, including** | |
| 1 year | 27% (3 directors) |
| 2–6 years | 64% (7 directors) |
| 7 years and older | 9% (1 director) |

\* The corporate year is taken as the year. The length of service for the entire period of work of the Board of Directors of the Company is indicated.

**Members of the Board of Directors elected by the annual General Meeting of Shareholders on May 31, 2021 (Minutes No. 24 dated June 2, 2021) and exercising powers until the election of new members of the Board of Directors in accordance with the resolution of the annual General Meeting of Shareholders dd. June 16, 2022 (Minutes No. 25 dated 17 June 2022)**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Candidate's full name** | **Director status** | **Position (as of the candidate nomination)** |
|  | Yuri Vladimirovich Goncharov | Non executive | Chief Advisor to Rosseti, PJSC |
|  | Pavel Vladimirovich Grebtsov | Non executive | Deputy General Director for Economics and Finance of Rosseti, PJSC |
|  | Vladislav Albertovich Kapitonov | Non executive | Director for Corporate Finance of Rosseti, PJSC |
|  | Daniil Vladimirovich Krainsky | Non executive | Deputy General Director for Legal Support of Rosseti, PJSC |
|  | Roman Alexeevich Levchenko | Executive | Acting General Director Rosseti Northern Caucasus, PJSC |
|  | Andrei Vladimirovich Mayorov | Non executive | First Deputy General Director – Chief Engineer of Rosseti, PJSC |
|  | Aleksey Valeryevich Molsky | Non executive | Deputy Director General for Investment, Capital Construction and Sales of Services of Rosseti, PJSC |
|  | Viktor Nikolayevich Palagin | Non executive | Deputy General Director for Security of Rosseti, PJSC |
|  | Egor Vyacheslavovich Prokhorov | Non executive | Deputy General Director for Strategy of Rosseti, PJSC |
|  | Nikolay Ivanovich Sasin | Independent | Head of Representative Office of OPORA RUSSIA in Northern Caucasus Federal District, member of the Management Board of OPORA RUSSIA |
|  | Igor Vladimirovich Feoktistov | Non executive | Director for Internal Control and Risk Management — Head of the Internal Control and Risk Management Department of Rosseti, PJSC |

Based on the information available, members of the Board of Directors of Rosseti Northern Caucasus, PJSC do not have participatory interest in the authorized capital of Rosseti Northern Caucasus, PJSC and its subsidiaries, do not own ordinary shares of Rosseti Northern Caucasus and its subsidiaries, and also in 2022 did not make transactions for the acquisition and (or) alienation of the Company's shares. In the reporting year, the Company had liability insurance agreements for directors and officers (D&O) concluded with VSK JSIC, providing for continuous insurance of the insured for liability arising from the infliction of losses/damage to third parties of the controlled companies of Rosseti Northern Caucasus, PJSC as a result of unintentional/erroneous actions/omissions of the insured in the course of their performance of relevant obligations.

This type of insurance was provided as part of the Insurance Coverage Program approved by the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 484 dated February 14, 2022), the total insurance premium for this type of insurance in 2022 amounted to 49.99 thousand rubles.

**5.3.3. Committees of the Board of Directors**

**Committees of the Board of Directors of Rosseti Northern Caucasus, PJSC** were established to improve the efficiency of the Board of Directors, develop recommendations for the Board of Directors and executive bodies of Rosseti Northern Caucasus, PJSC.

In Rosseti Northern Caucasus, PJSC the following committees are established and operate:

* Audit Committee;
* Personnel and Award Committee;
* Committee for Reliability;
* Strategy Committee;
* Committee for Technological Connection to Electric Power.

In its activities the committees members are guided by:

* Russian law;
* 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 Regulations on the Committee as amended** |
| --- | --- |
| Committee for Reliability | Minutes No. 310 dd. July 31, 2017 |
| Audit Committee | Minutes No. 518 dd. December 8, 2022 |
| Personnel and Award Committee | Minutes No. 172 dd. August 4, 2014 |
| Strategy Committee | Minutes No. 395 dd. October 31, 2019 |
| Committee for Technological Connection to Electric Power | Minutes No 417 dd. April 10, 2020 |

Texts of the Regulations on the Committees are available on the website of Rosseti Northern Caucasus in “For Shareholders and Investors/Charter and Bylaws / Documents of Corporate Governance Procedures” at: <https://www.rossetisk.ru/shareholders_and_investors/dokumenty/dokumenty_protsedur_upravleniya/>.

Minutes of the meetings of the Committees are available on the website of Rosseti Northern Caucasus in “For Shareholders and Investors / Corporate Governance / Committees of the Board of Directors” at: <https://www.rossetisk.ru/shareholders_and_investors/korporativnoe_upravlenie/komitety_soveta_direktorov/>.

**Audit Committee**

In order to assist the efficient discharge of the functions of the Board of Directors of the Company to the extent of preliminary consideration of issues related to control over the financial and economic activities of the Company, the Audit Committee of the Board of Directors of the Company was established under the Board of Directors of the Company.

Key tasks 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.

The number of the Committee members shall be no less than three (3) members. Members of the Committee are elected by the Board of Directors of the Company from among the candidates presented to members of the Board of Directors of the Company. During nomination of members of the Audit Committee, it is recommended that the following candidates have preferential treatment:

* those having a higher education in the field of finance, law, economics or management;
* those having experience of work in the field of internal audit, internal control and risk management, accounting (financial) statements, financial management (the candidates must understand the principles of preparation of accounting (financial) statements and be capable to "read" accounting (financial) statements), those having comparison and analysis skills;
* those having basic knowledge in the internal audit and control field;
* those having knowledge of the Company’s activities (branch, characteristics of the products produced, market position, competitive advantages etc.) and understanding the general regularities of business conductance.

Additionally, members of the Audit Committee shall have a reputation giving rise to no doubts as to whether they will discharge the obligations of members of the Committee in a conscientious way and act in the interests of the Company.

**Compositions of the Audit Committee in 2022**

|  |  |
| --- | --- |
| **Elected by the resolution of the Board of Directors dated July 16, 2021 (Minutes No. 470 dated July 19, 2021)** | **Elected by the resolution of the Board of Directors dated August 26, 2022 (Minutes No. 509 dated August 29, 2022)** |
| * Yuriy Vladimirovich Goncharov, Chief Advisor of Rosseti, PJSC (Chairman). * Vladislav Albertovich Kapitonov, Director for Corporate Finance of Rosseti, PJSC. * Nikolay Ivanovich Sasin, Head of Representative Office of OPORA RUSSIA in Northern Caucasus Federal District, member of the Management Board of OPORA RUSSIA | * Yuriy Vladimirovich Goncharov, Chief Advisor of Rosseti, PJSC (Chairman). * Anton Sergeevich Ulyanov, Director for Internal Control and Risk Management – Head of the Internal Control and Risk Management Department of Rosseti, PJSC * Nikolay Ivanovich Sasin, Coordinator of OPORA RUSSIA in the North Caucasus Federal District, member of the Management Board of OPORA RUSSIA |

*Comment.* The positions are specified as of the date of approval of the Committee composition.

Report on the Committee’s activity in 2022

17 meetings were held (in 2021 – 18, in 2020 – 14), of which three were held in the form of joint presence (in 2021 – two, in 2020 – three). At the meetings of the Committee in 2022, 39 issues were considered, including the following.

Individual decisions and issued recommendations

**The nominated third party auditor of the Company to conduct an audit of the accounting (financial) statements for 2022 was preliminary reviewed, and the amount of payment for the services of an auditor and the tendering procedures conditions to select an external auditor to audit the Company’s accounting (financial) statements were determined.**

* It was recommended that the Board of Directors:

- propose to the annual General Meeting of Shareholders of the Company to approve the nominated auditor of the Company – association of auditors (joint participant) as part of TSATR – Audit Services, LLC former name – Ernst & Young LLC) (leader of joint participant) and DELOVOY PROFIL Audit Company, JSC (member of the joint participant) (Minutes No. 151 dd. May 18, 2022);

- determine the amount of remuneration payable to the said auditor for audit of accounting (financial) statements for 2022 prepared under RAS and audit of consolidated financial statements for the year ending on December 31, 30 prepared under IFRS in the amount of 4,765,476.35 rubles, inclusive of VAT (20%) (Minutes No. 155 dated June 30, 2022).

* Conditions of the procurement procedure for the right to conclude a contract for conduction of audit of the accounting statements of the Company in accordance with RAS and IFRS for 2022 were approved (Minutes No. 147 dd. January 28, 2022).

**The efficiency of the third party audit of the accounting (financial) statements of the Company for 2021 was assessed, and the Procedure for assessing the quality of audit activities, auditors’ reports and efficiency of the process of external audit of accounting (financial) statements of the Company was approved.**

* Statement of the Audit Committee under the Board of Directors of the Company based on the results of assessment of the third party audit process and the Auditor’s Report on the accounting (financial) statements of the Company for 2021 issued by  
  Ernst & Young LLC was approved; it was recommended to include the specified statement in the list of materials provided to persons entitled to participate in the annual General Meeting of Shareholders of the Company (Minutes No. 153 dated May 24, 2022).
* Procedure for assessing the quality of audit activities, auditors’ reports and efficiency of the process of external audit of accounting (financial) statements of the Company was approved (Minutes No. 158 dated October 24, 2022).

**Written information provided by the third party auditor on the main problems of the accounting and reporting of the Company was reviewed.**

* Written information (audit report) of the auditor – Ernst & Young LLC was taken under advisement: on the main problems of accounting and reporting on the basis of:

- results of the interim audit of the accounting (financial) statements of the Company for 9 months 2021 prepared in accordance with RAS, and information from the management of the Company on absence of adjustments based of the results of the third party audit of the statements (Minutes No. 146 dated January 20, 2022);

- audit of accounting (financial) statements prepared in accordance with RAS for 2021, and information from the Company's management on adjustments not made based on the results of a third party audit of statements (Minutes No. 152 dated May 20, 2022);

- audit of consolidated financial statements prepared in accordance with IFRS and Federal Law No. 208-FZ for the 12 months of 2021, and information from the management on adjustments not made based on the results of the third party audit of the statements (Minutes No. 152 dated May 20, 2022).

**The information was discussed on non-standard operations and events of the Company, as well as the formation of a reserve for doubtful debts and estimated liabilities.**

* The information of the Company's management on non-standard operations and events, as well as on the formation of a reserve for doubtful debts and estimated liabilities for the period from January 1 to December 31, 2021, was taken under advisement (Minutes No. 152 dated May 20, 2022).

**RAS accounting (financial) statements of the Company, as well as IFRS consolidated financial statements were reviewed on a regular basis.**

* accounting (financial) statements of the Company for 2021 prepared in accordance with RAS (Minutes No. 152 dated May 20, 2022);
* consolidated financial statements of the Company and its subsidiaries for 2021 prepared in accordance with IFRS (Minutes No. 152 dated May 20, 2022);
* accounting (financial) statements of the Company for 3 months of 2022 prepared in accordance with RAS (Minutes No. 154 dated May 30, 2022);
* accounting (financial) statements of the Company for the first 6 months of 2022 prepared in accordance with RAS (Minutes No. 157 dated October 03, 2022);
* accounting (financial) statements of the Company for 9 months of 2022 (Minutes No. 161 dated December 21, 2022).

**The reports were considered on execution of action plan and internal audit activities results on a regular basis.**

* The Company’s IA&CD report on compliance with the plan of work and internal audit activities for 2021, including the results of self-assessment of internal audit quality as of the end of 2021, and on compliance with the plan of activities to develop and improve the internal audit of the Company in 2021 and the plan of activities aimed at professional development of internal auditors in the Company, were agreed; it was recommended that the Board of Directors of the Company approve the above report (Minutes No. 149 dated March 23, 2022);
* The reports of IA&CD of the Company on the implementation of the work plan and the results of internal audit activities were taken under advisement (Minutes No. 155 dated June 30, 2022 No. 156 dated September 2022, No. 161 dated December 2022).

**The Company’s IA&CD report on assessment of the corporate governance system efficiency in the 2021–2022 corporate year was preliminary reviewed.**

* It was recommended that the Board of Directors of the Company take under advisement the Audit Report No. 04-2022-SK dated July 27, 2022 “Assessment of the Company's Corporate Governance for the 2021–2022 Corporate Year” (Minutes No. 156 dated September 22, 2022).

**The Methodology for calculating and evaluating the fulfillment of functional KPIs by the head and employees of IA&CD of the Company was reviewed.**

* The revised Methodology for calculating and evaluating the fulfillment of functional KPIs by the head and employees of IA&CD of the Company was agreed, as well as target values of KPIs of the head and employees of IA&CD of the Company for 2022; it was recommended that the Board of Directors of the Company approve the specified Methodology and determine the target KPI values for the head and employees of the Company’s IA&CD (Minutes No. 149 dated March 23, 2022).
* The revised Methodology for calculating and evaluating the fulfillment of functional KPIs by the head and employees of IA&CD of the Company was agreed, as well as target values of KPIs of the head and employees of IA&CD of the Company for 2022; it was recommended that the Board of Directors of the Company approve the specified Methodology and determine the target KPI values (Minutes No. 159 dated November 15, 2022).

**The report on the organization and functioning of the internal control system was preliminarily reviewed.**

* It was recommended that the Board of Directors of the Company take under advisement the report on the organization, functioning and effectiveness of the internal control system and risk management system of the Company for 2021 (Minutes No. 154 dated May 30, 2022).

**The information from the internal audit on the results of assessing the progress of identifying and selling the Company's non-core assets in 2021 was preliminary reviewed.**

* It was recommended that the Board of Directors of the Company take under advisement the information from the Company's internal audit on the results of assessing the progress of identifying and selling the Company's non-core assets in 2021 (Minutes No. 154 dated May 30, 2022).

**The reports of the Audit Committee to the Board of Directors of the Company on the work done, as well as on the fulfillment of orders of the Audit Committee under the Board of Directors of the Company for the 2021–2022 corporate year were reviewed.**

* The Report on fulfillment of orders of the Audit Committee under the Board of Directors of the Company in the 2021–2022 corporate year (Minutes No. 153 dated May 24, 2022) was taken under advisement.
* It was recommended that the Board of Directors of the Company take under advisement the Report of the Audit Committee under the Board of Directors of the Company on the work done in the 2021–2022 corporate year (Minutes No. 154 dated May 30, 2022).

**The report of the department of internal audit of the Company on assessment of the efficiency of internal control and risk management systems in 2021**

* It was recommended that the Board of Directors of the Company take under advisement the report of the internal auditor of the Company on assessment of efficiency of the internal control and the risk management systems of the Company based on the results of 2021 and the opinion of the internal audit of the Company based on the results of assessing the reliability and efficiency of the internal control and the risk management systems, the efficiency of corporate governance of the Company (Minutes No. 152 dated May 20, 2022).

**Issues related to the implementation of the Company's Anti-Corruption Policy were considered.**

* It was recommended that the Board of Directors of the Company take under advisement the report on the consideration of the results of anti-corruption monitoring in the Company based on the results for 2021 (Minutes No. 148 dated February 22, 2022).
* The management’s information on the implementation of the Company’s Anti-Corruption Policy, including the results of anti-corruption monitoring based on the results of the first six months of 2022, was taken under advisement (Minutes No. 158 dated October 24, 2022).

**Material aspects of the Company's accounting policy in 2021 and planned changes for 2022 were considered.**

* The information on the material aspects of the Company's accounting policy in the 2021 reporting year and planned changes for the upcoming 2022 was taken under advisement (Minutes No. 146 dated January 20, 2022).

**The information from the Company’s management on implementation of corrective actions to address deficiencies revealed by the Company’s Auditing Commission, internal auditor, external control (supervision) bodies, on implementation of measures taken following information received on potential cases of fraudulent actions by employees and the results of the completed investigations, was considered.**

* The specified information from the Company's management was taken under advisement (Minutes No. 150 dated April 5, 2022, No. 158 dated October 24, 2022).

**The information on cooperation of the Audit Committee under the Board of Directors of the Company with the internal and third party auditors was considered.**

* The information from the third party auditor on planning the audit of the financial statements of the Company for 2022 and the information from the internal auditor on the organization of the internal audit activities in the Company and interaction with the Audit Committee under the Board of Directors of the Company was taken under advisement; the Company's IA&CD was instructed to ensure effective interaction with the third party auditor on assessing the efficiency of the internal control and risk management systems (Minutes No. 157 dated October 3, 2022).

**The work plan and budget of the Company’s IA&CD for 2023 were preliminary reviewed.**

* The work plan and budget of the Company’s IA&CD for 2023 were agreed, it was recommended that the Board of Directors of the Company approve the above-mentioned plan and budget (Minutes No. 162 dated December 27, 2022).

**Participation of members of the Audit Committee in meetings of the Committee in 2022\***

| **Full name of the Committee member** | **Decision of the Board of Directors on the election of the Committee** | **Corporate year when the person was a member of the Committee** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2022** | | | **17** |
| including meetings in presentia (in presentia/absentia) | | | **3** |
| **Yuri Vladimirovich Goncharov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **17/17** |
| including in presentia | **3/3** |
| **Vladislav Albertovich Kapitonov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **10/10** |
| including in presentia | **2/2** |
| **Anton Sergeevich Ulyanov** | August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2022–2023 | **7/7** |
| including in presentia | **1/1** |
| **Nikolay Ivanovich Sasin** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **17/17** |
| including in presentia | **3/3** |

\* In presentia – meetings that the person attended in the form of joint presence

\*\* A/B–А–number of meetings that the person attended; B–number of meetings held for the period, when the person was a member of the Committee.

