

# APPENDICES

**20  
20** ANNUAL  
REPORT



**ROSSETI**  
SOUTH

# APPENDICES

## 1. Accounting (financial) Statements of PJSC Rosseti South for 2020. Auditor's Report on the Accounting (Financial) Statements of PJSC Rosseti South for the Period from January 1 to December 31, 2020

### Independent Auditor's Report

To: shareholders and the Board of Directors of the Public Joint Stock Company Rosseti South

#### Opinion

We have audited the accounting (financial) statements of the Public Joint Stock Company Rosseti South (hereinafter referred to as the Company), comprising the balance sheet as of December 31, 2020, and the profit and loss statement 2020, and annexes thereto.

In our opinion, the accounting (financial) statements attached accurately reflect the financial conditions of the Company as of December 31, 2020, in all material respects, as well as its profit, loss, and cash flow for 2020 according to the accounting principles established in the Russian Federation.

#### Ground for Expressing the Opinion

We have performed audit according to International Standards on Auditing (ISA). Our duties according to these standards are described further in the report section Auditor's Responsibilities for the Audit of the Accounting (Financial) Statements. We are independent on the Company according to the International Code of Ethics for Professional Accountants adopted by the International Ethics Standard Board for Accountants (including the International Standards of Independence) (the IESBA Code) and ethical requirements applicable to audit of accounting (financial) statements in the Russian Federation, and have fulfilled other ethical obligations according to these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to form a ground for our audit opinion.

#### Key Audit Issues

Key audit issues are those that, in our professional judgment, are most significant in audit of the accounting (financial) statements for the current period. These issues have been considered as part of our audit of the accounting (financial) statements as a whole and in forming our opinion on these statements, and we do not express a separate opinion on these matters. For each of the issues below, we describe addressing appropriate issues in our audit in that context.

We have fulfilled the duties described in the Auditor's Responsibilities for the Audit of the Accounting (Financial) Statements section of our report, including those concerning these issues. Accordingly, our audit comprised implementing procedures developed in response to our assessment of the risks of material misstatement of the accounting (financial) statements. The results of our audit, including the procedures performed in the course of consideration of the below matters, serve as the ground for expressing our auditor's opinion on the accounting (financial) statements attached.

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| Key audit issue | The way of addressing the appropriate key issue in our audit |
|-----------------|--|
|-----------------|--|

|   |  |
|---|--|
| <b>Признание и оценка выручки от услуг по передаче электроэнергии</b> |  |
|---|--|

Recognition and estimation of revenue from electricity transmission has been among the most critical issues of our audit due to certain specifics of the electricity market functioning mechanisms, which causes disagreements between power grid, power supply, and other companies regarding the amount and cost of electricity transmitted. The amount of revenues disputed by counterparties is material for the Company's accounting (financial) statements. The Company management's assessment of the likelihood of resolving disagreements in their favor is largely subjective. Revenue is recognized when, given the assumptions, the disagreement will be resolved in favor of the Company.

We have reviewed the accounting policy applied concerning the recognition of revenue from electricity transmission and the internal system of control over recording this revenue, checked the calculation of the relevant revenues based on the power transmission contracts concluded, obtained confirmation of the AR balances from counterparties on a test basis, analyzed the results of litigations on the disputed costs of services provided, if any, and assessed the current procedures for confirming the amount of electricity transmitted.

Information on revenue from electricity transmission is disclosed in paragraph 16 of the Notes to the Balance Sheet and the Profit and Loss Statement.

|                                  |  |
|----------------------------------|--|
| <b>Impairment of receivables</b> |  |
|----------------------------------|--|

The issue of impairment of receivables has been among the most critical in our audit due to significant AR balances in the Company's balance sheet as of December 31, 2020, and the fact that management's assessment of the possibility of recovering this debt is based on assumptions, in particular, the forecasted solvency of the Company's buyers.

We have reviewed the Company's accounting policy in the field of considering the receivables for creating an allowance for impairment and the Company management's assessment procedures, including the analysis of the receivable paid, the maturity and delinquency of obligations, and the buyers' solvency.

Information on impairment of receivables is disclosed in paragraph 10 of the Notes to the Balance Sheet and the Profit and Loss Statement.

