

**EXPLANATORY NOTES**

**AND DRAFT RESOLUTIONS**

**OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF**

**ROSSETI SOUTH, PJSC**

**TOPIC NO.1: 1. On approval of the annual report, annual accounting (financial) statements of the Company for 2022.**

Subject to Art. 47 and subcl. 11 cl.1 Art. 48 of Federal Law No. 208-FZ dated 26.12.1995 On Joint-Stock Companies (hereinafter referred to as the Law), subcl.13 cl. 10.2 Art. 10.2(13) of the Company's Charter, the competence of the General Meeting of Shareholders includes approval of the annual report and the annual accounting (financial) statement of the Company.

The annual report of ROSSETI South, PJSC (hereinafter referred to as the Company) for 2022 was concluded in accordance with the principles of integrated reporting of the International Integrated Reporting Council (IIRC).

The Company's annual report contains information stipulated by the Regulations of the Bank of Russia dated March 27, 2020 No. 714-P On Disclosure of Information by Issuers of Securities, by the Information letter of Bank of Russia dated December 27, 2021 No. IN-06-28/102 Disclosure in the annual report of a public joint-stock company of a report on compliance with the principles and recommendations of the Corporate Governance Code, by the Regulation of information policy of ROSSETI South, PJSC, approved by the Company's Board on March 16, 2022 (minutes of March 18, 2022 No. 470/2022).

The annual report of ROSSETI South, PJSC contains information about the joint-stock company that confirms to the regulations of the Russian Federation and summary information about the main production, financial, and investment results of ROSSETI South, PJSC.

Key Indicators of the Company's Electricity Transmission Activities for 2022:

- transfer into the network - 26,587.4 mln kWh,

- transfer from the network - 24,121.3 mln kWh,

- level of losses of electric power - 9,28%.

Results of the Company's technological connection activities for 2022:

- 22,624 applications for technological connection with a total capacity of 1,790 MW were accepted,

- 14,606 technological connection contracts were concluded for a capacity of 557 MW.

- 19,878 contracts for technological connection with a total capacity of 446 MW were executed, including 18,693 contracts up to 15 kW and 204 MW in the category of applicants.

Key indicators of financial and economic activity for the year:

| Indicator | 2021 | 2022 | change2022/2021, % |
| --- | --- | --- | --- |
| Revenue from sales of products (services), including: | 41,454 | 42,113 | 1.6 |
| Due to the power transmission | 37,798 | 39,141 | 3.6 |
| - from technological connection  | 2,025 | 603 | -70.2 |
| - from sales of electric power | 1,354 | 2,020 | 49.2 |
| - from other types of activities | 277 | 350 | 26.3 |
| Income (loss) before taxation  | 1 | 2,642 | 2646.0 |
| Income tax and other payments | 573 | 254 | -55.2 |
| Net income (loss) | 2,061 | -559 | -127.1 |
| EBIDTA | 7,652 | 4,932 | -35.5 |

The appendices to the annual report include annual RAS financial statements of ROSSETI South, PJSC with a positive audit opinion on the accuracy of the financial statements, IFRS consolidated statements with a positive audit opinion on the accuracy of the consolidated financial statements, a report on compliance with the principles and recommendations of the Corporate Governance Code, a report on interested-party transactions performed by the Company in 2022 approved by the Company's Board in accordance with the cl. 1.1. Art. 81 of the Law.

The reliability of data contained in the Company's annual report for 2022 was confirmed by the Inspection Commission of the Company (Minutes No. 3 dated 29.04.2023).

According to clause 4, Article 4 of the Federal Law No. 208-FZ dated 26.12.1995 On Joint-Stock Companies and Clause 25.4 of Article 25 of the Charter of ROSSETI South, PJSC, the annual report of the Company is subject to preliminary approval by the Board no later than 30 days prior to the date of the Annual General Meeting of Shareholders.

The Board of ROSSETI South, PJSC resolved on May 4, 2023 (Minutes No. 521/2022) about a preliminary approval of the Company's annual report for 2022.