**Personnel and Award Committee**

Key tasks 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.

The quantitative structure of the Committee shall be defined by the decision of the Company Board of Directors in the number that should not be less than 3 persons. Members of the Committee are elected by the Board of Directors of the Company from among the candidates presented to members of the Board of Directors of the Company. During the election of Committee members, their education, professional training, experience in the field of the Committee's activities and other special knowledge necessary for realization by Committee members of their authority should be considered.

**Compositions of the HR and Remuneration Committee in 2022**

|  |  |
| --- | --- |
| **Elected by the resolution of the Board of Directors dated July 16, 2021 (Minutes No. 470 dated July 19, 2021)** | **Elected by decision of the Board of Directors dated September 22, 2022 (Minutes No. 512 dd. September 26, 2022)** |
| * Yulia Viktorovna Kuznetsova, acting Deputy General Director for Staff Management of Rosseti, PJSC (Chairman) * Sergey Nikolaevich Mashchenko, Head of the Security Department of Rosseti, PJSC * Natalia Ilyinichna Erpsher, Deputy Head of the Department of Staff Management and Organizational Projecting of Rosseti, PJSC | * Yulia Viktorovna Kuznetsova, Acting Deputy General Director for Staff Management of Rosseti, PJSC (Chairman) * Sergey Nikolaevich Mashchenko, First Deputy Head of the Security Department of Rosseti, PJSC * Irina Viktorovna Kosinskaya, Deputy Head of the Department of Staff Management of Rosseti, PJSC |

*Comment. The positions are specified as of the date of approval of the Committee composition.*

Report on the Committee’s activity in 2022

Seven meetings were held (six in 2021, 14 in 2020), all in absentia (as in 2021 and 2020). At the meetings of the Committee in 2022, 15 issues were considered, including the following.

Individual decisions and issued recommendations:

* it was recommended that the Board of Directors of the Company elect R.A. Levchenko General Director of the Company from February 18, 2022 to February 17, 2025 (Minutes No. 96 dated February 16, 2022);
* candidates for certain positions in the executive body of the Company were preliminary approved, as determined by the Board of Directors of the Company (Minutes No. 97 dated March 16, 2022, No. 99 dated April 29, 2022);
* it was recommended that the Board of Directors of the Company approve reports on the results of assessment of performance of the General Director of the Company for Q1, Q2, Q3, Q4 of 2020 (Minutes No. 98 dated March 22, 2022);
* the results of activities of employees holding positions, the approval of nominees whereto is within the competence of the Board of Directors of the Company were considered, and appropriate recommendations to the General Director of the Company were prepared (Minutes No. 100 dated May 17, 2022);
* the Action Plan of the Personnel and Award Committee under the Company's Board of Directors for 2022–2023 corporate year was approved (Minutes No. 101 dd. September 27, 2022);
* the information on the state of the managerial talent pool and the key positions talent pool of the Company, as well as on the state of the youth talent pool of the Company was taken under advisement (Minutes No. 101 dated September 27, 2022).
* the updated composition of the managerial talent pool, the key positions talent pool and the youth talent pool of the Company was approved (Minutes No. 101 dated September 27, 2022);
* S. N. Mashchenko, First Deputy Head of the Security Department of Rosseti, PJSC, was elected Deputy Chairman of the Personnel and Award Committee under the Board of Directors of the Company (Minutes No. 102 dated November 17, 2022);
* it was recommended that the Board of Directors of the Company approve the budget of the Personnel and Award Committee under the Board of Directors of the Company for the 2nd half of 2022 – the 1st half of 2023 (Minutes No. 102 dated November 17, 2022).

**Participation of members of the Personnel and Award Committee in meetings of the Committee in 2022\***

| **Full name of the Committee member** | **Decision of the Board of Directors on the election of the Committee** | **Corporate year when the person was a member of the Committee** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2022** | | | **7** |
| including meetings in presentia (in presentia/absentia) | | | **0** |
| **Irina Viktorovna Kosinskaya** | September 22, 2022 (Minutes No. 26 dd. September 26, 2022). | 2022–2023 | **2/2** |
| including in presentia | **0/0** |
| **Yulia Viktorovna Kuznetsova** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  September 22, 2022 (Minutes No. 512 dd. September 26, 2022). | 2021–2022  2022–2023 | **7/7** |
| including in presentia | **0/0** |
| **Sergey Nikolaevich Mashchenko** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  September 22, 2022 (Minutes No. 512 dd. September 26, 2022). | 2021–2022  2022–2023 | **7/7** |
| including in presentia | **0/0** |
| **Nataliya Ilinichna Erpsher** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021); | 2021–2022 | **5/5** |
| including in presentia | **0/0** |

\* In presentia – meetings that the person attended in the form of joint presence

\*\* A/B–А–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 Reliability**

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 dated 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.

The number of members of the Committee is determined by a decision of the Board of Directors of the Company in an amount of not more than 7 people. Members of the Committee are elected by the Board of Directors of the Company from among the candidates presented to members of the Board of Directors of the Company.

**Compositions of the Committee for Reliability in 2022**

|  |  |
| --- | --- |
| **Elected by the decisions of the Board of Directors dated July 16, 2021 (Minutes No. 470 dated July 19, 2021), dated September 10, 2021 (Minutes No. 473 dated September 13, 2021)** | **Elected by the resolution of the Board of Directors dated August 26, 2022 (Minutes No. 509 dated August 29, 2022)** |
| * Leonid Vladimirovich Buzaev, Head of the Department for Operational and Technical Management of Rosseti, PJSC (Chairman) (elected to the Committee by the decision of the Board of Directors of the Company dated September 10, 2021, Minutes No. 473 dated September 13, 2021) * Alexander Viktorovich Pilyugin, Deputy Branch Director Rosseti, PJSC – Technical Supervision Center * Viktor Mikhailovich Abaimov, First Deputy General Director – Chief Engineer of Rosseti Northern Caucasus, PJSC | * Leonid Vladimirovich Buzaev, Head of the Department for Operational and Technical Management Rosseti, PJSC (Chairman) * Alexander Viktorovich Pilyugin – Deputy Director of Center of Financial Technologies. * Anna Vladimirovna Mudretsova, Head of the Department for the Development of Production Programs of the Department of Production Activities of Rosseti, PJSC * Viktor Mikhailovich Abaimov, First Deputy General Director – Chief Engineer of Rosseti Northern Caucasus, PJSC |

*Comment.* The positions are specified as of the date of approval of the Committee composition.

Report on the Committee’s activity in 2022

Three meetings were held (five in 2021, nine in 2020), in absentia (as in 2021 and 2020). At the meetings of the Committee in 2022, 10 issues were considered, including the following.

Individual decisions and issued recommendations:

* the following reports were taken under advisement:

- on readiness to organization and conduct of rescue and recovery operations in the autumn-winter period of 2021–2022 (Minutes No. 79 dd. February 4, 2022);

- on the results of the Company's work during the fire hazardous period (Minutes No. 79 dated February 4, 2022, No. 81 dated December 19, 2022);

- on the results of the Company's work during the thunderstorm period (minutes No. 79 dated February 4, 2022, No. 81 dated December 19, 2022);

- on the progress of the Company's preparations for work in the autumn-winter period of 2021–2022 and readiness of the Company to work in the autumn-winter period of 2021–2022 (Minutes No. 79 dd. February 4, 2022);

- on the results of the Company's work during the flood period of 2022 (Minutes No. 80 dated November 28, 2022);

* A. V. Pilyugin, Deputy Director of the Branch of Rosseti, PJSC – Technical Inspection Center, was elected Deputy Chairman of the Company’s Board of Directors Committee for Reliability (Minutes No. 80 dd. November 28, 2022);
* the Work Plan of the Company’s Board of Directors Committee for Reliability for the 2022–2023 corporate year was approved (Minutes No. 81 dated December 19, 2022);
* production programs, plans for retrofitting and upgrading, reconstruction and repair of the Company's power grid facilities for the period from 2023, as well as the results of the assessment of the technical condition of the facilities included in these programs were taken under advisement (Minutes No. 81 dated December 19, 2022).

**Participation of members of the Committee for Reliability in meetings of the Committee in 2022\***

| **Full name of the Committee member** | **Decision of the Board of Directors on the election of the Committee** | **Corporate year when the person was a member of the Committee** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2022** | | | **3** |
| including meetings in presentia (in presentia/absentia) | | | **0** |
| **Viktor Mikhailovich Abaimov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **3/3** |
| including in presentia | **0/0** |
| **Leonid Vladimirovich Buzaev** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **3/3** |
| including in presentia | **0/0** |
| **Anna Vladimirovna Mudretsova** | August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2022–2023 | **2/2** |
| including in presentia | **0/0** |
| **Alexander Viktorovich Pilyugin** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **3/3** |
| including in presentia | **0/0** |

\* In presentia – meetings that the person attended in the form of joint presence

\*\* A/B–А–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**

Key objectives of the Committee

development and submission of recommendations (conclusions) to the Board of Directors of the Company on areas of activity of the Board of Directors that are within the competence of the Committee, in particular: strategic development and priority areas of activity, innovation development, organization of business processes, business planning, dividend policy, risk management, assessment of the performance of the Company and its subsidiaries, as well as other tasks and areas defined by the Corporate Governance Code of the Bank of Russia.

The number of members of the Committee is determined by the Board of Directors of the Company and may not be less than 5 and more than 11 people. The personal structure of Committee shall be elected by the Company Board of Directors from the candidates presented by the members of the Company Board of Directors. During the election of Committee members, their education, professional training, experience in the field of the Committee's activities and other special knowledge necessary for realization by Committee members of their authority should be considered.

**Compositions of the Strategy Committee in 2022**

|  |  |
| --- | --- |
| **Elected by the resolution of the Board of Directors dated July 16, 2021 (Minutes No. 470 dated July 19, 2021)** | **Elected by the decisions of the Board of Directors dated September 8, 2022 (Minutes No. 510 dated September 12, 2022), dated October 5, 2022 (Minutes No. 513 dated October 6, 2022)** |
| * Vladislav Albertovich Kapitonov, Director for Corporate Finance of Rosseti, PJSC (Chairman) * Maria Vladimirovna Polyanskaya – First Deputy Head of the Strategy Department of Rosseti, PJSC. * Igor Vladimirovich Feoktistov, Director for Internal Control and Risk Management – Head of the Internal Control and Risk Management Department * Yuriy Vladimirovich Goncharov, Chief Advisor of Rosseti, PJSC. * Irina Vladimirovna Bogacheva, Deputy Head of the Division for Development of Investment Programs of the Department for Investment Planning and Reporting of Rosseti, PJSC | * Natalya Vladimirovna Paramonova – Head of Department of Economy of Rosseti, PJSC (Chairman) * Irina Vladimirovna Bogacheva, First Deputy Head of the Strategy Department of Rosseti, PJSC (early termination of powers by the decision of the Board of Directors dated October 5, 2022, Minutes No. 513 dated October 6, 2022) * Anton Sergeevich Ulyanov, Director for Internal Control and Risk Management – Head of the Internal Control and Risk Management Department of Rosseti, PJSC * Yuriy Vladimirovich Goncharov, Chief Advisor of Rosseti, PJSC. * Dmitry Dmitrievich Mikheyev – Head of the Department for Sale of Services of Rosseti, PJSC. * Yulia Gennadievna Obrezkova, Deputy Head of the Strategy Department of Rosseti, PJSC (elected to the Committee by the resolution of the Board of Directors dated October 5, 2022, Minutes No. 513 dated October 6, 2022) * Anna Vladimirovna Mudretsova , Head of the Department for the Development of Production Programs of the Department of Production Activities of Rosseti, PJSC (elected to the Committee by the resolution of the Board of Directors dated October 5, 2022, Minutes No. 513 dated October 6, 2022) |

*Comment.* The positions are specified as of the date of approval of the Committee composition.

Report on the Committee’s activity in 2022

Eleven meetings were held (13 in 2021, 11 in 2021), all in absentia (as in 2021 and 2020). At the meetings of the Committee in 2022, 24 issues were considered, including the following.

Individual decisions and issued recommendations

**Issues related to the Company's investment activities were considered.**

* It is recommended that the Board of Directors of the Company take under advisement the following reports:

- on approval of the investment program of the Company 2022–2026 and changes made to the Company's investment program for 2016–2022, approved by Order No. 1470 of the Russian Ministry of Energy dated December 30, 2016, as amended by Order of the Russian Ministry of Energy No. 32@ dated December 29, 2020 (Minutes No. 177 dated February 22, 2022);

- on the progress of implementation of the Company's investment projects included in the list of priority facilities (Minutes No. 178 dated April 4, 2022, No. 180 dated July 5, 2022, No. 183 dd. August 19, 2022, No. 185 dd. December 9, 2022).

- on the progress of implementation of the Company's investment program (Minutes No. 183 dated August 19, 2022, No. 185 dated December 9, 2022);

**The preferred risk (risk appetite) of the Company for 2022 was considered.**

* It was recommended that the Board of Directors of the Company approve the preferred risk (risk appetite) of the Company for 2022 (Minutes No. 181 dated July 14, 2022).

The register of non-core assets of the Company was considered.

* It was recommended that the Board of Directors of the Company approve the updated Registry of the Company’s Non-Core Assets (Minutes No. 178 dd. April 4, 2022).

**Issues related to business planning and financial and economic activities of the Company were considered.**

* It was recommended that the Board of Directors:

- approve the cost estimate of the Company for the Q1 2022 (Minutes No. 177 dated February 22, 2022);

- approve the business plan of the Company for 2022 and take under advisement the forecast indicators for 2023–2026 (Minutes dated June 8, 2022 No. 179);

- take under advisement the report on fulfillment of the Company's business plan (Minutes No. 184 dated November 7, 2022, No. 185 dated December 9, 2022);

- approve the business plan aggregated based on RAS principles and the business plan consolidated based on IFRS principles of Rosseti Northern Caucasus, PJSC Group for 2022 and take under advisement the forecast indicators for 2023–2026 (Minutes No. 184 dated November 7, 2022).

* The report on financial and economic activities for 2021 was taken under advisement (Minutes No. 183 dated August 19, 2022).

**Issues related to the achievement of the KPI of the General Director of the Company and the approval target KPI values were considered.**

* It was recommended that the Board of Directors approve:

- the report on fulfillment of the KPIs of the General Director of the Company “Implementation of the Company Development Plan” for 2020 (Minutes No. 182 dated August 9, 2022);

- the target values of the KPIs of the General Director of the Company for 2022 (Minutes No. 182 dated August 9, 2022);

- the report on fulfillment of key performance indicators (KPIs) of the General Director of the Company for 2021 (Minutes No. 186 dated December 22, 2022);

- amendments to the Methodology for calculating and evaluating the fulfillment of key performance indicators of the General Director of the Company (Minutes No. 187 dated December 29, 2022);

- amendments to the target KPI values of the General Director of the Company for 2022 (Minutes No. 187 dated December 29, 2022);

**Decisions were made regarding the organization of the Committee activities.**

* the Work Plan of the Company’s Board of Directors Strategy Committee for the 2021–2022 corporate year was approved (Minutes No. 177 dated February 22, 2022);
* It was recommended that the Board of Directors of the Company approve the budget of the Strategy Committee under the Board of Directors of the Company for the 2021–2022 corporate year (Minutes No. 179 dated June 8, 2022).
* Yu. G. Obrezkova was elected Deputy Chairman of the Strategy Committee under the Board of Directors of the Company (Minutes No. 184 dated November 7, 2022).
* The Work Plan of the Company’s Board of Directors Strategy Committee for the 2022–2023 corporate year was approved (Minutes No. 185 dated December 9, 2022);

**Participation of members of the Strategy Committee in meetings of the Committee in 2022\***

| **Full name of the Committee member** | **Decision of the Board of Directors on the election of the Committee** | **Corporate year when the person was a member of the Committee** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2022** | | | **11** |
| including meetings in presentia (in presentia/absentia) | | | **0** |
| **Irina Vladimirovna Bogacheva** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021); | 2021–2022 | **6/7** |
| including in presentia | **0/0** |
| **Yuri Vladimirovich Goncharov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  September 8, 2022 (Minutes No. 510 dd. September 12, 2022). | 2021–2022  2022–2023 | **11/11** |
| including in presentia | **0/0** |
| **Vladislav Albertovich Kapitonov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021); | 2021–2022 | **7/7** |
| including in presentia | **0/0** |
| **Dmitry Dmitrievich Mikheev** | September 8, 2022 (Minutes No. 510 dd. September 12, 2022). | 2022–2023 | **4/4** |
| including in presentia | **0/0** |
| **Anna Vladimirovna Mudretsova** | October 5, 2022 (Minutes No. 513 dd. October 6, 2022). | 2022–2023 | **4/4** |
| including in presentia | **0/0** |
| **Yuliya Gennadyevna Obrezkova** | October 5, 2022 (Minutes No. 513 dd. October 6, 2022). | 2022–2023 | **4/4** |
| including in presentia | **0/0** |
| **Nataliya Vladimirovna Paramonova** | September 8, 2022 (Minutes No. 510 dd. September 12, 2022). | 2022–2023 | **4/4** |
| including in presentia | **0/0** |
| **Maria Vladimirovna Polyanskaya** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  September 8, 2022 (Minutes No. 510 dd. September 12, 2022). | 2021–2022  2022–2023 | **7/7** |
| including in presentia | **0/0** |
| **Anton Sergeevich Ulyanov** | September 8, 2022 (Minutes No. 510 dd. September 12, 2022). | 2022–2023 | **3/4** |
| including in presentia | **0/0** |
| **Igor Vladimirovich Feoktistov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021); | 2021–2022 | **0/0** |
| including in presentia | **0/0** |

\* In presentia – meetings that the person attended in the form of joint presence

А/B – А – 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 Power**

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:

* development of proposals on improving the legal base of anti-monopoly legislation and provide consumers with non discriminatory access to technical connection to the electricity grid;
* development of proposals on improving the internal regulations and Company standards on providing consumers with non discriminatory access to technical connection to the electricity grid;
* development of principles and criteria for evaluating Company efficiency on technical connection of consumers to the electricity grid;
* evaluation of the Company’s efficiency on technical connection of consumers to the electricity grid;
* 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 technical connection of consumers to power grids and prospective development of power grids.
* development of proposals for improving the internal regulations and standards of the Company for the implementation of additional (non-tariff) services of the Company;
* development of proposals for optimizing and improving the efficiency of services, expanding the list of non-tariff services and additional services for consumers in the direction of other activities, taking into account the Concept of “Digital Transformation 2030”;
* development of principles and criteria for evaluating the effectiveness of the Company in the development and implementation of additional services;
* assessment of the effectiveness of the Company in the development and implementation of additional services;
* analysis of the current situation in the Company, and preparation of proposals to the Board of Directors of the Company regarding the development and implementation of additional (non-tariff) services, additional digital services for consumers.