We have audited data used by the Company to calculate the impairment of receivables, as well as the structure of receivables by ageing and maturity, and tested the calculation of the amounts of the allowance accrued.

|  |  |
|--|--|
| <b>Recognition, estimation, and disclosure of allowances and contingencies</b> |  |
|--|--|

Recognition, estimation, and disclosure of allowances and contingencies regarding litigations and claims of counterparties (including territorial power grid and power supply companies) have been among the most important issues of our audit since that they require critical management judgments on significant balances of settlements with counterparties, disputed in legal proceedings or pre-trial settlements.

The audit procedures comprised the analysis of decisions made by the courts of various instances and reviewing the management's assessment of the likelihood of an outflow of financial resources caused by the resolution of disagreements, the compliance of the documents prepared with the provisions of effective contracts and legislation, and the disclosure of contingencies and estimated liabilities in the Notes to the Balance Sheet and the Profit and Loss Statement.

Information on the allowances and contingencies is disclosed in paragraph 13 of the Notes to the Balance Sheet and the Profit and Loss Statement.

## Other Information Included in the 2020 Annual Report

Other information includes data contained in the 2020 annual report but does not include accounting (financial) statements and our auditor's opinion thereon. The management is responsible for other information. The 2020 Annual Report is expected to be provided to us after the submission of this auditor's report.

Our opinion on the accounting (financial) statements does not apply to other information, and we will not provide any conclusion expressing confidence in any form with respect to this information.

Our duty concerning our audit of the accounting (financial) statements is to review the above other information when it is provided to us and consider whether there are material inconsistencies between the other information and the accounting (financial) statements or our finding obtained during the audit, as well as whether the other information contains any material misstatements.

## Responsibility of the Management and the Board of Directors' Audit Committee for Accounting (Financial) Statements

Management is responsible for the preparation and proper presentation of the accounting (financial) statements specified according to the accounting principles established in the Russian Federation and the internal control system, which management considers appropriate for the preparation of accounting (financial) statements free of material misstatement due to fraud or errors.

When preparing the accounting (financial) statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing information on the going concern as appropriate, and drawing up reports based on a going concern assumption unless management intends to liquidate the Company, seize its activity, or has no real alternative to such actions.

The Board of Directors' Audit Committee is responsible for overseeing the preparation of the Company's accounting (financial) statements.

## Auditor's Responsibility for the Audit of Accounting (Financial) Statements

Our objectives are to obtain reasonable assurance that the accounting (financial) statements as a whole are free from material misstatement due to fraud or errors and issue an auditor's report containing our opinion. Reasonable assurance is a high degree of assurance but is not a guarantee that an audit performed according to ISAs will always identify a material misstatement, if any. Misstatements may be caused by fraud or error and are considered material if, individually or in the aggregate, would reasonably affect the economic decisions of users taken based on these accounting (financial) statements.

As part of an audit performed according to ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also do the following:

- ▶ identify and assess the risks of material misstatement of the accounting (financial) statements due to fraud or errors; develop and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to form a ground for our opinion. The risk of not identifying material misstatement as a result of fraud is higher than that as a result of errors since fraud may include collusion, forgery, deliberate omission, misrepresentation of information, or circumventing internal control,
- ▶ gain understanding of the internal control system that is relevant to the audit to develop audit procedures appropriate to the circumstances but not to express an opinion on the efficiency of the Company's internal control system,
- ▶ assess the appropriateness of the accounting policy pursued and the soundness of estimates calculated by management and related disclosures,
- ▶ conclude on the appropriateness of the use of the going concern assumption by management and based on the audit evidence obtained, conclude whether there is material uncertainty in connection with events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, in our auditor's report, we should draw attention to the appropriate disclosure in the accounting (financial) statements or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained before the date of our auditor's report. However, future events or conditions may cause the Company to lose its ability to continue as a going concern,
- ▶ assess the presentation of the accounting (financial) statements as a whole, their structure and content, including disclosure of information, as well as whether the accounting (financial) statements reflect the underlying transactions and events in such a way as to ensure their fair presentation.

We communicate with the Board of Directors' Audit Committee, notifying it, among other things, of the planned scope and time of the audit, as well as material comments on the audit results, including significant deficiencies in the internal control system, if identify them during the audit.