The annual accounting (financial) statements of ROSSETI South, PJSC for 2022 were prepared in accordance with the accounting and reporting regulations applicable in the Russian Federation, in particular, the Federal Law dd 06.12. 2011 No. 402-FZ On Accountancy, the Regulations for Accounting and Reporting in the Russian Federation approved by Order of the Ministry of Finance of Russia No. 34n dd 29.07.1998 (as supplemented and amended), the Federal Standards for Accounting approved by the orders of the Ministry of Finance of Russia.

In accordance with Art. 14 of the Federal Law Accountancy annual accounting (financial) statements of organizations, except for cases established by the Federal Law Accountancy, consists of:

1) balance sheet;

2) report of financial results;

3) appendices to them.

Accounting (financial) statements are considered as concluded after its signing by the head of the economic entity.

In the case of publication and providing with accounting (financial) statements, which are to be audited, such accounting (financial) statements shall be published and provided together with the auditor opinion.

The mandatory audit of ROSSETI South, PJSC for 2022 in accordance with the regulations of Federal Law of the Russian Federation No. 307-FZ dd December 30, 2008 On Audit Activities was conducted by the auditor TsATR - Audit Services, LLC. A conclusion was made based on the results of the audit.

On April 29, 2022, the Company's Revision Commission approved (Minutes No. 3) the conclusion on the reliability of the data contained in the annual financial statements of the Company for 2022.

The Board of ROSSETI South, PJSC by resolutions on 04.05.2023 (Minutes No. 521/2023) and 11.05.2023 (Minutes No. 522/2023) recommended that the annual General Meeting of Shareholders of ROSSETI South, PJSC approve the annual report and the annual accounting (financial) statements of the Company for 2022.

In accordance with cl. 10.4. Art. 10 of the Company's Charter, the resolution on this topic is adopted by a majority of votes of the shareholders owning voting shares of the Company and participating in the meeting.

Given these considerations, the Annual General Meeting of Shareholders of ROSSETI South, PJSC is proposed to make a decision on the said topic.

**DRAFT RESOLUTION**:

Approve the annual report, annual accounting (financial) statements of the Company for 2022, in accordance with the appendices, available on the official website of the Company at <https://rosseti-yug.ru/aktsioneru-investoru/gosa-09-06-2023/>.

**TOPIC 2: Distribution of income (including the payment (declaration) of dividends) and losses of the Company for 2022.**

The charter capital of ROSSETI South, PJSC is 15,164,143 thousand rubles and the reserve fund is 342,652 thousand rubles as of December 31, 2022.

Subject to clause 8.1 Article 8 of the Charter of ROSSETI South, PJSC, the Company shall create a Reserve Fund equal to 5 percent of the Company's authorized capital stock. The amount of mandatory annual deductions to the Reserve Fund of the Company is 5 percent of the Company's net income until the Reserve Fund reaches the established amount.

Based on the results of 2022, the Company lost 559,272 thousand rubles

Given these considerations, the Board of ROSSETI South, PJSC at its meeting on May 11, 2023 (Minutes No. 522/2023) recommended the Annual General Meeting of Shareholders of ROSSETI South, PJSC resolve as follows:

1. To approve the following distribution of income (losses) of the Company for the 2022 reporting year:

|  |  |
| --- | --- |
| **Name** | (thousand rubles) |
| Undistributed income (uncovered loss) of the reporting period: | (559,272) |
| To distribute for: Reserve fund | - |
|  Income for development | - |
|  Dividends | - |
|  Loss recovery of the past | - |

2. Not to pay dividends on the Company's ordinary shares by the results of 2022.

In accordance with cl. 10.4. Art. 10 of the Company's Charter, the resolution on this topic is adopted by a majority of votes of the shareholders owning voting shares of the Company and participating in the meeting.

Given these considerations, the Annual General Meeting of Shareholders of ROSSETI South, PJSC is proposed to make a decision on the said topic.