The number of members of the Committee is determined by a decision of the Board of Directors of the Company in an amount of not more than 5 people. The personal structure of Committee shall be elected by the Company Board of Directors from the candidates presented by the members of the Company Board of Directors. During the election of Committee members, their education, professional training, experience in the field of the Committee's activities and other special knowledge necessary for realization by Committee members of their authority should be considered.

**Compositions of the Committee for Technical Connection to Power Grids in 2022**

| **Elected by the resolution of the Board of Directors dated July 16, 2021 (Minutes No. 470 dated July 19, 2021)** | **Elected by the resolution of the Board of Directors dated August 26, 2022 (Minutes No. 509 dated August 29, 2022)** |
| --- | --- |
| * Alexander Yurievich Korneev, Head of the Department of Technological Connection and Infrastructure Development of Rosseti, PJSC (Chairman) * Stanislav Mikhailovich Kuryavy, Head of the Department for Controlling the Operation of Subsidiaries and Affiliates of the Department of Technological Connection and Infrastructure Development of Rosseti, PJSC * Dmitry Nikolaevich Skripalshchikov, Head of the Department for the Prospective Development of the Electric Grid Infrastructure of the Department of Technological Connection and Infrastructure Development of Rosseti, PJSC * Leonid Viktorovich Dianov, acting Deputy General Director for Special Projects of Rosseti Northern Caucasus, PJSC | * Dmitry Nikolaevich Skripalshchikov, Head of the Department for the Prospective Development of the Electric Grid Infrastructure of the Department of Technological Connection and Infrastructure Development of Rosseti, PJSC (Chairman) * Stanislav Mikhailovich Kuryavy, Head of the Department for Controlling the Operation of Subsidiaries and Affiliates of the Department of Technological Connection and Infrastructure Development of Rosseti, PJSC * Leonid Viktorovich Dianov, Deputy General Director for Special Projects of Rosseti Northern Caucasus, PJSC * Yury Nikolaevich Ashikhmin, Director for Grid Development of MES of the South |

*Comment.* The positions are specified as of the date of approval of the Committee composition.

Report on the Committee’s activity in 2022

Six meetings were held (four in 2021, five in 2020), all in absentia (as in 2021 and 2020). At the meetings of the Committee in 2022, 14 issues were considered, including the following.

Individual decisions and issued recommendations:

**The reports and reporting information of the Company were considered:**

* on the current situation in the activities of the Company for the technical connection of consumers to electric grids (Minutes No. 46 dated March 3, 2022, No. 47 dated April 14, 2022, No. 49 dated June 30, 2022, No. 51 dated October 21, 2022);
* on fulfillment of KPIs for meeting the deadlines for the technical connection for 2021 (minutes No. 47 dated April 14, 2022), for 9 months of 2021 (Minutes No. 48 dated June 8, 2022), for Q1 2022 (Minutes No. 50 dated September 7, 2022);
* on the development of Comprehensive Programs for the Development of Electric Grids of 35 kV and Above on the Territory of the Constituent Entities of the Russian Federation for a 5-year Period, in 2022 (Minutes No. 47 dated April 14, 2022);
* on the Company’s participation in the development of a scheme and program for the development of the electric power industry of the constituent entities of the Russian Federation in 2022 (Minutes No. 49 dated June 30, 2022).

**Decisions were made regarding the organization of the Committee activities.**

* The Work Plan of the Committee for Technological Connection to Electric Power under the Board of Directors of the Company

- 2021–2022 corporate year (Minutes No. 46 dated March 3, 2022);

- 2022–2023 corporate year (Minutes No. 50 dated September 7, 2022);

* It was recommended that the Board of Directors of the Company approve the budget of the Committee for Technological Connection to Electric Power under the Board of Directors of the Company for the 2nd half of 2021 and the 1st half of 2022 (Minutes No. 48 dated June 8, 2022).
* L. V. Dianov, Deputy General Director for Special Projects of the Company, was elected Deputy Chairman of the Committee for Technological Connection to Electric Power under the Board of Directors of the Company (Minutes No. 51 dated October 21, 2022).

**Participation of members of the Committee for Technological Connection to Electric Power in Committee meetings in 2022\***

| **Full name of the Committee member** | **Decision of the Board of Directors on the election of the Committee** | **Corporate year when the person was a member of the Committee** | **Number of meetings, pcs.** |
| --- | --- | --- | --- |
| **Total meetings held in 2022** | | | **6** |
| including meetings in presentia (in presentia/absentia) | | | **0** |
| **Yury Nikolaevich Ashikhmin** | August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2022–2023 | **2/2** |
| including in presentia | **0/0** |
| **Leonid Viktorovich Dianov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **6/6** |
| including in presentia | **0/0** |
| **Aleksandr Yuryevich Korneyev** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021); | 2021–2022 | **4/4** |
| including in presentia | **0/0** |
| **Stanislav Mikhailovich Kuryavy** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **6/6** |
| including in presentia | **0/0** |
| **Dmitry Nikolayevich Skripalshchikov** | July 16, 2021 (Minutes No. 470 dd. July 19, 2021);  August 26, 2022 (Minutes No. 509 dd. August 29, 2022) | 2021–2022  2022–2023 | **6/6** |
| including in presentia | **0/0** |

\* In presentia – meetings that the person attended in the form of joint presence

\*\* A/B–А–number of meetings that the person attended; B–number of meetings held for the period, when the person was a member of the Committee.

**5.3.4. Corporate Secretary**

Corporate Secretary was elected in Rosseti Northern Caucasus, PJSC. Corporate Secretary ensures the proper observance of the procedure for preparation and holding of the General Meeting of Shareholders and activities of the Board of Directors. The status of the Corporate Secretary, requirements to the candidate, procedure for appointment and dismissal of the Corporate Secretary, subordination and procedure for communication with the management bodies and subdivisions of the Company as well as other aspects of the functions of the Corporate Secretary are established by the Regulations on the Corporate Secretary of the Company approved by the resolution of the Board of Directors of the Company (Minutes No. 268 dated November 21, 2016) (as amended, Minutes No. 402 dated December 16, 2019).

In accordance with the Regulations on the Corporate Secretary of Rosseti Northern Caucasus, PJSC, the functions of the Corporate Secretary of the Company include:

* taking part in ensuring smooth cooperation between the Company and regulatory authorities, trade organizers, registrator and any other professional players in the securities market;
* notification of the Company’s Board of Directors of any revealed violations of the Russian law or any internal policies of the Company, compliance with which shall be overseen by the Corporate Secretary of the Company as a part of its job duties;
* taking part in the Company’s interactions with its shareholders and in preventing any corporate conflicts, in implementation of the procedures as established by the law of the Russian Federation and the internal policies of the Company safeguarding the rights and legitimate interests of the Company’s shareholders, overseeing execution thereof;
* participating in organizing the preparation and holding of the General Meetings of Shareholders of the Company;
* taking part in implementation of the Company’s disclosure policy and ensuring safe keeping of the Company’s corporate documents within the powers conferred;
* participating in improvement of the Company’s corporate governance system and practice;
* rendering support to ensure ongoing operations of the Board of Directors;
* assistance to ensure ongoing operation of the Committees of the Board of Directors.

The Corporate Secretary of the Company shall have the right to:

* request and receive documents of the Company;
* upon instruction of the Chairman of the Board of Directors put forward questions within its competence for review to the executing bodies of the Company;
* supervise compliance of the Company officers and employees with the Charter and internal policies of the Company in the part falling within functions of the Corporate Secretary of the Company;
* interact with the Chairman of the Board of Directors of the Company and the Chairmen of the Committees under the Board of Directors of the Company;
* inform the Chairman of the Board of Directors and/or the Director General of the Company of any facts leading to inability of the Corporate Secretary to perform its functions.

In accordance with the resolution of the Board of Directors dated August 26, 2022 (Minutes No. 509 dated August 29, 2022), Marina Khalitovna Kumukova, Director of the Department for Corporate Governance and Shareholder Relations of the Company, was elected Corporate Secretary of Rosseti Northern Caucasus, PJSC.

Ensuring independence from the executive bodies of the Company

The Corporate Secretary of the Company is elected by the members of the Board of Directors of the Company in the manner prescribed by the Charter and the Regulations on the Corporate Secretary of the Company. The Corporate Secretary of the Company shall be functionally subordinate to the Board of Directors. The status of the Corporate Secretary, requirements to the candidate, procedure for appointment and dismissal of the Corporate Secretary, subordination and procedure for communication with the management bodies and subdivisions of the Company as well as other aspects of the functions of the Corporate Secretary are established by the Regulations on the Corporate Secretary of the Company to be approved by the Board of Directors of the Company.

Candidate for a position of the Company’s Corporate Secretary shall be nominated by the Chairman of the Board of Directors of the Company with account of requirements outlined in the Regulations on the Corporate Secretary of the Company. The Personnel and Award Committee under the Board of Directors of the Company shall give recommendations to the Board of Directors of the Company with regard to the nominees, size of remuneration and principles of bonus pay to the Corporate Secretary of the Company. The Board of Directors of the Company shall make a decision regarding election of the Corporate Secretary of the Company, determine the size of remuneration and principles of bonus pay to the Corporate Secretary of the Company with account of recommendations given by the Personnel and Award Committee.

The Corporate Secretary shall report to the Board of Directors of the Company, which shall annually assess the performance of and approve the report on work performed by the Corporate Secretary of the Company.

Information about the Corporate Secretary of the Company

**Marina Khalitovna Kumukova**

**Corporate Secretary**

Was elected Corporate Secretary of Rosseti Northern Caucasus, PJSC in August 2022.

Year of birth: 1973

Education:

* higher, Saratov State Academy of Law, jurisprudence, lawyer.

Information on positions held:

since 2009 has been working at Rosseti Northern Caucasus, PJSC, as of the end of 2022 – Director of the Department for Corporate Governance and Shareholder Relations of Rosseti Northern Caucasus, PJSC.

In 2022, the Corporate Secretary of the Company did not make transactions for the acquisition and (or) alienation of shares of the Company and (or) its subsidiaries, does not own shares of the Company and its subsidiaries.

**5.3.5. Executive management bodies of the Company**

The management of the current activity of the Company shall be executed by the sole executive body – General Director, and by the collegial executive body – Company’s Management Board. The General Director and the Management Board shall be accountable to the Company’s General Meeting of Shareholders and the Company’s Board of Directors.

**The Management Board is the collegial executive body of the Company**

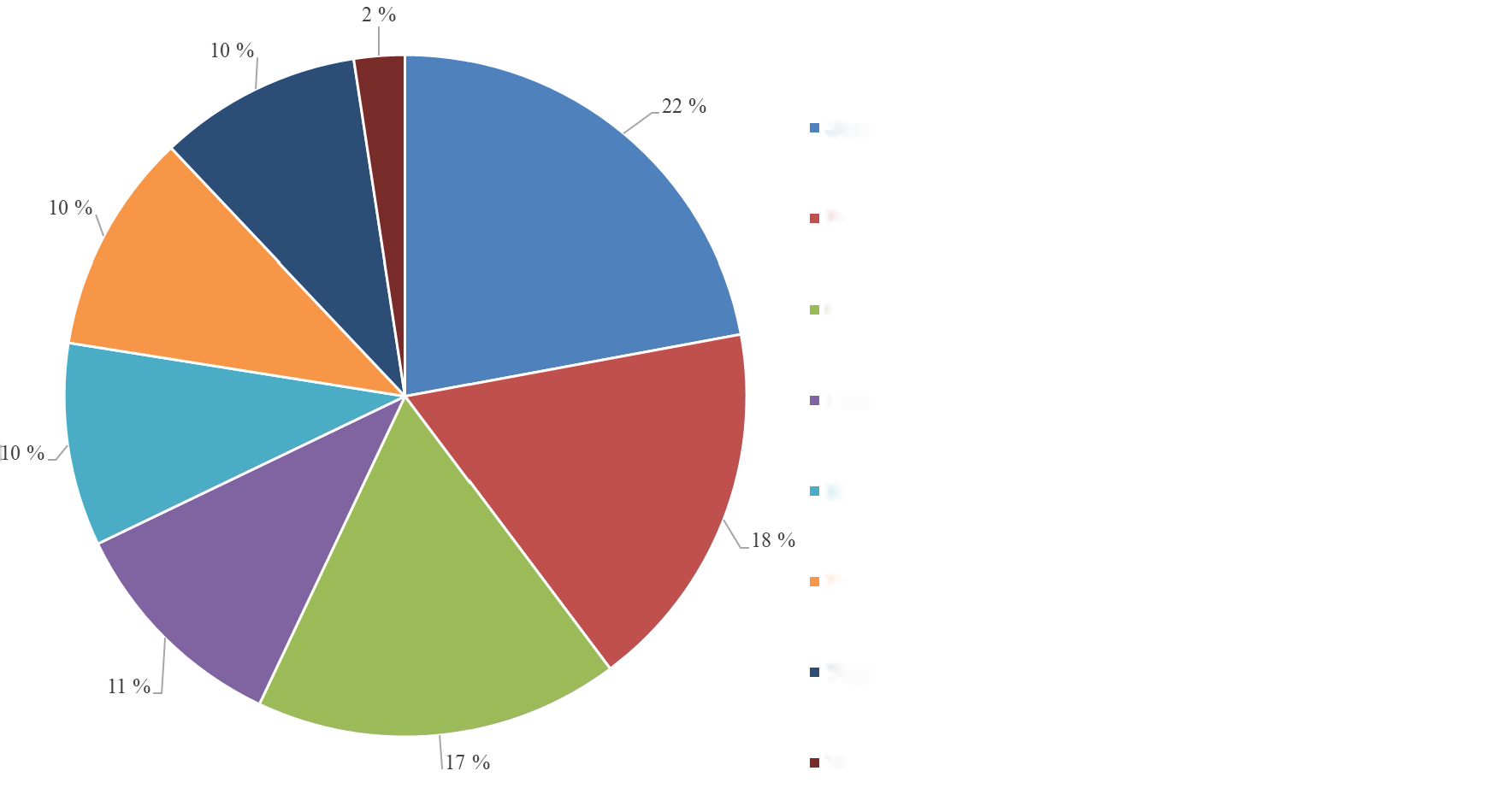
Election and size of the Management Board are determined by the Board of Directors of Rosseti Northern Caucasus, PJSC, based on the proposal of the General Director.

The competence of the Board is established by Article 22 of the Charter of Rosseti Northern Caucasus, PJSC and includes the following issues:

* working-out of the Company’s development strategy and its submission for consideration to the Board of Directors;
* preparation of a business plan and a quarterly report on the business plan fulfillment, as well as approval of the cash flow (budget) of the Company;
* preparation of the annual report of the Company, report on implementation by the Management Board of the resolutions passed by the Company's General Meeting of Shareholders and the Board of Directors;
* consideration of reports (information) of the Deputy General Directors of the Company, heads of standalone structural divisions of the Company on the activities of the Company and its subsidiaries and affiliates submitted for consideration by the Management Board of the Company in accordance with instructions from the Management Board or the Board of Directors of the Company;
* making decisions on matters assigned to the responsibility of supreme management bodies of business entities in which the Company owns 100%;
* making decisions on closing transactions dealing with properties, works and services book value whereof is equal to 1–25% of the book value of assets of the Company as defined according to the accounting (financial) statements as of the latest reporting date;
* effective risk management within the framework of the Company's current activity; approval of the budget for risk management measures in the Company within the limits agreed by the Board of Directors' resolution; solving cross-functional (accomplished by several structural subdivisions) issues for risk management;
* solution of other issues of the Company’s current activities management according to the decisions of the Company’s General Meeting of Shareholders, the Company’s Board of Directors, and the issues which were submitted by the Company’s General Director for the Management Board’s consideration.

In 2022, 62 meetings of the Management Board of Rosseti Northern Caucasus, PJSC were held (in 2021 – 20, in 2020 – 21), all in absentia (as in 2021 and 2020), 249 issues were considered (in 2021 – 53, in 2020 – 65).