We also provide the Board of Directors' Audit Committee with a statement that we have complied with all relevant ethical requirements for independence and informed these individuals of all relations and other matters that may reasonably be considered to have an impact on the auditor's independence and where appropriate, actions performed to eliminate threats or precautions taken.

From among the issues that we have brought to the attention of the Board of Directors' Audit Committee, we identify those most significant for the audit of the accounting (financial) statements for the current period which, therefore, are key audit issues. We describe these issues in our auditor's report, unless the public disclosure of these matters is prohibited by law or regulatory act or, in extremely rare cases, we conclude that information on any matter should not be reported in our opinion since it can reasonably be assumed that the negative consequences of communicating such information will outweigh the socially significant benefits.

The head responsible for the audit, based on the results of which this independent auditor's report has been issued, is A. B. Kalmykova.

**A. B. Kalmykova**  
Partner  
Ernst & Young LLC



February 24, 2021

#### The audited entity details

Name: Public Joint Stock Company Rosseti South

The entry was made in the Unified State Register of Legal Entities on June 28, 2007, with the assignment of the state registration number 1076164009096.

Location: 49, St. Bolshaya Sadovaya, Rostov-on-Don, 115035, Russia.

#### The auditor details

Name: Ernst & Young LLC

The entry was made in the Unified State Register of Legal Entities on December 5, 2002, with the assignment of the state registration number 1027739707203.

Location: bld. 1, 77, Sadovnicheskaya Nab., Moscow, 115035, Russia

Ernst & Young LLC is a member of the Sodruzhestvo Association Self-Regulatory Organization of Auditors (SRO AAS). Ernst & Young LLC is included in the control copy of the Register of Auditors and Audit Organizations under Principal Registration Number 12006020327.

### Balance Sheet as of December 31, 2020

|   |   |                     | Codes                   |
|---|---|---------------------|-------------------------|
|   |   |                     | Form according to NIAD  |
|   |   |                     | 0710001                 |
|   |   |                     | Date (month/day/year)   |
|   |   |                     | 12/31/2020              |
| Entity  | <b>PJSC Rosseti South</b>   | according to OKPO   | 80380011                |
| Taxpayer identification number                        |   | TIN                 | 6164266561              |
| Type of economic activity                             | <b>transmission of electricity and technological connection to distribution power grids</b> | according to OKVED2 | 35.12                   |
| <b>Legal form of organization/form of ownership</b>   |   |                     |                         |
| <b>Public Joint Stock Company/private property</b>    |   |                     | according to OKOPF/OKFS |
|   |   |                     | 12247/49                |
| Unit of measure: kRUB                                 |   | according to OKEI   | 384                     |
| Location (address)                                    | <b>49, St. Bolshaya Sadovaya, Rostov-on-Don, 115035</b>                                     |                     |                         |
| Financial statements are subject to mandatory audit   | V YES 0 NO  |                     |                         |
| Name of the auditing agency/full name                 | <b>Ernst &amp; Young LLC</b>  |                     |                         |
| patronymic (if any) of the individual auditor         |   |                     |                         |
| Taxpayer ID of the auditing agency/individual auditor |   | TIN                 | 7709383532              |
| PSRN of the auditing agency/individual auditor        |   | PSRN/PSRNSP         | 1027739707203           |