**DRAFT RESOLUTION:**

1. To approve the following distribution of income (losses) of the Company for the 2021 reporting year:

|  |  |
| --- | --- |
| **Name** | (thousand rubles) |
| Undistributed income (uncovered loss) of the reporting period: | (559,272) |
| To distribute for: Reserve fund | - |
|  Income for development | - |
|  Dividends | - |
|  Loss recovery of the past | - |

2. Not to pay dividends on the Company's ordinary shares by the results of 2022.

**TOPIC NO.3: On election of members of the Company's Board.**

According to subcl. 4 cl.1 Article 48 of the Federal Law On Joint-Stock Companies and cl.10.2 of the Charter of ROSSETI South, PJSC, the topic of defining the number of members of the Company's Board, election of their members and early termination of their powers are referred to the competence of the General Meeting of Shareholders.

Subject to clause 16.1 of the Charter of ROSSETI South, PJSC, the Company's Board consists of eleven (11) members.

Based on clause13.1 of the Charter of ROSSETI South, PJSC, clause 1 Article 53 of the Federal Law On Joint-Stock Companies, the Company's shareholders owning at least 2% of the Company's voting shares, the following nominees were nominated for the Company's Board:

|  |  |  |
| --- | --- | --- |
| Item No. | Nominee proposed by a shareholder (shareholders) to the Board of Directors of the Company | Position, place of work of the nomineeProposed by the shareholder (shareholders) to the Company's Board |
|  | KrainskiDaniil Vladimirovich | Deputy General Director of legal coverage of ROSSETI, PJSC |
|  | DokuchaevaMaria Alexandrovna | Top advisor of ROSSETI, PJSC |
|  | KravchenkoKonstantin Yurievich | Deputy General Director of digital transformation of ROSSETI, PJSC |
|  | KorotkovaMaria Viacheslavna |  |
|  | TikhonovaMaria Gennadievna | Deputy General Director of corporate management of ROSSETI, PJSC |
|  | KlinkovOleg Yurievich | Director of customer communications - HoD of technological development of ROSSETI, PJSC |
|  | Kazakov Alexander Ivanovich |  |
|  | NikitchanovaEkaterina Vladimirovna | Deputy Director - Head of Expert Center of Non-income partnership Russian Institute of Directors |
|  | EbzeevBoris Borisovich | General Director of ROSSETI South, PJSC |
|  | ParamonovaNatalia Vladimirovna | First Deputy Head of the Economy Department of ROSSETI, PJSC |
|  | ZarkhinVitali Yurievich | currently is not working |

Detailed information about the nominees to the Company's Board is provided in the appendix to this explanatory note.

Subject to cl. 4 Article 66 of the Federal Law On Joint-Stock Companies and cl. 16.2 of the Charter of ROSSETI South, PJSC, members of the Company's Board of Directors shall be elected by cumulative voting.

In cumulative voting, the number of votes of each shareholder is multiplied by the number of persons to be elected to the Company's Board, and the shareholder can give the votes obtained in full for one nominee or distribute them among two or more nominees. The nominees with the highest number of votes are considered to be elected to the Company's Board.

Given these considerations, the Annual General Meeting of Shareholders of ROSSETI South, PJSC is proposed to make a decision on the said topic.

**DRAFT RESOLUTION**:

Elect to the Company's Board as a part of[[1]](#footnote-1):

|  |  |  |
| --- | --- | --- |
| Item No. | **Last name, first name, patronymic of nominee** | **Position (at the moment of nomination)** |
|  | KrainskiDaniil Vladimirovich | Deputy General Director of legal coverage of ROSSETI, PJSC |
|  | DokuchaevaMaria Alexandrovna | Top advisor of ROSSETI, PJSC |
|  | KravchenkoKonstantin Yurievich | Deputy General Director of digital transformation of ROSSETI, PJSC |
|  | KorotkovaMaria Viacheslavna |  |
|  | TikhonovaMaria Gennadievna | Deputy General Director of corporate management of ROSSETI, PJSC |
|  | KlinkovOleg Yurievich | Director of customer communications - HoD of technological development of ROSSETI, PJSC |
|  | Kazakov Alexander Ivanovich |  |
|  | NikitchanovaEkaterina Vladimirovna | Deputy Director - Head of Expert Center of Non-income partnership Russian Institute of Directors |
|  | EbzeevBoris Borisovich | General Director of ROSSETI South, PJSC |
|  | ParamonovaNatalia Vladimirovna | First Deputy Head of the Economy Department of ROSSETI, PJSC |
|  | ZarkhinVitali Yurievich | currently is not working |