**Categories of matters considered by the Management Board in 2022, %**



Economics and finance

Corporate governance and cooperation with shareholders development

Approval of agreements/contracts

Raising the grid reliability, innovative, technical development, investments, occupational safety, information technology, environmental policy

Personnel policy

Sale of services, TC and power efficiency policy

Risk management, internal audit, internal control

Property management and power grid assets consolidation

**Members of the Management Board of Rosseti Northern Caucasus, PJSC, as of December 31, 2022**

**Roman Alexeevich Levchenko**

**Chairman of the Management Board**

Was elected member of the Management Board of Rosseti Northern Caucasus, PJSC, in May 2021.

Information on R.A. Levchenko as provided as part of the information on the current membership of the Board of Directors of Rosseti Northern Caucasus, PJSC.

**Viktor Mikhailovich Abaimov**

Was elected member of the Management Board of Rosseti Northern Caucasus, PJSC, in September 2020.

Year of birth: 1972.

Education:

* Novocherkassk State Polytechnic University, degree in Power Supply for Industrial Enterprises, electrical engineer;
* South-Russian State Technical University (Novocherkassk Polytechnic Institute), Economics and Enterprise Management (Electricity Power Industry), managing economist.

Information on positions held:

2016–2020 – Deputy Chief Engineer for Operation – Head of DTP RO ROEX of IDGC of North-West, PJSC;

2020 – Acting First Deputy General Director – Chief Engineer of Rosseti Northern Caucasus, PJSC;

Since 2020 and as of the end of 2022 – First Deputy General Director – Chief Engineer, Member of the Management Board of Rosseti Northern Caucasus, PJSC.

As of the end of 2022, he is a member of the Committee for Reliability of the Board of Directors of Rosseti Northern Caucasus, PJSC.

**Ivan Sergeevich Komissarov**

Was elected member of the Management Board of Rosseti Northern Caucasus, PJSC, in October 2022.

Year of birth: 1983.

Education:

* Tver State Technical University, degree in Power Supply, engineer.

Information on positions held:

2019–2020 – Deputy General Director – organizer of design activities in the construction sector, Deputy General Director of TOK, LLC;

2020 – Director of Engineering of MTD Teplosnabzhenie LLC;

2020–2021 – Director of Engineering of the Group Engineering LLC;

2021–2022 – Assistant to the General Director of Rosseti Northern Caucasus, PJSC;

2021–2022 – Acting Deputy General Director for Investment Activities of Rosseti Northern Caucasus, PJSC;

since 2022 and as of the end of 2022 – Deputy General Director for investment activities, member of the Management Board of Rosseti Northern Caucasus, PJSC.

**Sergey Vladimirovich Smagin**

Was elected member of the Management Board of Rosseti Northern Caucasus, PJSC, in May 2021.

Year of birth: 1972.

Education:

* State Higher Professional Education Institution “Stavropol State University” degree in economics and management at the enterprise, managing economist.

Information on positions held:

2012–2020 – Advisor, Deputy Head of Department, Advisor Rostekhinventarizatsyya – Federal Bureau of Technical Inventorying, JSC

2020–2021 – Deputy Director of the Federal State Budgetary Institution “Stavropolmeliovodkhoz Directorate” in the Stavropol Territory;

2021 – Deputy Director of the Federal State Budgetary Institution “Department for Land Reclamation, Water Management and Safety of Hydraulic Structures” “Spetsmeliovodkhoz”;

since 2021 and as of the end of 2022 – member of the Management Board of Rosseti Northern Caucasus, PJSC;

2021–2022 – Assistant to the General Director of Rosseti Northern Caucasus, PJSC;

since 2022 and as of the end of 2022 – Deputy General Director – Chief of Staff.

**Sergey Alexandrovich Usevich**

Was elected member of the Management Board of Rosseti Northern Caucasus, PJSC, in May 2021.

Year of birth: 1978.

Education:

* FSFEI HE Bashkir State University, degree in jurisprudence;
* FSFEI HE Russian Academy of National Economy and Public Administration under the President of the Russian Federation, state and municipal administration.

Information on positions held:

2019–2020 – Head of the Control and Analytical Department of the Administration of the city of Ryazan;

since 2020 and as of the end of 2022 – Deputy General Director for Corporate Governance of Rosseti Northern Caucasus, PJSC;

since 2021 and as of the end of 2022 – member of the Management Board of Rosseti Northern Caucasus, PJSC.

As of the end of 2022 – a member of the Boards of Directors of Dagestan Energy Supply Company, PJSC, Sevkavkazenergo, JSC.

**Igor Vladimirovich Shmakov**

Was elected member of the Management Board of Rosseti Northern Caucasus, PJSC, in December 2021.

Year of birth: 1974

Education:

* Kuban State University;
* Federal State Budgetary Educational Institution of Higher Education Don State Agrarian University.

Information on positions held:

2016–2020 – Deputy General Director for Controlling of Rosseti Kuban, PJSC;

2020–2021 – Property Management Director – Head of the Property Management Department of the Executive Office of Rosseti Yug, PJSC;

since 2021 and as of the end of 2022 – member of the Management Board of Rosseti Northern Caucasus, PJSC;

2021–2022 – Assistant to General Director, acting as the First Deputy General Director;

since 2022 and as of the end of 2022 – First Deputy General Director, member of the Management Board of Rosseti Northern Caucasus, PJSC.

During 2022, the Company did not provide loans to members of the Management Board of the Company.

**General Director – the sole executive body of the Company**

The General Director shall perform the management by the Company’s current activities in accordance with the decisions of the Company’s General Meetings of Shareholders, Company’s Board of Directors and Company’s Management Board which were made in accordance with their competences.

The General Director acts without a power of attorney, taking into account the restrictions provided for by the law of the Russian Federation, the Charter and resolutions of the Board of Directors of the Company.

The competence of the Company's General Director includes all matters pertaining to the management of the company's day-to-day activities, with the exception of those matters which are referred to the competence of the Company's General Meeting of Shareholders, Board of Directors or Management Board. The competence of the General Director is established by Article 69 of the Federal Law “On Joint-Stock Companies” and Article 23 of the Charter of Rosseti Northern Caucasus, PJSC.

The General Director shall be governed by:

* Federal Law “On Joint-Stock Companies” and other regulations of the Russian Federation;
* Charter of Rosseti Northern Caucasus, PJSC;
* labor agreement.

The General Director shall be elected by the Company’s Board of Directors by the majority of votes of the members of the Board of Directors participating in the meeting. Recommendation of candidates for the position of the Company’s General Director for his/her election by the Company’s Board of Directors shall be carried out according to the internal document regulating the procedure of convocation and holding the Company’s Board of Directors.

In accordance with the resolution of the Board of Directors of Rosseti Northern Caucasus, PJSC dated April 2, 2021 (Minutes No. 457 dated April 5, 2021), the powers of Vitaly Valeryevich Ivanov, General Director of Rosseti Northern Caucasus, PJSC, were terminated ahead of schedule. Roman Alexeevich Levchenko, Deputy General Director for Interaction with Electricity Market Entities of Rosseti Northern Caucasus, PJSC, was appointed Acting General Director of Rosseti Northern Caucasus, PJSC, from April 6, 2021 until the date the Board of Directors of Rosseti Northern Caucasus, PJSC makes a decision to elect the sole executive body. By the resolution of the Board of Directors of Rosseti Northern Caucasus, PJSC dated February 18, 2022 (Minutes No. 486 dated February 18, 2022), Roman Alexeevich Levchenko was elected General Director of Rosseti Northern Caucasus, PJSC from February 18, 2022 to February 17, 2025. inclusive.

As of December 31, 2022, **Roman Alexeevich Levchenko** is the General Director of Rosseti Northern Caucasus, PJSC.

In 2022, General Director of Rosseti Northern Caucasus, PJSC did not make transactions to acquire and (or) alienate shares of Rosseti Northern Caucasus, PJSC and (or) its subsidiaries; does not own shares of the Company and its subsidiaries.

**5.4. System of remuneration for management bodies and Committees of the Board of Directors of the Company**

**Remuneration of Board of Directors members**

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 paying remuneration established by the Regulations on the payment of remuneration and compensation 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 dated 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 of the Company shall be made for the period from the date of election of a candidate to the Board of Directors of the Company until the date of termination of powers of a member of the Board of Directors of the Company.

Remuneration to each member of the Board of Directors shall be paid quarterly.

The amount of quarterly remuneration for membership in the Company’s Board of Directors of each member of the Company’s Board of Directors shall be calculated taking into account the total number of meetings of the Company’s Board of Directors for the reporting quarter and the number of meetings in which the member of the Board of Directors participated.

Additional charges and remuneration

The following bonuses shall be additionally determined:

30% of S(1)[[19]](#footnote-19) – to the Chairman of the Board of Directors of the Company;

20% of S(1) – to the Chairman of the specialized Committee of the Board of Directors of the Company;

10% of S(1) – for membership in a specialized committee of the Board of Directors of the Company

Bonuses for chairmanship and/or membership in a specialized Committee of the Board of Directors of the Company shall not be paid if there has not been a single meeting of the Committee for the reporting quarter.

Remuneration shall not paid, if the member of the Board of Directors did not attend more than 50% of the meetings heldin the reporting quarter.

Payment of remuneration shall be made at the expense of profits from unregulated activities.

Expenses related to participation in meetings of the Board of Directors, a specialized Committee of the Board of Directors, General Meetings of Shareholders of the Company are also planned to be compensated at the rates of reimbursement of travel expenses in force at the time of the meeting established for the Company's top managers.

Texts of the Regulations are available on the website of Rosseti Northern Caucasus, PJSC in "For Shareholders and Investors/Charter and Bylaws / Documents of Corporate Governance Procedures” at: <https://www.rossetisk.ru/shareholders_and_investors/dokumenty/dokumenty_protsedur_upravleniya/>.

**Amount of remuneration paid and expenses compensated to members of the Board of Directors of Rosseti Northern Caucasus, PJSC, during 2020–2022, thousand rubles**

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicator** | **2022** | **2021** | **2020** |
| Remuneration for participation in the management body work | 13,074.23 | 16,051.28 | 6,572.78 |
| Salaries | – | – | – |
| Bonuses | – | – | – |
| Fees | – | – | – |
| Other types of remuneration | – | – | – |
| Total | 13,074.23 | 16,051.28 | 6,572.78 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Reimbursement of expenses** | – | – | – |

**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.

Besides, in accordance with cl. 3.12 Regulations on the remuneration of employees of the Executive Office of Rosseti Northern Caucasus, PJSC (Appendix 2.6 to the Collective Agreement of Rosseti Northern Caucasus, PJSC for 2019–2024) when an employee is elected a member of the Management Board of the Company by order of the General Director of the Company, such employee may be given a personal allowance of 5% of the salary.

Also, in accordance with cl. 2.3 of Regulations on material incentives and benefit plan for top managers of Rosseti Northern Caucasus, PJSC, approved by the resolution of the Board of Directors of the Company on June 10, 2011 (Minutes No. 76 dated June 15, 2011) as amended on December 22, 2020 (Minutes No. 445 dated December 25, 2020), upon election of a senior manager as a member of the Management Board of the Company, by order of the General Director of the Company, he/she is given a personal bonus in the amount of up to 15% of the salary established for the senior managers.

**The amount of the remuneration paid and costs compensated to members of the Management Board of Rosseti Northern Caucasus, PJSC, during 2020–2022, thousand rubles**

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicator** | **2022** | **2021** | **2020** |
| Remuneration for participation in the management body work | 1,692.85 | 1,610.25 | 1,208.68 |
| Salaries | 35,318.53 | 39,875.16 | 29,966.67 |
| Bonuses | 7,023.59 | 4,687.39 | 13,964.30 |
| Fees | – | – | – |
| Other types of remuneration | – | – | – |
| Total | 44,034.97 | 46,172.80 | 45,139.65 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Reimbursement of expenses** | 2,639.42 | 2,485.19 | 3,470.24 |

**Remuneration of the General Director**

The General Director’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 General Director of Rosseti Northern Caucasus, PJSC, shall be determined in accordance with the Regulation on Financial Incentives for the General Director of Rosseti Northern Caucasus, PJSC, as approved by the decision of the Board of Directors of IDGC of Northern Caucasus OJSC, on June 10, 2011 (Minutes No. 76 dated June 15, 2011).

Regulation on material incentives for the General Director of Rosseti Northern Caucasus, PJSC regulates the amount of annual bonuses for the results of KPI achievement, and also provides for additional, special bonuses, as well as a one-time bonus for the performance of particularly challenging tasks (works).

**Remuneration of members of 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. Texts of the Regulations are available on the website of Rosseti Northern Caucasus, PJSC in “To Shareholders and Investors / Charter and Internal Documents /   
Documents of Corporate Governance Procedures” at: <https://www.rossetisk.ru/shareholders_and_investors/dokumenty/dokumenty_protsedur_upravleniya/>.

**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 RF power complex (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 is paid a 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 effected 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 2020–2022, thousand rubles**

|  |  |  |  |
| --- | --- | --- | --- |
| **Committee name** | **2022** | **2021** | **2020** |
| Strategy Committee | 327.78 | 470.53 | 51.86 |
| Personnel and Award Committee | 243.35 | 500.60 | – |
| Committee for Reliability | 100.84 | 354.85 | 30.25 |
| Audit Committee | – | – | – |
| Committee for Technological Connection to Electric Power | 312.88 | 251.68 | 25.93 |
| **Total** | 984.85 | 1 577.66 | 108.04 |

Remuneration payment was made in cash.

**5.5. Internal control, risk management and internal audit**

**Internal Control System**

The Company has an internal control system aimed at reasonable assurance in meeting the goals set for the Company in achieving the viability and effectiveness of the Company's activities, the safety of the Company's assets, compliance with the legislative requirements and local regulations of the Company, including those regulating the business operation and accounting, as well as ensuring the reliability and timeliness of preparation of the accounting (financial) statements and other reports. The main principles of the internal control system (hereinafter referred to as the ICS) are as follows.

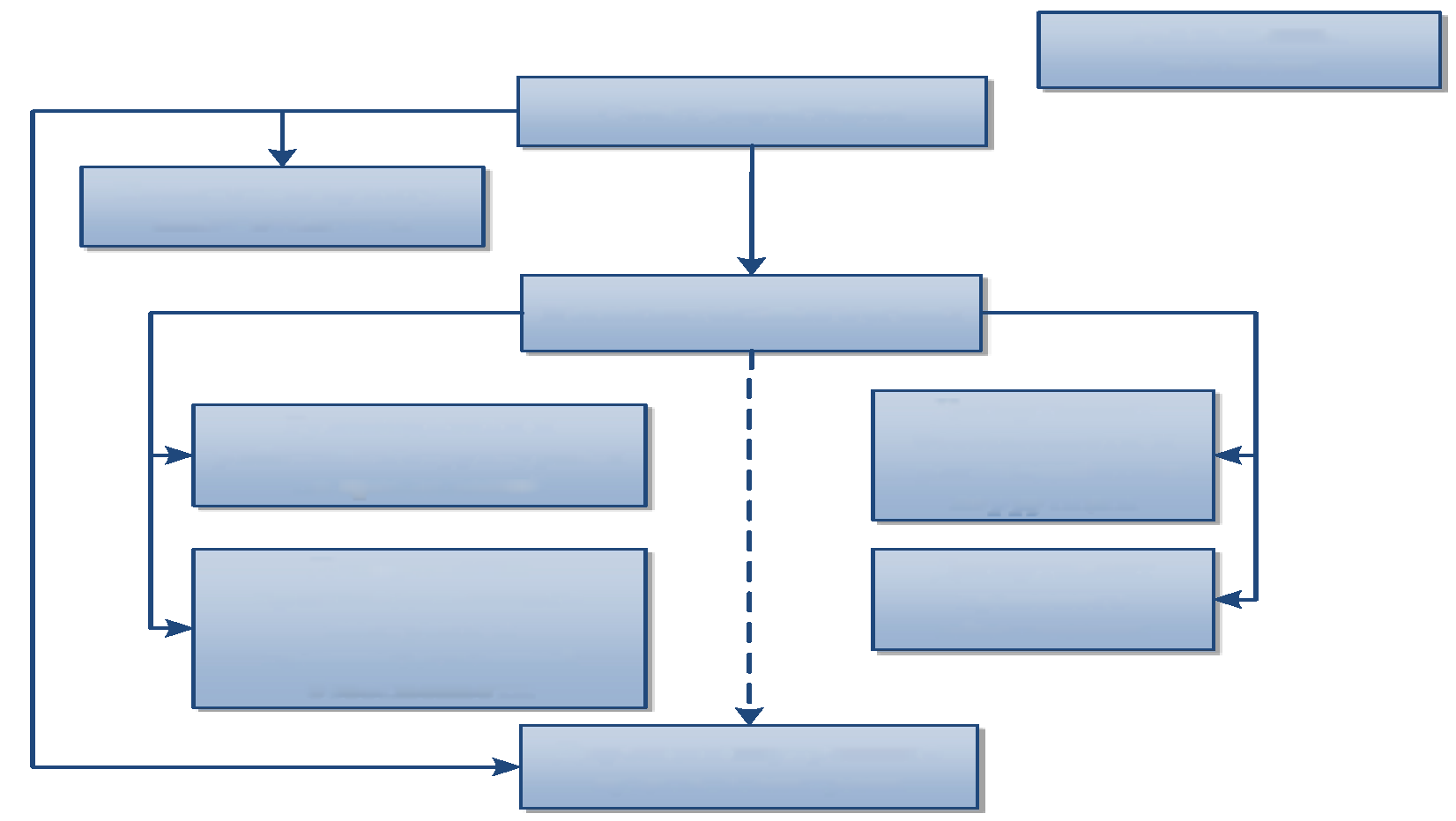
* The Company acts in a bona fide way and holds to ethical values.
  + - The Board of Directors of the Company is independent from the management and carries out control over the development and functioning of the internal control system.
    - The Board of Directors determines the organizational structure of the Company inclusive of the subordination lines while the Sole Executive Body assigns the respective authorities, duties and responsibilities in the process of he goals achievement.
    - The Board of Directors determines the organizational structure of the Company inclusive of the subordination lines while the Sole Executive Body assigns the respective authorities, duties and responsibilities in the process of he goals achievement.
    - The Company strives at recruitment, development and retention of competent workers in accordance with the goals set.
    - The Company determines clear goals which enables identification and evaluation of the risks impeding their achievement.
    - The Company identifies the risks impeding achievement of the whole range of their goals and carries out analysis and evaluation of risks for taking decision on the necessity to address the risk, establish the priority of risks addressing as well as taking decision on the methods of responding to the risk.
    - The Company takes into account the possibility of fraud during evaluation of the risks impeding achievement of the goals set.
    - The Company determines and evaluates the measurements that may significantly affect the internal control system.
    - The Company selects and elaborates control procedures enabling reduction of the risks impeding the goals achievement to an acceptable level.