| Notes         | Indicator   | Line Code | December 31, 2020 | December 31, 2019 | December 31, 2018 |
|---------------|---|-----------|-------------------|-------------------|-------------------|
| 5.1.1.-5.2.2  | <b>ASSETS</b>   |           |                   |                   |                   |
|               | <b>I. NON-CURRENT ASSETS</b>  |           |                   |                   |                   |
|               | Intangible assets   | 1110      | 25,257            | 24,501            | 1,125             |
| 5.2.2.        | including outstanding transactions for the acquisition of intangible assets | 1111      | 52                | 818               | -                 |
| 5.2.1.-5.2.2. | Research and development results  | 1120      | 58,949            | 31,318            | 44,975            |
| 5.2.2.        | including costs of outstanding research and development                     | 1121      | 36,884            | 5,009             | 19,953            |
|               | Intangible development assets   | 1130      | -                 | -                 | -                 |
|               | Tangible development assets   | 1140      | -                 | -                 | -                 |
| 5.3.1.-5.3.6. | Fixed assets  | 1150      | 35,695,908        | 28,614,412        | 28,180,015        |
|               | land plots and nature management objects                                    | 1151      | 32,853            | 32,881            | 30,761            |
|               | buildings, machinery and equipment, structures                              | 1152      | 31,447,768        | 25,344,031        | 25,580,765        |
|               | other fixed assets  | 1153      | 253,653           | 275,492           | 200,638           |
| 5.3.5.        | construction in progress  | 1154      | 3,533,362         | 2,659,708         | 2,071,961         |
| 5.3.6.        | advances issued under capital construction and acquisition of fixed assets  | 1155      | -                 | 36                | 1,635             |
|               | raw and other materials to be used in creating fixed assets*                | 1156      | 428,272           | 302,264           | 294,255           |
| 5.3.1.        | Income-bearing investments in tangible assets                               | 1160      | -                 | -                 | -                 |

| Notes         | Indicator  | Line Code   | December 31, 2020 | December 31, 2019 | December 31, 2018 |
|---------------|--|-------------|-------------------|-------------------|-------------------|
| 5.4.1.-5.4.3. | Financial investments  | 1170        | 2,115,474         | 2,600,462         | 127,470           |
|               | investments in subsidiaries  | 1171        | 2,107,584         | 2,595,347         | 124,174           |
|               | investments in associates  | 1172        | -                 | -                 | -                 |
|               | investments in other organizations   | 1173        | 7,890             | 5,115             | 3,296             |
|               | loans granted to organizations for more than 12 months                         | 1174        | -                 | -                 | -                 |
|               | financial investments  | 1175        | -                 | -                 | -                 |
| 5.7.2.        | Deferred tax assets  | 1180        | 1,618,294         | 1,787,210         | 923,736           |
|               | Other non-current assets   | 1190        | 185,502           | 182,750           | 66,969            |
|               | Total for Section I  | 1100        | 39,699,384        | 33,240,653        | 29,344,290        |
|               | <b>II. CURRENT ASSETS</b>  |             |                   |                   |                   |
| 5.5.1.-5.5.2. | Stocks   | 1210        | 717,651           | 682,368           | 713,637           |
|               | raw and other materials and similar property                                   | 1211        | 717,604           | 682,307           | 712,891           |
|               | work in progress   | 1212        | -                 | -                 | -                 |
|               | finished goods and goods for resale  | 1213        | 47                | 61                | 21                |
|               | goods shipped  | 1214        | -                 | -                 | 725               |
|               | other stocks and costs   | 1215        | -                 | -                 | -                 |
|               | Value added tax on acquired assets   | 1220        | 2,403             | 7,766             | 5,446             |
| 5.6.1.-5.6.4. | Receivables  | 1230        | 9,117,136         | 9,527,776         | 14,267,653        |
|               | noncurrent nondelinquent accounts receivable that are due beyond 12 months     | 1231        | 979,755           | 1,815,511         | 1,995,606         |
|               | buyers and customers   | 123101      | 914,807           | 1,493,448         | 1,987,866         |
|               | bills receivable   | 123102      | -                 | -                 | -                 |
|               | advances issued  | 123103      | 3,268             | 975               | 1,165             |
|               | other receivables  | 123104      | 61,680            | 321,088           | 6,575             |
|               | noncurrent nondelinquent accounts receivable that are due within 12 months     | 1232        | 8,137,381         | 7,712,265         | 12,272,047        |
|               | buyers and customers   | 123201      | 7,086,238         | 6,362,189         | 10,772,230        |
|               | bills receivable   | 123202      | -                 | -                 | -                 |
|               | debt of subsidiaries and associates on dividends                               | 123203      | -                 | -                 | -                 |
|               | arrears of shareholders (founders) for contributions to the authorized capital | 123204      | -                 | -                 | -                 |
|               | advances issued  | 123205      | 28,742            | 128,845           | 18,594            |
|               | other receivables  | 123206      | 1,022,401         | 1,221,231         | 1,481,223         |
| 5.4.1.-5.4.3. | Financial investments (excluding cash equivalents)                             | 1240        | -                 | -                 | -                 |
|               | loans granted to organizations for less than 12 months                         | 1241        | -                 | -                 | -                 |
|               | other short-term financial investments   | 1242        | -                 | -                 | -                 |
| Φ.4           | Cash and cash equivalents  | 1250        | 999,250           | 483,316           | 1,040,215         |
|               | cash   | 1251        | -                 | -                 | -                 |
|               | settlement accounts  | 1252        | 992,623           | 476,584           | 1,034,170         |
|               | currency accounts  | 1253        | -                 | -                 | -                 |
|               | other cash   | 1254        | 6,627             | 6,732             | 6,045             |
|               | Other current assets   | 1260        | 555,891           | 362,942           | 269,306           |
|               | Total for Section II   | 1200        | 11,392,331        | 11,064,168        | 16,296,257        |
|               | <b>BALANCE</b>   | <b>1600</b> | <b>51,091,715</b> | <b>44,304,821</b> | <b>45,640,547</b> |