**TOPIC NO.4: On election of members of the Inspection Commission of the Company.**

Subject to cl. 1 Art. 48 of the Federal Law On Joint-Stock Companies (hereinafter referred to as the Law) and cl. 10.2 of the Charter of ROSSETI South, PJSC, the topic of election of members of the Company's Revision Commission and of early termination of their powers are referred to the competence of the General Meeting of Shareholders.

The Charter of ROSSETI South, PJSC (cl. 24.1) establishes that the Company's Inspection Commission consisting of 5 members is elected annually by the General Meeting of Company's Shareholders.

Subject to cl. 13.1 of the Charter of ROSSETI South, PJSC, and on the cl. 1 Art. 53 of the Law, the Company's shareholder owning at least 2% of the Company's voting shares nominated the following nominees to the Company's Revision Commission, whose number does not exceed the number of members of the specified authority. In particular, ROSSETI South, PJSC received a proposal from ROSSETI, PJSC to nominate candidates to the Company’s Revision Commission:

|  |  |  |
| --- | --- | --- |
| Item No. | Nominee proposed by the shareholder (shareholders) to the Inspection Commission of the Company | Position, place of work of the nominee proposed by the shareholder (shareholders) to the Inspection Commission of the Company |
|  | Ulyanov Anton Sergeevich | Internal Audit Director - Head of the Internal Audit Department of ROSSETI, PJSC |
|  | Tsarkov Viktor Vladimirovich | First Deputy Head of the Internal Audit Department of ROSSETI, PJSC |
|  | Trishina Svetlana Mikhailovna | Deputy Head of the Internal Audit Department - Head of the Corporate Audit and Control of Supplementary office of the Internal Audit Department of ROSSETI, PJSC |
|  | Kormiltsev Maxim Gennadievich | Chief Expert of the Corporate Audit and Control Department of Supplementary office of the Internal Audit Department of ROSSETI, PJSC |
|  | Rogachev Kirill Evgenievich | Head of the Operational Audit Department of the Internal Audit Department of ROSSETI, PJSC |

Detailed information about the nominees to the Company's Revision Commission is provided in the appendix to this explanatory note.

The decision on the election of members of the Inspection Commission and the early termination of their powers subject to cl. 2 Art. 49 of the Law is made by a majority vote of the shareholders holding voting shares in the Company that participate in the meeting, separately for each nominee.

Given these considerations, the Annual General Meeting of Shareholders of ROSSETI South, PJSC is proposed to make a decision on the said topic.

**DRAFT RESOLUTION**:

Elect to the Company's Inspection Commission as a part of[[2]](#footnote-2):

|  |  |
| --- | --- |
| **Item No.** | **Full name of a nominee and its position****(at the moment of nomination)** |
| 1. | Ulyanov Anton Sergeevich, Internal Audit Director - Head of the Internal Audit Department of ROSSETI, PJSC |
| 2. | Tsarkov Viktor Vladimirovich, First Deputy Head of the Internal Audit Department of ROSSETI, PJSC |
| 3. | Trishina Svetlana Mikhailovna, Deputy Head of the Internal Audit Department - Head of the Corporate Audit and Control of Supplementary office of the Internal Audit Department of ROSSETI, PJSC |
| 4. | Kormiltsev Maxim Gennadievich, Chief Expert of the Corporate Audit and Control Department of Supplementary office of the Internal Audit Department of ROSSETI, PJSC |
| 5. | Rogachev Kirill Evgenievich, Head of the Operational Audit Department of the Internal Audit Department of ROSSETI, PJSC |

**TOPIC NO.5: On appointment of the Company's audit organization.**

Subject to Art. 47 of Federal Law On Joint-Stock Companies No. 208-FZ dd 26.12.1995 (hereinafter referred to as the Law), a company must hold an Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders shall discuss the the topic of nomination of the Company's Audit Organization.