The ICS 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 ICS 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” mode (see the figure):

* at the level of management bodies (chief executive officer and collective executive body), the Company’s units and subdivisions implementing the control procedures to perform their functions and official duties, that is the first protection line;
* at the level of the Company’s control subdivisions, that is the second protection line;
* at the level of the internal audit subdivision, that is the third protection line.

**ICS participants**



Auditing Commission

Department of Security and Corruption Fighting

Department of Legal Maintenance

Board of Directors

Executive Bodies

Internal Audit and Control Directorate

Department of Production Control and Production Safety

Heads of units and structural subdivisions

Audit Committee, other committees

The Company has organized the Directorate of Internal Audit and Control, which, in accordance with the Internal Control Policy and the Regulations on the Division, is entrusted with the functions of ensuring the implementation of the main and methodological documents for developing and improving the internal control system; assisting management in building an internal control system for business processes, developing recommendations for the description and implementation of control procedures in processes (areas of activity) and assigning responsibility to officials; preparing information on the state of the internal control system for stakeholders; interacting with state control and supervisory authorities on internal control issues.

The functions of ICS participants are set forth in the Company's Internal Control Policy, regulations on structural divisions and are presented in Appendix 5 to the Russian version of the Annual Report.

To ensure implementation and support of the effective system of the internal control functioning 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 dated March 15, 2016) ratifies the Internal Control Policy of Rosseti Northern Caucasus. The internal control policy defines the objectives, principles of operation and elements of ICS of the Company, main functions and responsibility of ICS participants, procedure to assess efficiency of ICS.

The Company has a procedure for implementing the requirements of the Internal Control Policy, describing the applied aspects of applying the provisions enshrined in the Internal Control Policy, approved by order of Rosseti Northern Caucasus, PJSC, No. 260 dated June 24, 2021 “On Approval of the Procedure for Implementing the Requirements of the Internal Control Policy in Rosseti Northern Caucasus, PJSC.”

Control procedures for the processes and sub-processes of the main and supporting activities, as well as the Company’s management processes are documented in the control and risk matrices, approved by order of Rosseti Northern Caucasus, PJSC No. 451 dated October 15, 2021 “On Approval of Schemes of Processes, Control and Risk Matrices”.

By Order No. 575 dated December 24, 2021, the Methodology for assessing the reliability of the efficiency of the internal control system and risk management system was approved.

To guarantee that ICS is efficient and conforms to the objectively changing requirements and conditions, the Company’s internal auditor assesses the efficiency of ICS for conformity to the target condition and maturity level.

The issue of assessing the effectiveness of the ICS based on the results of 2022 was preliminary considered at a meeting of the Audit Committee under the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 168 dated April 5, 2023). The level of development of the Company's ICS at the end of 2022 was assessed as intermediate between “Moderate” and “Optimal” (average score 4.3) and approved by the Board of Directors of the Company (Minutes No. 530 dated April 20, 2023), while at the end of 2021 the level of development of the ICS is at the “Moderate” level (average score 4.2) and was approved by the Board of Directors of the Company (Minutes No. 503 dated June 17, 2022).

**Risk Management System**

The Company has a risk management system (RMS), the purpose of which is to give reasonable assurance in the achievement of the set goals of the Company determined by the Strategy for Development of the Integrated Power Grids of the Russian Federation, the program documents and the Charter of the Company as well as provision for the Company’s value growth with respect to the balance of interests of all the stakeholders.

The Company's risk management system is based on the following main principles:

* risk management is an integral part of all the organizational processes;
* risk management is a part of the decision taking process;
* risk management is systematic, structured and well-timed;
* risk management is based on the best available information;
* risk management is transparent and respects the interests of stakeholders;
* risk management is dynamic, iterative (repetitive) and responds to changes;
* risk management promotes constant improvement of the organization;
* All RMS participants bear responsibility for detection, evaluation, analysis and continuous monitoring of risks within the framework of their activities, elaboration and adoption of the required risk management measures, continuous monitoring of efficiency of risk management measures.

For the purpose of functioning of the risk management system of Rosseti Northern Caucasus, JSC, the Risk Management Policy was approved by decision of the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 461 dated May 20, 2021). The risk management policy defines the goals, principles of operation and elements of the Company's risk management system, the main functions and responsibilities of participants in the risk management system, forms for assessing the efficiency of the risk management system.

Besides, the Company has the following methodological documents in the field of risk management (Order No. 176 dated April 23, 2020):

* Regulations on risk management of the Company;
* risk tree model;
* risk management system maturity model,

as well as the order of Rosseti Northern Caucasus, PJSC dated August 31, 2022 No. 382 “On approval of the Procedure for Determining the Preferred Risk (Risk Appetite) of Rosseti Northern Caucasus, PJSC;

By decision of the Board of Directors of Rosseti Northern Caucasus, PJSC, the preferred risk (risk appetite) of the Company was approved (Minutes No. 508 dated August 11, 2022).

Target indicators of preferred risk (risk appetite):

|  |  |
| --- | --- |
| 1. | Rosseti Northern Caucasus, PJSC, provides reliable and high-quality power supply. |
| 2. | Rosseti Northern Caucasus, PJSC, ensures the compliance with the provisions of the Occupational Safety and Health Policy and the principles of the Zero Accident Concept. |
| 3. | Rosseti Northern Caucasus, PJSC, ensures the development and increase in the availability of the power grid infrastructure. |
|
| 4. | Rosseti Northern Caucasus, PJSC, seeks to reduce electricity losses during its transmission and distribution. |
| 5. | Rosseti Northern Caucasus, PJSC, strives to maintain a stable financial position. |
| 6. | Rosseti Northern Caucasus, PJSC, seeks to reduce (minimize) the negative impact on the environment. |
| 7. | Rosseti Northern Caucasus, PJSC, ensures that the rights of shareholders are observed. |
|
| 8. | Rosseti Northern Caucasus, PJSC, opposes the violation of the requirements set forth in the law of the Russian Federation. |
|
| 9. | Rosseti Northern Caucasus, PJSC, strives to ensure technological and innovative development through the introduction of scientific research results and technologies. |
| 10. | Rosseti Northern Caucasus, PJSC, ensures the staff development in the integrated power grid complex and maintains a consistently high level of inflow of operational staff. |
|
|

**RMS participants**

The Company has organized the Directorate of Internal Audit and Control, which, in accordance with the Risk Management Policy and the Divisional Regulations, is entrusted with the functions of introducing and applying unified approaches to building, managing and coordinating the risk management system in the Company.

The functions of participants in the risk management system are set forth in the Company's Risk Management Policy, regulations on structural divisions, job descriptions and are given in Appendix 6 to the Russian version of the Annual Report.

The diagram shows the interaction of participants in the Company's risk management system.



To guarantee that risk management system is efficient and developed in line with the objectively changing requirements and conditions, the Company’s internal auditor assesses the efficiency of risk management system for conformity to the target condition and maturity level.

The level of development of the Company's RMS at the end of 2022 was assessed as intermediate between “Moderate” and “Optimal” (average score 4.4) and approved by the Board of Directors of the Company (Minutes No. 530 dated April 20, 2023), while at the end of 2021 was assessed as “Moderate” level (average score 4.1) and was approved by the Board of Directors of the Company (Minutes No. 503 dated June 17, 2022).

Rosseti Northern Caucasus, PJSC approved the Plan for Improving the Efficiency of the Internal Control and the Risk Management System by the Board of Directors of Rosseti Northern Caucasus by Minutes No. 470 dated July 19, 2021.

**Key activities aimed at improving the efficiency of the ICS and RMS in the Company, implemented in 2022:**

* The preferred risk (risk appetite) for 2022 was approved (Minutes of the Board of Directors of the Company No. 508 dated August 11, 2022);
* methods for determining risk appetite was updated in accordance with the standards of the Rosseti Group of Companies (Order No. 451 dated August 15, 2022);
* a decision was made on participation in training events for employees of the Rosseti Group of Companies on the organization and functioning of the risk management and internal control system in the following format: Knowledge Days (4 training events), conferences on topic-relates issues and development strategies for the risk management and internal control system;
* the existing anti-corruption compliance system was integrated into the overall internal control system and the risk management system by including controls in the field of anti-corruption compliance into the matrix of controls and risks of business processes of the Company (order of Rosseti Northern Caucasus, PJSC No. 451 dated October 15, 2021 “On approval of process schemes, matrices of controls and risks”;
* the Company's management conducted a self-assessment of control procedures for the processes and sub-processes of the main and auxiliary activities, as well as the Company's management processes in the control and risk matrices;
* conducting training events for management and employees on the organization and functioning of the ICS and RMS;
* creation of a unified database of counterparties on issues of liquidation and bankruptcy procedures initiated/introduced, published notices of meetings of creditors, posted notices of bidding for the sale of rights of claim against the Company, judicial acts adopted in bankruptcy proceedings, identified signs of interest, facts of deliberate and fictitious bankruptcy of counterparties established by bankruptcy commissioners;
* elimination of deficiencies in the internal control system identified by the internal audit, the Auditing Commission, third party control and supervision bodies.

**Measures to improve the ICS and RMS planned for 2023:**

* updating of regulatory and methodological documents in the field of ICS and RMS;
* improving approaches to integrating risk management into key business processes;
* developing a culture of risk awareness, conducting training events on the organization and functioning of the ICS and RMS.

**Risk management and internal control indicators**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicators** | **Unit of measurement** | **Period** | | | | |
| **2020**  **actual** | **2021**  **actual** | **2022**  **actual** | **Change, 2022/2021, %** | |
| Internal evaluation of ICS efficiency | score | 4.0 | 4.2 | 4.3 | 2.3 |
| Internal evaluation of RMS efficiency | score | 3.9 | 4.1 | 4.4 | 7.3 |
| Number of control activities taken to identify and minimize risks | pcs. | 4,937 | 5,828 | 9,278 | 59.19 |
| Number of reviewed materials (issues) of procurement activities | pcs. | 3,665 | 3,619 | 4,094 | 13.12 |
| Number of violations eliminated based on the results of audits conducted by third party supervisory authorities | pcs. (%) | 26 | 40 | 82 | 105 |
| Total amount of canceled fines based on the results of an appeal against decisions on bringing to administrative responsibility | million rubles | 34.725 | 42.125 | 10.266 | –75.6 |
| Total amount of funds received by the Company's budget from counterparties in bankruptcy and liquidation procedures | million rubles | 44.00 | 90.00 | 995.00 | 1,005.5 |
| Total amount of funds saved by the Company in connection with the acquisition through a bidding process of its own debt to debtors in bankruptcy proceedings | million rubles | – | – | – | – |

**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 (new edition), approved by the Board of Directors on December 9, 2021 (Minutes No. 481 dated December 13, 2021).

In 2022, 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 dated December 9, 2021 (Minutes No. 481 dated December 13, 2021);

Regulation on the Internal Audit and Control Directorate approved by the decision of the Board of Directors of the Company dated April 21, 2017 (Minutes No. 294 dated April 24, 2017);

Internal Audit Quality Guarantee and Improvement Program approved by the decision of the Board of Directors dated December 26, 2016 (Minutes No. 274 dated December 29, 2016

- 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 under 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 2022 corresponds to the assessment “generally complies”.

Based on the results of a third party independent assessment of the quality of internal audit activities in 2019, in order to fulfill clause 2 of issue No. 2 of the Minutes of the meeting of the Board of Directors dated February 14, 2020 (Minutes No. 409 dated February 17, 2020) and in accordance with the recommendations of the third party independent expert, employees of the Directorate of Internal Audit and Control of the Company developed an Action Plan for the development and improvement of the activities of the Company's internal audit for the period from 2020 to 2024. The above-mentioned Plan was approved by the Audit Committee (Minutes No. 116 dated March 5, 2020), approved by the Board of Directors of the Company (Minutes No. 417 dated April 10, 2020,). By the decision of the Audit Committee of Rosseti Northern Caucasus, PJSC, the above-mentioned Plan was amended (Minutes No. 128 dated January 19, 2021). By the decision of the Board of Directors of Rosseti Northern Caucasus, PJSC, amendments to the Action Plan for the development and improvement of the internal audit activities of Rosseti Northern Caucasus, PJSC for the period from 2020 to 2024 were approved (Minutes No. 448 dated February 1, 2021). By decision of the Audit Committee of Rosseti Northern Caucasus (Minutes No. 149 dated March 23, 2022), the Action Plan for the professional development of internal auditors in Rosseti Northern Caucasus, PJSC was approved. By decision of the Board of Directors (Minutes No. 503 dated June 17, 2022), the Action Plan for the Professional Development of Internal Auditors was approved.

**5.6. Auditing Commission**

In order to ensure control over the Company’s financial and economic activities, the General Meeting of Shareholders shall elect the Auditing Commission of the Company.

The competence of the Audit Commission is established by Article 85 of Federal Law “On Joint-Stock Companies” and Article 24 of the Charter of Rosseti Northern Caucasus, PJSC.

The competence of the Company’s Auditing Commission shall include the following:

* examination (audit) of the financial, accounting, settlement and other documentation of the Company related with carrying out by the Company of financial and economic activities in order to ensure its compliance with the Russian Federation laws, this Articles of Association, and internal documents of the Company;
* checking and analysis of the Company's financial position, its solvency, the internal control and risk management system functioning, liquidity of assets, relation of own and borrowed funds, correctness and timeliness of accruing and payment of the interest under the obligations, income arising out of other securities;
* control over cash spending of the Company in accordance with the approved business plan and budget of the Company;
* control over buildup of reserves and other special-purpose funds of the Company;
* audit of timeliness and correctness of managing settlement operations related to contracting parties and settlement of budgetary payments, as well as settlement operations related to salaries and emoluments, distribution and payment of dividends, and other settlement operations;
* control over compliance with the established procedure for managing bad debt expense;
* audit of business transactions of the Company conducted under concluded contracts;
* audit to verify whether material, manpower and financial resources necessary for conducting financial and economic activities are used in compliance with the terms and conditions of the ongoing contracts, applicable rules, regulations and standards, approved estimates and other documents that regulate the Company’s activities;
* supervision over preservation and use of main assets;
* checking the Company's cashier's department and property, the effectiveness of using the Company's assets and other resources, establishing the reasons for non-productive losses and expenses, finding the reserves for the Company's financial position improvement;
* checking of fulfilment of the orders for elimination of the violations and drawbacks previously found by the Company's Auditing Commission;
* developing recommendations for the Company's management bodies;
* carrying out of other actions (measures) related to examination of the Company’s financial and economic activities.

The Revision Commission is entitled to (and – should any material violation in finance and economic activities be found – shall) require the calling of an extraordinary General Meeting of Shareholders.

Functionality and performance of the Auditing Commission of the Company in the reporting year

Objectives of the Auditing Commission are as follows:

1) exercising control over Company’s financial and business activities;

2) carrying out independent evaluation of consistency of data contained in the Company’s annual report and annual accounting (financial) statements;

3) confirmation of the reliability of data contained in the Company’s report on interested-party transactions.

The Revision Committee functions as at forth in the Regulation on the Revision Committee of Rosseti Northern Caucasus, PJSC approved by the resolution of the Annual General Meeting of Shareholders (Minutes No. 25 dated June 16, 2022). Texts of the Regulations are available on the website of Rosseti Northern Caucasus, PJSC in "For Shareholders and Investors/Charter and Bylaws / Documents of Corporate Governance Procedures” at: <https://www.rossetisk.ru/shareholders_and_investors/dokumenty/dokumenty_protsedur_upravleniya/>.

In 2022, the Auditing Commission of the Company conducted an audit of the financial and economic activities of Rosseti Northern Caucasus, PJSC for 2021. The program for the audit of the financial and economic activities of the Company for 2021 was approved by the decision of the Auditing Commission of Rosseti Northern Caucasus, PJSC dated January 14, 2022 (Minutes No. 2 dd. January 14, 2022).