| Notes         | Indicator   | Line Code   | December 31, 2020 | December 31, 2019 | December 31, 2018 |
|---------------|---|-------------|-------------------|-------------------|-------------------|
|               | <b>LIABILITIES</b>  | <b>1310</b> |                   |                   |                   |
|               | <b>III. CAPITAL AND RESERVES</b>  |             |                   |                   |                   |
| 3.1.          | Authorized capital (share capital, legal capital, part-ners' contributions) |             | 15,164,143        | 8,203,960         | 6,903,906         |
| 3.1.          | Capital (before registration of changes)                                    | 1311        | -                 | 6,960,000         | -                 |
| 3.1.          | Treasury shares   | 1320        | -                 | -                 | -                 |
| 5.3.1.,5.1.1. | Revaluation of non-current assets   | 1340        | 11,549,512        | 11,565,248        | 11,680,229        |
| 3.1.          | Add-on capital (without revaluation)  | 1350        | -                 | -                 | -                 |
| 3.1.          | Reserve capital   | 1360        | 239,232           | 239,232           | 183,146           |
| 3.1.          | Retained profit (uncovered loss)  | 1370        | (16,423,128)      | (16,229,422)      | (12,529,305)      |
|               | previous years  | 1371        | (16,213,686)      | (16,229,422)      | (12,529,305)      |
|               | reporting period  | 1372        | (209,442)         | -                 | -                 |
|               | Total for Section III   | 1300        | 10,529,759        | 10,739,018        | 6,237,976         |
|               | <b>IV. LONG-TERM LIABILITIES</b>  |             |                   |                   |                   |
| 5.6.7.-5.6.8. | Borrowed funds  | 1410        | 13,722,545        | 16,502,022        | 23,932,022        |
|               | bank loans due beyond 12 months   | 1411        | 5,722,545         | 11,502,022        | 18,932,022        |
|               | loans due beyond 12 months  | 1412        | 8,000,000         | 5,000,000         | 5,000,000         |
| 5.7.2.        | Deferred tax liabilities  | 1420        | 2,265,062         | 2,232,231         | 2,240,290         |
| 5.7.1.        | Estimated liabilities   | 1430        | -                 | -                 | -                 |
| 5.6.5.-5.6.6. | Other liabilities   | 1450        | 6,255,708         | 755,382           | 3,368,207         |
|               | Total for Section IV  | 1400        | 22,243,315        | 19,489,635        | 29,540,519        |
|               | <b>V. SHORT-TERM LIABILITIES</b>  |             |                   |                   |                   |
| 5.6.7.-5.6.8. | Borrowed funds  | 1510        | 6,572,697         | 9,658             | 1,625,511         |
|               | bank loans due within 12 months   | 1511        | 3,006,566         | 9,658             | 1,515,411         |
|               | loans due within 12 months  | 1512        | 3,566,131         | -                 | 110,100           |
| 5.6.5.-5.6.6. | Accounts payable  | 1520        | 9,204,773         | 11,428,441        | 6,403,365         |
|               | suppliers and contractors   | 1521        | 5,599,467         | 7,792,457         | 4,005,603         |
|               | bills payable   | 1522        | -                 | -                 | -                 |
|               | wage arrears to staff   | 1523        | 310,752           | 326,600           | 335,786           |
|               | indebtedness to state extra-budgetary funds                                 | 1524        | 218,688           | 280,862           | 210,293           |
|               | arrears of taxes and duties   | 1525        | 504,514           | 754,556           | 688,135           |
|               | advances received   | 1526        | 2,048,052         | 1,299,117         | 861,147           |
|               | profit due to shareholders (founders)                                       | 1527        | 7,266             | 7,423             | 5,200             |
|               | other payables  | 1528        | 516,034           | 967,426           | 297,201           |
|               | deferred revenue  | 1530        | 37,933            | 28,695            | 28,023            |
| 5.7.1.        | Estimated liabilities   | 1540        | 2,502,248         | 2,608,320         | 1,804,239         |
|               | Other liabilities   | 1550        | 990               | 1,054             | 914               |
|               | Total for Section V   | 1500        | 18,318,641        | 14,076,168        | 9,862,052         |
|               | <b>BALANCE</b>  | <b>1700</b> | <b>51,091,715</b> | <b>44,304,821</b> | <b>45,640,547</b> |