Subject to sub-cl. 4.1.3.3. cl. 4 of the Regulations on the Audit Committee of the Board of ROSSETI South, PJSC approved by resolution of the Company's Board on 11 March 2016 (Minutes No. 180/2016 dated 14.03.2016), participation in the development and approval of the terms and conditions of procurement procedures for selecting an external auditor, in particular, the determination of the range and significance of the assessment criteria for procurement participants and the assessment procedure of the bids by procurement participants, control over the external audit and selection of the auditor are referred to the Audit Committee of the Board of ROSSETI South, PJSC.

The Audit Committee of the Board on 10 March 2023 (Minutes No. 154) recommends the Company to perform procurement procedures for the right to conclude a contract to audit the RAS and IFRS financial statements of ROSSETI South, PJSC for 2023 by participating in a centralized electronic tender organized by ROSSETI South, PJSC.

ROSSETI, PJSC organized an electronic tender on the electronic trading platform www.zakupki.gov.ru for the right to conclude a contract for services for the mandatory annual audit of RAS statements and the audit of IFRS statements of ROSSETI Producer Companies, PJSC for 2023. The tender was declared invalid subject to sub-cl. V cl. 7.5.1 of the Common Procurement Standard of ROSSETI, PJSC (only one bid was admitted to the tender).

As a result of remote voting of the tender commission the decision was made to conclude a contract with the only admitted participant, namely the Leader of the collective participant Limited Liability Company Center for Audit Technologies and Solutions - Audit Services (Minutes of the meeting of the tender commission of April 24, 2023 No. 3/58r).

The leader of the collective member TsATR - Audit Services, LLC is a member of the Self-Regulated Organization Of Auditors Association – Sodruzhestvo, has the necessary experience and has a sufficient number of qualified personnel. The second participant of the collective member is Auditing and Consulting Company Crow Audex, LLC, which is a member of the Self-Regulated Organization of Auditors Association – Sodruzhestvo.

The Audit Committee of the Company's Board on 10.05.2023 (minutes No. 158) resolved to recommend the annual General Meeting of Shareholders of ROSSETI South, PJSC propose a collective member of TsATR - Audit Services, LLC (leader of the collective member) and ACC Crow Audex, LLC (participant of the collective member) as the Company's auditor.

The Board of ROSSETI South, PJSC reviewed the results of the contest for selecting the audit organization, of ROSSETI South, PJSC and based on the resolution of 11.05.2023 (Minutes No.522/2023) proposed that the annual General Meeting of Shareholders of ROSSETI South, PJSC appoint a collective member of TsATR - Audit Services, LLC (leader of the collective member) and ACC Crow Audex, LLC (participant of the collective member) as the Company's auditor.

In accordance with cl. 10.4. Art. 10 of the Company's Charter, the resolution on this topic is adopted by a majority of votes of the shareholders owning voting shares of the Company and participating in the meeting.

Given these considerations, the Annual General Meeting of Shareholders of ROSSETI South, PJSC is proposed to make a decision on the said topic.

**DRAFT RESOLUTION:**

Appoint a collective member of TsATR - Audit Services, LLC (leader of the collective member) and ACC Crow Audex, LLC (participant of the collective member) as the Company's auditor.

1. Subject to cl. 16.1 of the Charter of ROSSETI South, PJSC, the Company's Board consists of eleven (11) members. Members of the Company's Board of Directors are elected by the General Meeting of Shareholders by cumulative voting for a term until the next Annual General Meeting of Shareholders (cl. 16.2 of the Charter of ROSSETI South, PJSC). [↑](#footnote-ref-1)
2. Subject to cl. 24.1 of the Charter of ROSSETI South, PJSC, the Company's Inspection Commission consists of 5 (five) members. [↑](#footnote-ref-2)