This Program included the following issues:

* assessment of the reliability of accounting (financial) statements formed as of December 31, 2021;
* analysis of work on controlling receivables;
* checking compliance with the procedure for conducting an annual inventory of assets and liabilities;
* analysis of profit and loss and financial standing of the Company as of December 31, 2021;
* assessment of the reliability of the Company's Annual Report for 2021;
* verification of the Company's activities in the field of organizing procedures and price audits of reports on the implementation of the Company's investment program, as well as measures aimed at eliminating violations and shortcomings contained in the expert opinions prepared based on the results of procedures and price audits of reports on the implementation of the Company's investment program;
* verification of compliance with the law of the Russian Federation in terms of following the procedure for concluding interested party transactions;
* other issues.

Opinion (report) of the Auditing Commission approved by the Auditing Commission  
of Rosseti Northern Caucasus, PJSC (Minutes No. 3 dated May 13, 2022), according to which an opinion is expressed on the reliability of the data contained in the Annual Report for 2021, the annual accounting (financial) statements of the Company for 2021 in all material respects. No facts of misrepresentation of information contained in the report on transactions made by Rosseti Northern Caucasus, PJSC in 2021, recognized in accordance with the law of the Russian Federation as interested party transactions, were revealed. This conclusion was included in the materials provided to the shareholders of Rosseti Northern Caucasus, PJSC in preparation for the annual General Meeting of Shareholders of the Company in 2022.

**Composition of the Auditing Commission**

In accordance with the Charter of the Company, the number of members of the Auditing Commission is 5 persons.

In 2022 the Company had two memberships of the Internal Auditing Commission.

The current composition of the Auditing Commission was elected by the annual General Meeting of Shareholders of Rosseti Northern Caucasus on June 16, 2022 (Minutes No. 25 dated June 17, 2022):

|  |  |  |
| --- | --- | --- |
| **Item No.** | **Full name** | **Information on members of the Auditing Commission** |
| 1 | Svetlana Nikolaevna Kovaleva (Chairman of the Auditing Commission) | Year of birth: 1980.  Education: higher.  Academy of Civil Aviation, degree in Jurisprudence, lawyer, graduated in 2002.  Self-regulatory organization of auditors “Russian Union of Auditors” (Association), “Training and Methodological Center of the Russian Union of Auditors “Intrecon-Intellect”, degree in “Professional Internal Auditor”, graduated in 2017.  Federal State-Owned Publicly-Funded Institution of Higher Education National Research University "Moscow Power Engineering Institute", degree in “Production management and Project Management, graduated in 2019.  Work experience:  2017–2022 – Director for Internal Audit – Head of the Internal Audit Department of Public Joint-Stock Company Federal Grid Company – Rosseti;  2020–2022 – Director for Internal Audit – Head of the Internal Audit Department of Public Joint-Stock Company Federal Grid Company – Rosseti (concurrently); |
| 2 | Artem Nikolayevich Kirillov | Year of birth: 1984.  Education: higher.  Moscow Power Engineering Institute, electric transport, engineer, graduated in 2008.  Work experience:  2019–2020 – Deputy Head of the Auditing Department of Public Joint-Stock Company Rosseti;  since 2020 – Chief Expert, Internal Control and Risk Management Department, Internal Control and Risk Management Department of Public Joint-Stock Company Federal Grid Company – Rosseti. |
| 3 | Elena Mikhailovna Roptanova | Year of birth: 1974  Education: higher.  Samara State Academy of Economics, qualification “Managing Economist”, degree in “Economics and Management at Enterprises”, graduated in 1996.  Qualification Assessment Center Association “Institute of Internal Auditors”, qualification – Internal Audit Expert, qualification level 7, date of issue – October 13, 2022.  Work experience:  2017–2020 – chief expert of the Internal Control Department of Moscow Telecommunications Center of Energy Systems, JSC;  2020 – January 2023 – Chief Expert of the Corporate Audit and SC Control Division of the Internal Audit Department of Public Joint-Stock Company Rosseti (concurrently);  since 2020 – Chief Expert of the Corporate Audit and SC Control Division of the Internal Audit Department of Public Joint-Stock Company Federal Grid Company – Rosseti. |
| 4 | Svetlana Mikhaylovna Trishina | Year of birth: 1979.  Education: higher.  Amur State University, qualification “Economist in Financial Work, Bank Employee”, degree in “Finance and Credit”, graduated in 2001.  International Academy of Expertise and Evaluation, advanced training in the “Internal Audit and Control in Profit-making Companies”, graduated in 2018.  International Academy of Expertise and Evaluation, advanced training in “Internal Audit”, graduated in 2021.  Center for Enterprise Reforms LLC, qualification certificate (Order of the Ministry of Labor No. 398n). Code E qualification 7 “management (control) of the internal audit service”, date of issue December 1, 2021  Work experience:  2020 – January 2023 – Deputy Head of the Internal Audit Department – Head of the Corporate Audit and SC Control Directorate of the Internal Audit Department of Public Joint-Stock Company Rosseti (concurrently);  2017 – Head of Financial Audit Department; Head of Financial Audit, Methodology and Reporting Department; Head of SC Internal Audit and Control Department; Deputy Head of the Internal Audit Department, Deputy Head of the Internal Audit Department – Head of the SC Internal Audit and Control Division of the Internal Audit Department of Public Joint-Stock Company Federal Grid Company – Rosseti. |
| 5 | Viktor Vladimirovich Tsarkov | Year of birth: 1977.  Education: higher.  Moscow Institute of Economics, qualification “Economist”, graduated in 2005.  Russian Academy of Public Administration under the President of the Russian Federation, qualification “Manager”, degree in “State and Municipal Administration”, graduated in 2007.  Self-regulatory organization of auditors “Russian Union of Auditors” (Association), “Training and Methodological Center of the Russian Union of Auditors “Intrecon-Intellect”, degree in “Professional Internal Auditor”, graduated in 2017.  Work experience:  2020 – January 2023 – First Deputy Head of the Internal Audit Department of Public Joint-Stock Company Rosseti (concurrently);  since 2017 – First Deputy Head of the Internal Audit Department of Public Joint-Stock Company Federal Grid Company – Rosseti; |

The composition of the Auditing Commission, as of May 31, 2021 to June 16, 2022, elected by the annual General Meeting of Shareholders of Rosseti Northern Caucasus, PJSC on May 31, 2021 (Minutes No. 24 dated June 2, 2021).

|  |  |  |
| --- | --- | --- |
| **No.** | **Candidate's full name** | **Position**  **(as of the candidate nomination time)** |
| 1 | Svetlana Nikolaevna Kovaleva | Director for Internal Audit – Head of the Internal Audit and Risk Management Department of FGC UES;  Director for Internal Audit — Head of the Internal Audit Department of Rosseti, PJSC (concurrently). |
| 2 | Viktor Vladimirovich Tsarkov | First Deputy Head of the Department of Internal Audit, FGC UES, PJSC.  First Deputy Head of the Internal Audit Department of Rosseti, PJSC (concurrently). |
| 3 | Svetlana Mikhaylovna Trishina | Deputy Head of the Department of Internal Audit – Head of the Corporate Audit and Control Directorate of the Department of Internal Audit of FGC UES, PJSC.  Deputy Head of the Internal Audit Department – Head of the Corporate Audit and SC Control Directorate of the Internal Audit Department of Rosseti, PJSC (concurrently). |
| 4 | Elena Mikhailovna Roptanova | Chief Expert of the Corporate Audit and Control Directorate of the Internal Audit Department of FGC UES, PJSC;  Chief Expert of the Corporate Audit and SC Control Directorate of the Internal Audit Department of Rosseti, PJSC (concurrently). |
| 5 | Maxim Gennadievich Kormiltsev | Chief Expert of the Corporate Audit and Control Directorate of the Internal Audit Department of FGC UES, PJSC;  Chief Expert of the Corporate Audit and SC Control Directorate of the Internal Audit Department of Rosseti, PJSC (concurrently). |

CVs of members of the Auditing Commission of the Company elected by the annual General Meeting of Shareholders of Rosseti Northern Caucasus, PJSC on May 31, 2021 (Minutes No. 24 dated June 2, 2021) are published in the Company’s Annual Report for 2021: <https://www.rossetisk.ru/shareholders_and_investors/raskrytie_informatsii/godovye_otchety/>.

Members of the Auditing Commission do not have stakes in the authorized capital (shares of any type) of Rosseti Northern Caucasus, PJSC and in the authorized capital of affiliated companies of Rosseti Northern Caucasus, PJSC.

There were no transactions between the Company and members of the Auditing Commission in 2022. Rosseti Northern Caucasus did not file any claims against the members of the Auditing Commission.

Based on the questionnaires provided by the members of the Auditing Commission, the Company considers:

* members of the Auditing Commission do not have family relations (spouses, parents, children, adoptive parents, adopted children, siblings, grandparents, grandchildren) with members of the Board of Directors, members of the collegial executive body, person holding the position (performing functions) of the sole executive body of Rosseti Northern Caucasus, PJSC:
* members of the Auditing Commission were not brought to administrative liability for offenses in the field of finance, taxes and fees, insurance, securities market or criminal liability (criminal record) for crimes in the field of economics and/or for crimes against the state;
* members of the Auditing Commission did not hold positions in the management bodies of profit-making organizations during the period when a bankruptcy case was initiated against these organizations and/or one of the bankruptcy procedures provided for in Article 27 of the Federal Law “On Insolvency (Bankruptcy)” was introduced.

**Remuneration of members of the Audit Commission**

In 2018, the Annual General Meeting of Shareholders approved the revised Regulation on Payment of Remuneration and Compensations to Members of the Audit Commission (Minutes No. 19 dated May 29, 2018).

The reward shall be payable to a member of the Auditing Commission of the Company following the outcome of work in the corporate year and depending on the degree of their participation in work of the Auditing Commission.

The reward due to a member of the Auditing Commission shall be determined relying on the reward base component. The basic remuneration to a member of the Auditing Committee shall be established based on the Company's revenue calculated according to the Russian Accounting Standards for the reporting year. The personal contribution coefficient is also taken into account, which is representative of participation of a member of the Auditing Commission in sessions of the Auditing Commission as well as their discharging additional duties in the capacity of Chairman or Secretary of the Auditing Commission. No reward shall be payable to a member of the Auditing Commission having missed more than half of the sessions that took place during the period of their membership in the Auditing Commission. If, during the corporate year, a member of the Auditing Commission actively participated in additional reviews carried out by the Auditing Commission or control actions undertaken by the Auditing 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 by demand of the shareholder(s) jointly holding at least 10% of voting shares of the Company, Chairman of the Auditing Commission shall be entitled to solicit from the General Meeting of Shareholders the increase in the actual amount of remuneration.

Members of the Auditing Commission, who are not subject to restrictions or prohibitions on receiving any payments from commercial organizations in accordance with federal laws, in case of visiting the Company's facilities, participating in meetings of the Company's Auditing Commission held at the actual location of the Company, as well as accomplishing other tasks of the Auditing Commission of the Company, the Company compensates documented expenses related to participation in the activities of the Auditing Commission of the Company.

Texts of the specified Regulations are available on the corporate website of Rosseti Northern Caucasus, PJSC in “For Shareholders and Investors/Charter and Bylaws / Documents of Corporate Governance Procedures” at: <https://www.rossetisk.ru/shareholders_and_investors/dokumenty/dokumenty_protsedur_upravleniya/>.

In 2022 payments to members of the Auditing Commission amounted to 793.94 thousand rubles. Remuneration payment was made in cash.

This Regulation also provides for payment to members of the Audit Commission of the Company of expenses related to participation in the activities of the Company's Audit Commission. In 2022, the Company did not make any relevant reimbursement of expenses.

**5.7. Third Party Auditor**

**Key information on the auditor of Rosseti Northern Caucasus, PJSC**

Full business name CENTER FOR AUDIT TECHNOLOGIES AND SOLUTIONS – AUDITING SERVICES Limited Liability Company

Abbreviated business name TSATR – AUDIT SERVICES LLC

TIN [Taxpayer’s Identification Number] 7709383532 PSRN [Principal State Registration Number]: 1027739707203

Location: 77 Sadovnicheskaya embankment, building 1, 115035 Moscow

Website: <https://www.b1.ru/>

E-mail:[info@b1.ru](mailto:info@b1.ru)

Reception phone/fax: (495) 755-97-00/755-97-01

TSATR – Audit Services LLC is a member of the Self-regulatory Organization of Auditors Association “Sodruzhestvo” (SRO AAS). An entry in the Register of Auditors and Audit Organizations was made on January 31, 2020 under main registration record number 12006020327.

**Auditor selection procedure**

TSATR – Audit Services LLC was recognized as the winner of an open two-stage tender without prequalification for the right to conclude a contract for the provision of services for the mandatory annual audit of the RAS financial statements and audit of the IFRS financial statements of subsidiaries and affiliates of Rosseti, PJSC for 2022 (Minutes of the meeting of the tendering committee of Rosseti, PJSC No. 7/468r dated May 12, 2022). The nominee for an auditor of the issuer 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 winding-up 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 shall not be arrested; the bidder’s economic operations participant shall not be suspended;

- shall not be included to the Register of Mala Fide Suppliers kept subject to Federal Act   
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 Act No. 2013-FZ dd. April 05, 5 “About the Contract System in the Sphere of Goods, Works, Services Procurements 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 law (for foreign persons) attaching properly certified translation thereof into Russian;

a bidder shall not have any arrears in taxes, levies, debts on other mandatory payments to the budget system of the Russian Federation (with the exception of amounts for which a deferral, installment plan, investment tax credit is granted in accordance with the [law](consultantplus://offline/ref=4FE008EB700014E1DC4BD37891ACD87EEAC918224040004A266111F7F6C879DB7DED2FEC7C2B3F98DE52C85125E93F3CD37AAAFC5334I6J9H) of the Russian Federation on taxes and levies that are restructured in accordance with the law of the Russian Federation, for which there is a court decision that has entered into force on recognizing the applicant's obligation to pay these amounts as fulfilled or which are recognized as uncollectible in accordance with the [law](consultantplus://offline/ref=4FE008EB700014E1DC4BD37891ACD87EEAC918224040004A266111F7F6C879DB7DED2FEC7C293898DE52C85125E93F3CD37AAAFC5334I6J9H) of the Russian Federation on taxes and levies) for the past calendar year, the amount of which exceeds twenty-five percent of the balance sheet value of the procurement participant's assets, according to the financial statements for the last reporting period;

- a bidder shall be a member of a self-regulatory organization of auditors:

* information about the bidder shall be included in the register of the self-regulatory organization of auditors;
* a bidder shall undergo third party performance monitoring;
* during the period of the competition and the expected signing of the contract, the bidder shall not be subject to suspension of membership in a self-regulatory organization of auditors.

In pursuance of the provisions of the Decree of the Government of the Russian Federation No. 925 dated September 16, 2015 “On the priority of goods of Russian origin, works, services performed, rendered by Russian entities, in relation to goods originating from a foreign state, works, services performed, provided by foreign entities” the classification of the bidder as a Russian or foreign entity is made on the basis of the documents of the bidder containing information on the place of its registration (for legal entities).

Procedure for nominating an auditor of the issuer for approval by the General Meeting of Shareholders (participants, members) of the Issuer, including the Issuer’s management body that makes a decision on nominating the Issuer’s auditor: The Audit Committee of the Issuer's Board of Directors exercises control over the selection of the auditor. In particular, the competence of the Audit Committee of the Board of Directors includes:

a) participation in development and agreement of the conditions for conductance of procurement procedures for selection of the external auditor, in particular – determination of the set and significance of the criteria for evaluation of procurement participants and the procedure for evaluation of the procurement participants’ bids;

b) supervision over the Company’s Auditor selection procedure compliance with the legislation and the in-house regulatory documents of the Company by way of participation of a representative of the Audit Committee in the work of the procurement commission related to selection of the external auditor in the capacity of the commission member or an independent observer;

c) assessing independence and impartiality of the Company's external auditor and exploring conflicts of interests (if any), analyzing all relations between the external auditor and the Company (delivery of any services in addition to the audit services, amount of remuneration for audit and nonaudit services, etc.) in order to detect any circumstances which may have effect on independence of the external auditor;

d) preparing recommendations for the Board of Directors on nominees for the position of the Company's external auditor

The Board of Directors nominates an auditor for the consideration and approval by the General Meeting of Shareholders.

The cost of services for Rosseti Northern Caucasus, PJSC for 2022 is determined in the amount of 4,765,476.35 rubles, including VAT of 20%.

The specified auditor was also approved by the decision of the annual General Meeting of Shareholders of Rosseti Northern Caucasus, PJSC on June 16, 2022 (Minutes No. 25 dated June 17, 2022).

The amount of payment for the auditor's services was approved by the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 511 dated September 15, 2022).

In 2022, Rosseti Northern Caucasus, PJSC did not provide other (non-audit) services as auditors.

No assessment of the performance of the third-party audit was conducted.

**5.8. Registrar**

By decision of the Board of Directors of Rosseti Northern Caucasus, PJSC (Minutes No. 8 dated April 20, 2007), Joint-Stock Company Registrar Society STATUS (License No. 10-000-1-00304 dated 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>.