**Rybin. A. A.**  
Deputy Director General  
for Economics and Finance

**Savin G. G.**  
Chief Accountant

## Profit and Loss Statement for 12 Months of 2020

|   | Codes   |                         | Коды       |
|---|---|-------------------------|------------|
|   |   | Form according to NIAD  | 0710002    |
|   |   | Date (month/day/year)   | 12/31/2020 |
| Entity  | <b>PJSC Rosseti South</b>   | according to OKPO       | 80380011   |
| Taxpayer identification number                      |   | TIN                     | 6164266561 |
| Type of economic activity                           | <b>transmission of electricity and technological connection to distribution power grids</b> | according to OKVED2     | 35.12      |
| <b>Legal form of organization/form of ownership</b> |   |                         |            |
| <b>Public Joint Stock Company/private property</b>  |   | according to OKOPF/OKFS | 12247/49   |
| Unit of measure: kRUB                               | according to OKEI   | 384                     | 384        |

| Notes | Indicator  | Code | For 12 months of 2020 | For 12 months of 2019 |
|-------|--|------|-----------------------|-----------------------|
|       | Income   | 2110 | 39,121,598            | 36,966,432            |
|       | including  |      |                       |                       |
|       | revenue from electricity transmission  | 2111 | 36,061,874            | 34,911,007            |
|       | revenue from technological connection  | 2112 | 1,909,080             | 847,571               |
|       | revenue from the arrangement of operation and development of the UES of Russia in terms of the distribution power grid | 2113 | -                     | -                     |
|       | revenue from the resale of electricity and energy  | 2114 | 913,270               | 922,720               |
|       | income from shareholding   | 2115 | -                     | -                     |
|       | rental income  | 2116 | 15,025                | 19,836                |
|       | revenue from the sale of other products, goods, work, services of an industrial nature                                 | 2117 | 207,580               | 229,100               |
|       | revenue from the sale of other products, goods, work, services of a non-industrial nature                              | 2118 | 14,769                | 36,198                |
| 2.1.  | Cost of sales  | 2120 | (33,780,826)          | (31,834,884)          |
|       | including  |      |                       |                       |
|       | cost of electricity transmission   | 2121 | (32,640,783)          | (30,670,620)          |
|       | cost of technological connection   | 2122 | (161,160)             | (163,730)             |
|       | cost of the arrangement of operation and development of the UES of Russia in terms of the distribution power grid      | 2123 | -                     | -                     |
|       | cost of resale of electricity and energy   | 2124 | (777,968)             | (776,451)             |
|       | cost of shareholding   | 2125 | -                     | -                     |
|       | cost of rental services  | 2126 | (3,067)               | (7,519)               |
|       | cost of other products, goods, work, services of an industrial nature  | 2127 | (169,410)             | (180,716)             |
|       | cost of other products, goods, work, services of a non-industrial nature   | 2128 | (28,438)              | (35,848)              |
|       | Gross profit (loss)  | 2100 | 5,340,772             | 5,131,548             |