**5.9. Management of subsidiaries and affiliates**

**Subsidiaries**

**JSC Dagestan Grid Company** (until April 3, 2015 – OJSC Energoservis) was founded in 2011 on the basis of the decision of the Board of Directors of the Company (Minutes No.68 dated December 24, 2010). Energoservis OJSC was called upon to increase the power efficiency of the Company and other grid companies in the North Caucasian Federal District. In June 2015, an agreement was signed between the Republic of Dagestan and Rosseti Northern Caucasus, PJSC on cooperation in the implementation of the project on establishment of joint venture company Dagestan Grid Company, and a Roadmap was signed for establishment of the joint power grid company and consolidation of the power grid complex of the Republic of Dagestan (Roadmap). Dagestan Grid Company, JSC arose as a result of the renaming of Energoservice, OJSC, which was given a new name, a new location and new OKVED codes (including 40.10.2 “Electricity Transmission"). As part of the Roadmap, the power grid property of Rosseti Northern Caucasus, PJSC, located on the territory of the Republic of Dagestan, was leased to Dagestan Grid Company, JSC from July 1, 2015. The Board of Directors of Rosseti Northern Caucasus, PJSC made a decision to define the maintenance of business continuity of the local grid operator in the Republic of Dagestan as a priority area of the Company's activity, and also approved the Roadmap for maintenance of activity of the local grid operator in the Republic of Dagestan (meeting date May 8, 2020, Minutes No. 421 dated May 12, 2020). Business activity The power transmission activities of Dagestan Grid Company, JSC were terminated in June 2020, after which the operational activities of Dagenergo, Branch of Rosseti Northern Caucasus, PJSC, began; 100% of shares of Dagestan Grid Company, PJSC is owned by Rosseti Northern Caucasus, PJSC.

**Dagenergoset, OJSC** was established on January 27, 2010. From April 1, 2010, the power grid assets of Dagenergo was leased to Dagenergoset OJSC. Dagenergoset OJSC carried out activity on power transmission in the territory of the Republic of Dagestan from 2010 to 2015. 100% of the shares of Dagenergoset OJSC are owned by Rosseti Northern Caucasus, PJSC.

There are no **affiliated companies** of Rosseti Northern Caucasus, PJSC.

Interaction of Rosseti Northern Caucasus, PJSC with subsidiaries is regulated by the Charter and internal documents. The procedure for the interaction of IDGC of Northern Caucasus OJSC with business entities whose shares (stakes) are owned by IDGC of Northern Caucasus OJSC, approved by the Board of Directors of the Company (Minutes No. 39 dated March 25, 2009) are also applicable in Rosseti Northern Caucasus, PJSC. This Procedure:

- regulates the implementation of the rights of a shareholder, a participant by Rosseti Northern Caucasus in relation to its subsidiaries and affiliates (subsidiaries and affiliates), certified by shares, participatory interests, to ensure the effective operation of the Company's representatives at general meetings of shareholders / participants, boards of directors and auditing commissions of subsidiaries and affiliates (Representatives of the Company);

- establishes the general conditions for corporate interaction between the Company and subsidiaries and affiliates in the areas specified in the Procedure, including corporate planning, organization and control of corporate actions when the management bodies of subsidiaries and affiliates consider issues on which, in accordance with the Company's Charter, the Company (Company's Representatives) are required to formulate their position.

The text of the document is posted on the Company's corporate website – <https://www.rossetisk.ru> – in the section “For Shareholders and Investors / Charter and By-Laws”.

**5.10. Authorized capital**

**General information on shares**

|  |  |
| --- | --- |
| Type and category of shares | Ordinary shares |
| Authorized capital in accordance with the Charter | 889,313,596 RUB |
| Nominal value of one share | 1 RUB |
| 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 dated 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 – Unified Energy System of Russia (RAO UES of Russia).

| **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 (notice) on the share issue (additional issue)** | **Number of placed shares of the issue (additional issue), pcs.** | **Nominal value of one share (rubles)** |
| --- | --- | --- | --- | --- | --- |
| 1 | Not registered | December 27, 2006  27.12.2006 1-01-34747-Е | December 27, 2006 | 150 | 1 |
| 2 | March 20, 2008 | March 20, 2008  20.03.2008 1-01-34747-E-001D | May 6, 2008 | 9 644 385 | 1 |
| 3 | March 20, 2008 | March 20, 2008  20.03.2008 1-01-34747-E-002D | May 6, 2008 | 2 695 250 | 1 |
| 4 | March 20, 2008 | March 20, 2008  20.03.2008 1-01-34747-E-003D | May 6, 2008 | 8 352 060 | 1 |
| 5 | March 20, 2008 | March 20, 2008  20.03.2008 1-01-34747-E-004D | May 6, 2008 | 8 690 357 | 1 |
| 6 | February 28, 2012 | February 28, 2012  1-01-34747-Е-005D | August 30, 2012 | 26 560 436 | 1 |
| 7 | May 30, 2013 | May 30, 2013  1-01-34747-Е-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 |
| **Total** | | | | 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 shares.

Basic conditions for additional share issue:

* method of placement – open subscription, while the shareholders of the Company were given a pre-emptive right to purchase additional shares;
* placement price (including for persons included in the list of persons having the pre-emptive right to acquire the placed additional shares) of one additional ordinary share – 32.44 rubles (determined by the decision of the Board of Directors of the Company dated March 11, 2020, Minutes No. 413 dated March 13, 2020);
* form of payment for additional shares – additional shares are paid for in cash in rubles of the Russian Federation by bank transfer.

Purpose of issue: increasing financial stability, reducing the issuer's debt burden.

Directions for using the funds received as a result of placement of securities:

* replenishment of the issuer's working capital;
* debt discharge;
* financing of design and survey work;
* financing a program to reduce power losses;
* construction of substations;
* fulfillment of obligations for technological connection;
* reconstruction of power grid facilities;
* modernization and optimization of information infrastructure.

These measures are provided for the by Company’s Development Plan and allow it to implement the critical projects related to improving the reliability and development of the power grid infrastructure of the North Caucasus Federal District, creating the necessary conditions for the social and economic development of the region in general. In the reporting year, the Company implemented the updated Development Plan of Rosseti Northern Caucasus, PJSC, approved by the Board of Directors of Rosseti, PJSC dated December 22, 2021 (Minutes No. 478 dated December 27, 2021). Also on December 29, 2022, the Board of Directors of the Public Joint-Stock Company Federal Grid Company – Rosseti, approved the Development Plan of Rosseti Northern Caucasus, PJSC (Minutes No. 604 dd. December 30, 2022); Successful implementation of the Development Plan will contribute to the achievement of the benchmarks for the development of the integrated power grid, established by the Strategy for the Development of the Integrated Power Grid of the Russian Federation, approved by Decree of the Government of the Russian Federation No. 511-r dated April 3, 2013. In addition, in accordance with Federal Law No. 390-FZ dated December 6, 2021 “On the Federal Budget for 2022 and 2023 – 2024 Planned Period” a part of the indicated funds raised by the Company in 2022 is used to make capital investments in the Company's capital construction facilities aimed at improving the reliability of the operation of the integrated power grid of the Northern Caucasus Federal District.

On April 18, 2022 The Bank of Russia registered a prospectus for ordinary shares of Rosseti Northern Caucasus, PJSC, according to which the term for the placement of securities was extended until March 20, 2023, in accordance with clause 12 of Article 22 of the Federal Law “On the Securities Market”, registration number of the additional issue: 1-01-34747-Е.

As of the end date of 2022, placement of specified additional shares was not completed.

**Equity capital structure**

**as of December 31, 2022**

**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** | 2,177 | 788,068 | 0.04 |
| Owners, legal entities | 58 | 55,453,746 | 3.03 |
| Joint ownership | 8 | 6,083 | 0.0003 |
| Nominee holders | 1 | 1,771,987,560 | 96.92 |
| Securities of unknown person | 1 | 13,904 | 0.001 |
| **Total** | **2,245** | **1,828,249,361** | **100** |

\* Taking into account the actually placed additional shares as of March 20, 2020 No. 1-01-34747-E.

**Information on shareholders with a share in the authorized capital of more than 5%\***

|  |  |  |  |
| --- | --- | --- | --- |
| **Shareholder, location** | **Reporting date** | **Number of shares, pcs.** | **Share of charter capital, %** |
| Public Joint-Stock Company Rosseti  Russia Moscow | as of December 31, 2020 | 987,027,550 | 98.76 |
| as of December 31, 2021 | 1,172,165,361 | 98.96 |
| as of December 31, 2022 | 1,763,783,737 | 96.47 |

\* Changes in the composition of shareholders with a share in the authorized capital of more than 5% during 2022 did not occur.

\* Taking into account the actually placed additional shares as of March 20, 2020 No. 1-01-34747-E.

**Information on the participation of residents and non-residents in the authorized capital of Rosseti Northern Caucasus, PJSC (as for May 22, 2022 – 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 of charter capital, %** |
| Residents | 4,392 | 1,184,398,624 | 99.99 |
| Non-residents | 23 | 118,815 | 0.01 |

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.

Events after the reporting date:

In January 2023, there were changes in the structure of the Company's share capital. Public Joint-Stock Company Federal Grid Company – Rosseti, in connection with the completion of the reorganization in the form of the merger with Public Joint-Stock Company Rosseti, Joint-Stock Company Far Eastern Energy Management Company – UNES, Open Joint-Stock Company Tomsk Backbone Grids and Joint-Stock Company Kuban Backbone Grids, became the parent company of the Rosseti Group, which manages the backbone and distribution power grid facilities of the Russian Federation.

Thus, on January 9, 2023, 96.72% [[20]](#footnote-20) of the Company's shares were transferred to Public Joint-Stock Company Federal Grid Company – Rosseti (Rosseti, PJSC).

**Company on the stock market**

**Capitalization, value and dynamics of shares of Rosseti Northern Caucasus, PJSC, for 2020–2022 based on the results of trading on Moscow Stock Exchange, PJSC**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Indicator** | **December 30, 2020** | **December 30, 2021** | **December 30, 2022** | **Dynamics for 12 months (2022), %** |
| Market Price, rubles\* | 29.44 | 26.84 | 11.76 | –56.2 |
| Capitalization\*, million rubles\* | 26,181.4 | 23,869.2 | 10,458.3 | –56.2 |
| **Indicator** | **2020** | **2021** | **2022** | **Dynamics for 12 months (2022), %** |
| Maximum price per year, RUB | 37.4 | 39.3 | 27.3 | –30.5 |
| Minimum price per year, RUB | 21.1 | 23.4 | 8.5 | –63.5 |
| Average daily trading amount, million rubles | 0.7 | 0.8 | 3.1 | 287.5 |
| Average daily trading amount , thousand pcs. | 22.5 | 28.1 | 246.7 | 777.9 |
| Average daily volume of trading, transactions | 111 | 115 | 466 | 305.2 |

\* Source -Moscow Exchange PJSC website, <https://www.moex.com/s26>.

**Dynamics of the market value of the shares of Rosseti Northern Caucasus, PJSC, the MICEX-Electricity Index and the Moscow Exchange Index in 2022**

****

MICEX Index – Power Engineering

Index IMOEX

Rosseti Northern Caucasus, PJSC

In 2022, the market share price and capitalization of Rosseti Northern Caucasus, PJSC decreased by 56.2%. The Moscow Exchange-Electricity Index (MOEXEU) for the same period decreased by 27.1%, while the Moscow Exchange Index (IMOEX) showed a decrease of 43.1%. The average daily volume of transactions with shares of Rosseti Northern Caucasus, PJSC in 2022 amounted to 3.1 million rubles, which is 283.1% more than the same indicator for 2021. The dynamics of the market price of the shares of Rosseti Northern Caucasus, PJSC for most of the period generally corresponded to the dynamics of the Moscow Exchange-Electricity Index.

In the period from February 28 to March 23, 2022, shares were not traded by decision of Moscow Exchange, PJSC.

During the first six months of 2022, one of the factors that outlined the dynamics of the shares of companies included in the MOEXEU index calculation base was traditionally investors' expectations regarding news about the payment of dividends on shares. While, in connection with a loss, dividends on shares of Rosseti Northern Caucasus, PJSC were not declared or paid, which was expected by investors.

Besides, in connection with the entry into force of Decree of the Government of the Russian Federation No. 351 dated March 12, 2022 “On the specifics of disclosure and provision in 2022 of information subject to disclosure and provision in accordance with the requirements of the Federal Law “On Joint-Stock Companies” and the Federal of the Law “On the Securities Market”, and the specifics of disclosure of insider information in accordance with the requirements of the Federal Law “On Counteracting the Misuse of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation”, public joint-stock companies were granted the right not to disclose or provide information in an abbreviated form that is to be disclosed in pursuance of these laws until the end of 2022.

During 2022, Rosseti Northern Caucasus strived not to reduce the set level of transparency by continuing the purposeful implementation of the information policy of the Company. Based on the opinion of the Company, the information policy implementation is one of the most important tools for interaction with shareholders, investors and other stakeholders, which contributes to the long-term relationships and trust, as well as increasing the investment potential of the Company. In 2022, in order to strengthen the transparency and develop corporate governance practices, the Company revised the Resolution on Information Policy Revised Resolution on Information Policy of Rosseti Northern Caucasus, PJSC was approved by the Board of Directors of the Company on June 14, 2022 (Minutes No. 503 dated June 17, 2022).

**5.11. Relationships with Shareholders and Investors**

The activities of Rosseti Northern Caucasus, PJSC are associated with responsibility to shareholders, the State, suppliers, consumers, employees and society at large.

The Company carries out its activities taking into account the interests of shareholders. The Company strives after maintenance of an efficient dialogue with shareholders based on commonality of goals of the Company and their shareholders. The Company shareholders possess a bundle of rights with regard to the Company with the Board of Directors and the executive authorities of the Company to ensure compliance with and protection of such rights. Company shareholder rights are regulated by current laws, Charter bylaws and internal Company documents.

**Main shareholder rights[[21]](#footnote-21)**

| **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-clause 1 of cl. 6.2 of Article 6, cl. 11.8 of Article 11 of Charter, sub-cl. 2 of Article 31 of Federal Act “On Joint-Stock Companies” |  |  |  |  |  |
| Disposal of shares owned by them without consent of other shareholders and Rosseti Northern Caucasus, PJSC | sub-cl. 4 of cl. 2.5 of Article 2 of Charter, sub-cl. 4 of cl. 1 of Article 2 of Federal Act “On Joint-Stock Companies” |  |  |  |  |  |
| Entry of a proposal to the agenda of the General Meeting of Shareholders | sub-clause 2 of cl. 6.2 of Article 6, cl. 13.1 of Article 13 of the Charter, cl. 1 of Article 53 of Federal Act “On Joint-Stock Companies” | ***Х*** | ***Х*** |  |  |  |
| Obtaining of information on the activities of Rosseti Northern Caucasus, PJSC and familiarization with documents | sub-clause 3 of cl. 6.2 of Article 6, cl. 26.5 of Article 26 of the Charter, cl. 4 of Article 11, Article 91 of Federal Law “On Joint-Stock Companies” |  |  |  |  |  |
| Receipt of dividends declared | sub-clause 4 of cl. 6.2 of Article 6 of the Charter, sub-cl. 2 of Article 31 of Federal Act “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 | cl. 5.5 of Article 5, sub-cl. 5 of cl. 6.2 of Article 6 of Charter, sub-cl. 1 of cl. 1 of Article 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-clause 6 of cl. 6.2 of Article 6 of the Charter, sub-cl. 2 of Article 31 of Federal Act “On Joint-Stock Companies” |  |  |  |  |  |
| Familiarization with the list of persons having the right to participate in the General Meeting of Shareholders | cl. 4 of Article 51 of Federal Law “On Joint-Stock Companies” | ***Х*** |  |  |  |  |
| Nomination of candidates to the Board of Directors | cl. 13.1 of Article 13, sub-cl. 14.9.2 of cl. 14.9 of Article 14 of the Charter, cl. 1 of Article 53 of Federal Act “On Joint-Stock Companies” | ***Х*** | ***Х*** |  |  |  |
| Nomination of candidates to the Auditing Commission | cl. 13.1 of Article 13 of the Charter, cl. 1 of Article 53 of Federal Law “On Joint-Stock Companies” | ***Х*** | ***Х*** |  |  |  |
| Initiation of the Extraordinary General Meeting of Shareholders | sub-cl. 1 of cl. 14.3 of Article 14 of the Charter, cl. 1 of Article 55 of Federal Law “On Joint-Stock Companies” | ***Х*** | ***Х*** | ***Х*** |  |  |
| Initiation of the examination (audit) of the financial and economic activity of Rosseti Northern Caucasus, PJSC | cl. 24.7 of Article 24 of the Charter, cl. 3 of Article 85 of Federal Law “On Joint-Stock Companies” | ***Х*** | ***Х*** | ***Х*** |  |  |
| Familiarization with the accounting documents and minutes of the meetings of the Management Board and request of copies of these documents | cl. 26 of Article 14 of the Charter, cl. 5 of Article 91 of Federal Law “On Joint-Stock Companies” | ***Х*** | ***Х*** | ***Х*** | ***Х*** |  |
| 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 law of the Russian Federation | sub-cl. 7 of cl. 6.2 of Article 6 of the Charter, cl. 7 of Article 49, cl. 6 of Article 68 of Federal Law “On Joint-Stock Companies” |  |  |  |  |  |
| Claim for losses caused to the Company/shareholder | sub-cl. 8 of cl. 6.2 of Article 6 of Charter, sub-cl. 4 of cl. 3 of Article 6, cl. 5 of Article 71 of Federal Law “On Joint-Stock Companies” |  |  |  |  |  |
| Challenging of transactions made by the Company on the grounds specified by the law 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-cl. 9 of Para. 6.2 of Article 6 of the Charter, cl. 6 of Clause 79, Para. 1 of Clause 84 of Federal Act “On Joint-Stock Companies” | ***Х*** |  |  |  |  |

\* Shareholders holding jointly the designated number of voting shares may jointly exercise the relevant right.

* - Right available.

Х – Right unavailable.

In order to ensure that the shareholders of the Company can exercise their rights, the Company regularly discloses and (or) provides the shareholders of the Company with information on various issues related to the activities of the Company. Ensuring timely disclosure of information about the Company's activities is also a key factor in interaction with the investment professionals. Rosseti Northern Caucasus, PJSC interacts with shareholders and investors and discloses the information, inter alia, on the basis of the relevant plan, which is published on the corporate [website](https://www.rossetisk.ru/shareholders_and_investors/kalendar_investora/) of the Company in the section “To Shareholders and Investors / Investor Calendar”.

See more details about the information disclosure policy for shareholders and investors in subsection “Disclosure of Information on the Securities Market”.

Contact details for shareholders and investors are available on the Company's website – <https://www.rossetisk.ru> in sections "Company / Contact Data and Details” and "For Shareholders and Investors / Contact Data”.

**5.12. Profit distribution and dividend policy**

**Dividend policy**

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 dated February 6, 2018). The text of the Regulations is published on the Company's website in the “For Shareholders and Investors / Charter and By-Laws / Dividend Policy Documents” section at: <https://www.rossetisk.ru/shareholders_and_investors/dokumenty/dokumenty_dividendnoy_politiki/>.

**Basic principles of the dividend policy of the Company:**

* compliance of the practice of accrual and payment of dividends in the Company with the law of the Russian Federation and corporate governance standards (Decree of the Government of the Russian Federation No. 1094-r dated 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 dividend payments on a quarterly basis, if the relevant criteria are met;
* ensuring of the maximum transparency (clarity) of the mechanism for determining the amount of dividends and the procedure for their payment;
* ensuring of the positive dynamics of the amount of dividend payments 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 2019–2021, million rubles\***

| **Indicator** | **for 2019**  **(Annual General Meeting of Shareholders in 2020)** | **for 2020**  **(Annual General Meeting of Shareholders in 2021)** | **for 2021**  **(Annual General Meeting of Shareholders in 2022)** |
| --- | --- | --- | --- |
| Retained profit (loss) in the reporting period, including: | –9,779.321\*\* | –11,228.085 | –14,241.288 |
| 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 2020 (for 2019) – Minutes of the Annual General Meeting of Shareholders No. 22 dated May 29, 2020;
* Annual General Meeting of Shareholders in 2021 (for 2020) – Minutes of the Annual General Meeting of Shareholders No. 24 dated June 2, 2021;
* Annual General Meeting of Shareholders in 2022 (for 2021) – Minutes of the Annual General Meeting of Shareholders No. 25 dated June 17, 2022;

\*\* In connection with the entry into force on January 1, 2020 of a new version of the Accounting Regulations 18/02 “Accounting for settlements on corporate income tax” by the Company in accordance with cl. 15 of Accounting Regulations 1/2008 “Accounting Policy of the Organization”, a retrospective revaluation of comparative indicators for 2018-2019 was made.

In the reporting year, no dividends were paid on the Company's shares.

In 2020–2022 the General Meeting of Shareholders of Rosseti Northern Caucasus did not make decisions on the payment of dividends on the shares of Rosseti Northern Caucasus due to the fact that the Company was operating at a loss.

The decision on distribution of the Company's net profit (loss) following the results of 2022 will be made at the annual General Meeting of Shareholders taking into account the recommendations of the Board of Directors of the Company.

**Contact details**

**Full business name**

Публичное акционерное общество «Россети Северный Кавказ» (Russian)

Public Joint-Stock Company Rosseti Northern Caucasus (English)

**Abbreviated business name**

ПАО «Россети Северный Кавказ» (Russian)

ROSSETI Northern Caucasus, PJSC (English)

**Postal address:**

13a Podstantsionnaya St., Pyatigorsk, Stavropol Territory, 357506, Russian Federation

**Corporate web-site:**

<https://www.rossetisk.ru/>

**Primary state registration number:**

1062632029778

**TIN/KPP:**

2632082033/785150001

**Telephone (Reception Office):**

+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)

**General Director,**

Roman Alexeevich Levchenko

Telephone (Reception Office): +7 (8793) 40-17-11, 34-66-80/81/82

Fax (Reception Office): +7 (8793) 40-18-20

**Shareholder and Investor Relations Service**

Anna Fedorovna Rubacheva, 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)

Contact details for shareholders and investors are available on the Company's website – <https://www.rossetisk.ru> in sections “Company / Contact Data and Details” and “For Shareholders and Investors / Contact Data”.

**Corporate Secretary**

Marina Khalitovna Kumukova

Telephone: +7 (8793) 34-66-80

Email address: [ir@rossetisk.ru](mailto:ir@rossetisk.ru)

**Press Center**

Zalina Taimurazovna Alborova, Director of the Mass Media Relations Department

Telephone: +7 (8793) 40-19-63

Email address: [ir@rossetisk.ru](mailto:alborova-zt@rossetisk.ru)

**Customer Hot Line:**

8 (800) 775-91-12

**Customer Internet Reception Officer:**

<https://www.rossetisk.ru/customer/sistema-obsluzhivaniia-potrebitelei/internet-priemnaia/reception/>

**Registrar**

STATUS JSC

Address: 23 Novokhokhlovskaya St., 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 dated March 12, 2004 No. 10-000-1-00304 (unlimited), issued by the Federal Securities Market Commission

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.

|  |  |
| --- | --- |
| **Abbreviations and acronyms** | |
| COVID-19 | (abbreviation from English CoronaVirus Disease 2019 is a potentially severe acute respiratory infection caused by the SARS-CoV-2 coronavirus (2019-nCoV) |
| EBITDA | Earnings before Interest, Taxes, Depreciation and Amortization |
| ESG | Environmental, Social, and Corporate Governance |
| PR | Public relations (public relations, public communication, public affairs, community connections, public interaction) |
| RAB | Regulatory Asset Base, return on investment method |
| JSC | Joint-Stock Company |
| AO-energo | Joint-Stock Company of power engineering and energy connectivity |
| ASCTCEG | Automated system of consumers technologic connection management |
| GTRK | state television and radio broadcasting company |
| HPP | hydraulic power plant |
| IA&CD | Internal Audit and Control Directorate |
| pcs | pieces |
| Unit of meas. | Measurement unit |
| UES Russia | Unified energy system of Russia |
| IT | information technologies |
| km | kilometer |
| KPI | Key Performance Indicators |
| PTL | power transmission line |
| Mln | million |
| B | billion |
| MICEX | MICEX Stock Exchange, CJSC |
| IDGC | Interregional Distribution Grid Company |
| SME | small and medium entrepreneurship |
| IFRS | International Financial Reporting Standards |
| RGP | required gross proceeds |
| VAT | value added tax |
| NP | non-profit partnership |
| OJSC | Open Joint-Stock Company |
| LLC | Limited Liability Company |
| PJSC | Public Joint-Stock Company |
| sub-cl. | Subclause |
| p.p. | percentage point |
| SS | substation |
| RAS | Russian Accounting Standards |
| RTS | RTS Stock Exchange, JSC |
| RF | Russian Federation |
| ICS | Internal Control System |
| NCFD | Northern Caucasus Federal District |
| MM | mass media |
| RMS | risk management system |
| TS | transformer substation/technological connection (depending on the context) |
| K | thousand |
| pcs. | piece |
| CPB | Central Procurement Body |
| **Units of measurement** | |
| Ampere (A) | measure of the strength of electric charge in the international system of units (SI) |
| Watt (W) | measure of the strength of electric power in the international system of units (SI) |
| Watt-hour (Wh) | non-standard measurement unit of work or amount of generated energy. Used predominantly for measuring household and business electricity consumption and for measuring electricity production 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 |
| Litre (l) | metric unit of volume measurement |
| **Terms** | |
| 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 (Russian) power grid | electricity grid network and other electricity grid facilities belonging by right or by other federal laws to power industry subjects. They provide stable supply of electricity to consumers, functioning of the wholesale market and also simultaneous operation of the Russian electricity system and electricity system of foreign states |
| Unified energy system Russia (UES Russia) | complex of production and other electricity facility properties connected in a unified production process (including production in combined processing of electric and thermal energy) and electricity transmission in conditions of operational dispatch management in the power industry |
| Sole Executive Body | officer acting on behalf of the company based on the company's charter and with the authority to act on a legal capacity for this company on all issues not related to the competences of other company bodies |
| 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) | joint-stock companies, formed to conduct the restructuring of the power industry, formed as operational (or operational-holding) companies as part of the reorganization of IDGC and DGC as a consolidation |
| Required gross proceeds (RGP) | economically justified financial assets volume a company requires to conduct regulated activities over the regulation accounting period |
| Distribution grid companies | open joint-stock companies formed as a result of the division of AO-energo by activity based on electricity grid facilities not part of the unified national (Russian) electricity 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 |
| **Editorial assumptions in the text of the report** | |
| 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 individuals and legal entities 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) | administrative 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 referred to under the previous names: YuSK, OJSC, IDGC of Northern Caucasus OJSC/IDGC of Northern Caucasus, PJSC  **Additional information on the use of the name of the Company is indicated in the “Limitation of Liability” section** |
| 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 dated 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-clauses 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 entity under the management of Rosseti Northern Caucasus, PJSC under the agreement on transfer of powers of the sole executive body. As of the end of 2022, controlled companies of Rosseti Northern Caucasus, PJSC: grid company – Chechenenergo, JSC; others – Sevkavkazenergo, JSC, Dagestan Energy Supply Company, PJSC |

**Disclosures**

This Annual Statement of Rosseti Northern Caucasus, PJSC for 2022 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 2022 (in a number of cases for a longer period), assessments and forecasts by management bodies of Rosseti Northern Caucasus, PJSC 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 about members of the management and control bodies of the Company is indicated on the basis of data for the last five years that are 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 Annual 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 Annual 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 indicated reasons concern a number of well-known and unknown risks, uncertainty, and other factors. Rosseti Northern Caucasus, PJSC, gives no guarantees (apart from situations provided for by the law of the Russian Federation) 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 Annual Report or its contents or arising in connection with this Annual Report.

On March 24, 2020, amendments to the Company Charter were registered, providing for a change in its name from IDGC of Northern Caucasus, PJSC to Rosseti Northern Caucasus, PJSC. In many cases, the text of this Annual Report indicates the name of the Company as Rosseti Northern Caucasus, PJSC when describing events or indicating reporting data before the renaming of the Company. In view of the above, it should be taken into account that during the period of its existence the Company had the following names: from August 4, 2006 to August 1, 2007 – YuSK OJSC, from August 1, 2007 to July 2, 2015 – IDGC of Northern Caucasus OJSC, from July 2, 2015 to March 24, 2020 – IDGC of Northern Caucasus, PJSC, from March 24, 2020 – Rosseti Northern Caucasus, PJSC.

Public Joint-Stock Company Federal Grid Company of Unified Energy System (FGC UES, PJSC) (the former name of the legal entity) has changed its corporate name. The full name of the Company in Russian is: in Russian – Публичное акционерное общество «Федеральная сетевая компания – Россети», in English Public Joint-Stock Company Federal Grid Company – Rosseti. Abbreviated corporate name of the Company in Russian – ПАО «Россети», in English – Rosseti, PJSC. The relevant changes made to the Company’s Charter were registered by the Inter-district Inspectorate of the Federal Tax Service No. 46 for Moscow on October 12, 2022. (under state registration number: 2227709623304).

On January 9, 2023, an entry was made in the Unified State Register of Legal Entities (USRLE) on the completion of the reorganization of legal entities through the merger of Rosseti, PJSC (OGRN 1087760000019), DVEUK-UNES, JSC, Tomsk Backbone Grids, PJSC and Kuban Backbone Grids, PJSC with Public Joint-Stock Company Federal Grid Company – Rosseti, in connection with which Rosseti, PJSC (OGRN 1087760000019), DVEUK-UNES, JSC and Tomsk Backbone Grids, PJSC and Kuban Backbone Grids, JSC from January 9, 2023 ceased their activities as legal entities.

1. Taking into account the actually placed additional shares as of March 20, 2020 No. 1-01-34747-E. At the same time, as of the end of 2022, the Bank of Russia did not receive a Notice of the results of the additional issue of securities. As a result of the reorganization of Public Joint-Stock Company Rosseti, which was completed in January 2023, in the form of a merger with the Public Joint-Stock Company Federal Grid Company – Rosseti (abbreviated name – Rosseti, PJSC), the shares of Rosseti Northern Caucasus, PJSC were transferred to the acquiring company in the order of succession. [↑](#footnote-ref-1)
2. Average values were calculated for the following group of companies: Rosseti Volga, PJSC, Rosseti Yug, PJSC, Rosseti Siberia, PJSC, Rosseti Moscow Region, PJSC, Rosseti North-West, PJSC, TRK, PJSC (in terms of capitalization – ordinary shares), Rosseti Center and Volga Region, PJSC, IDGC of Ural, OJSC, Rosseti Kuban, PJSC, Rosseti Northern Caucasus, PJSC, Rosseti Center, PJSC. [↑](#footnote-ref-2)
3. Approved by the Board of Directors of Rosseti, PJSC, Minutes No. 388 dd. December 26, 2019. [↑](#footnote-ref-3)
4. For 2022, the expected level of KPI achievement is given, taking into account the timing and procedure for preparing reports, which are the source of information for calculating KPI. The final actual values are approved by the Board of Directors of Rosseti Northern Caucasus, PJSC. [↑](#footnote-ref-4)
5. Profit for 2022 is not planned (the weight of the indicator is redistributed to ROIC) (in 2022, a net loss is approved in the business plan of Rosseti Northern Caucasus, PJSC). [↑](#footnote-ref-5)
6. Lack of an approved consolidated business plan of Rosseti Northern Caucasus, PJSC for 2021, which is a source of information for calculating the actual value of the indicator. [↑](#footnote-ref-6)
7. Deterioration of the financial and economic condition of Rosseti Northern Caucasus, PJSC in 2022 relative to the plan due to a decrease in invested capital and negative EBIT. [↑](#footnote-ref-7)
8. The planned level of losses in 2022 was not fulfilled by the branches of Rosseti Northern Caucasus, PJSC – Dagenergo and Ingushenergo:

   Branch of Rosseti Northern Caucasus, PJSC – Dagenergo:

   - off-the-meter electricity consumption, incl. “mining”, construction of facilities in the absence of title documents.

   Branch of Rosseti Northern Caucasus, PJSC – Ingushenergo:

   - grid loss of other grid owners due to unfavorable court rulings at the level of the Supreme Court of the Russian Federation (Energoinvest, LLC);

   - off-the-meter electricity consumption, incl. “mining”, construction of facilities in the absence of title documents;

   - failure to fully implement measures to create electricity metering systems due to a delay in the acceptance of commissioning works due to the lengthy procedure for verifying the data of the pre-project inspection performed in 2019 and the need to perform work in accordance with the current state of the grids;

   - low level of equipment with account metres, about 25% of consumers are not equipped or are equipped with faulty account metres;

   - reversal of volumes accrued in previous periods based on the results of database verification. [↑](#footnote-ref-8)
9. Relative to base 2020 [↑](#footnote-ref-9)
10. Lack of an approved Innovative Development Program of Rosseti Northern Caucasus, PJSC for 2021–2022. While, Rosseti Northern Caucasus, PJSC carries out activities to implement projects and activities of the Innovative Development Program of Rosseti, PJSC to the extent required. [↑](#footnote-ref-10)
11. In case of approval of the innovative development program of Rosseti Northern Caucasus, PJSC. [↑](#footnote-ref-11)
12. The methodology for assessing the readiness of electricity power industry entities to work during the heating season, approved by order of the Russian Ministry of Energy No. 1233 dd. December 27, 2017 (\*as amended on July 28, 2022 “Not ready” if the readiness index is less than 80; “Conventionally ready” if the readiness index is less than 90 and greater than or equal to 80; “Ready” if the readiness index is greater than or equal to 90). [↑](#footnote-ref-12)
13. Assessment of achievement of the indicator will be made based on the results of consideration by the Board of Directors of Rosseti, PJSC of the reports on the fulfillment of the development plans for subsidiaries of Rosseti, PJSC for 2022. [↑](#footnote-ref-13)
14. The number of process upsets (accidents) in the grid of 0.4 kV and above increased by 16.6% from 7.550 process upsets in 2021 to 8.805 process upsets in 2022. [↑](#footnote-ref-14)
15. 1 fatal accident at work that occurred on May 27, 2022 in Dagenergo, branch of Rosseti Northern Caucasus, PJSC; 1 accident at work with a severe outcome on June 16, 2022 at Ingushenergo, branch of Rosseti Northern Caucasus, PJSC; 1 minor accident at work, which occurred on June 21, 2022 in Stavropolenergo, branch of Rosseti Northern Caucasus, PJSC. [↑](#footnote-ref-15)
16. Peer-to-peer or decentralized (from English word peer-to-peer, P2P – face-to-face, in private) grids. [↑](#footnote-ref-16)
17. API – Application Program Interface. [↑](#footnote-ref-17)
18. *Adjusted for actual costs.* [↑](#footnote-ref-18)
19. S(1) – the amount of the quarterly remuneration for participation in meetings of the Board of Directors of the Company. [↑](#footnote-ref-19)
20. Taking into account the actually placed additional shares as of March 20, 2020 No. 1-01-34747-E. [↑](#footnote-ref-20)
21. Based on regulations in effect as of December 31, 2022. [↑](#footnote-ref-21)