| Notes            | Indicator  | Code | For 12 months of 2020 | For 12 months of 2019 |
|------------------|--|------|-----------------------|-----------------------|
| 2.1.             | Selling and marketing expenses   | 2210 | (24,196)              | (23,111)              |
| 2.1.             | Administrative expenses  | 2220 | (800,185)             | (797,191)             |
|                  | Profit (loss) from sales   | 2200 | 4516,391              | 4,311,246             |
|                  | Income from shareholding   | 2310 | 92                    | 238                   |
|                  | Interest receivable  | 2320 | 148,181               | 359,644               |
|                  | Interest payable   | 2330 | (1,614,913)           | (2,441,340)           |
| 5.11.            | Other income   | 2340 | 8 659,750             | 3713,845              |
| 5.11.            | Other expenses   | 2350 | (11,708,503)          | (9,761,270)           |
|                  | Profit (loss) before tax   | 2300 | 998                   | (3,817,637)           |
| 2.3.             | Income tax   | 2410 | (303,622)             | 808,572               |
| 2.3.             | including current income tax   | 2411 | (172,247)             | (69,541)              |
| 2.3.             | deferred income tax  | 2412 | (131,375)             | 878,113               |
| 2.3.             | Other  | 2460 | 93,182                | (188,660)             |
|                  | Net income (loss)  | 2400 | (209,442)             | (3,197,725)           |
| <b>REFERENCE</b> |  |      |                       |                       |
| 5.1.1.           | Result from revaluation of non-current assets,   | 2510 | -                     | -                     |
| 5.3.1.           | not included in the net profit (loss) of the period  |      |                       |                       |
|                  | Result from other operations not included in the net profit (loss) of the period                     | 2520 | -                     | -                     |
|                  | Income tax on operations, the result of which is not included in the net profit (loss) of the period | 2530 | -                     | -                     |
|                  | Gross financial result of the period   | 2500 | (209,442)             | (3,197,725)           |
| 2.2.             | Basic profit (loss) per share  | 2900 | -0.00138              | -0.03898              |
| 2.2.             | Diluted profit (loss) per share  | 2910 | -0.00138              | -0.03898              |

**Rybin. A. A.**  
Deputy Director General  
for Economics and Finance

**Savin G. G.**  
Chief Accountant

2021

## 2. Consolidated Financial Statements under IFRS for 2020

### Independent Auditor's Report

To: shareholders and the Board of Directors of the Public Joint Stock Company Rosseti South

#### Opinion

We have audited the consolidated financial statements of Public Joint Stock Company Rosseti South and its subsidiaries (the Group), consisting of a consolidated statement of financial conditions as of 31 December 2020, a consolidated statement of profit and loss and other aggregate income, the consolidated capital statement, and the consolidated cash flow statement 2020, as well as notes to the consolidated financial statements, including a summary of main provisions of accounting policy.

In our opinion, the consolidated financial statements attached accurately reflect the consolidated financial conditions of the Group as of December 31, 2020, in all material respects, as well as its consolidated profit, loss, and cash flow for 2020 according to the International Financial Reporting Standards (IFRS).

#### Ground for Expressing the Opinion

We have performed the audit according to International Standards on Auditing (ISA). Our duties according to these standards are described further in the report section Auditor's Responsibilities for the Audit of the Consolidated Financial Statements. We are independent on the Company according to the International Code of Ethics for Professional Accountants adopted by the International Ethics Standard Board for Accountants (including the International Standards of Independence) (the IESBA Code) and ethical requirements applicable to auditing consolidated financial statements in the Russian Federation, and have fulfilled other ethical obligations according to these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to form a ground for our audit opinion.

#### Key Audit Issues

Key audit issues are those that, in our professional judgment, are most significant in the audit of the consolidated financial statements for the current period. These issues have been considered as part of our audit of the consolidated financial statements as a whole and in forming our opinion on these statements, and we do not express a separate opinion on these matters. For each of the issues below, we describe addressing appropriate issues in our audit in that context.

We have fulfilled the duties described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including those concerning these issues. Accordingly, our audit comprised implementing procedures developed in response to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit, including the procedures performed in the course of consideration of the below matters, serve as the ground for expressing our auditor's opinion on the consolidated financial statements attached.

| Key audit issue  | The way of addressing the appropriate key issue in our audit   |
|--|--|
| Recognition and estimation of revenue from electricity transmission  |  |
| Recognition and estimation of revenue from electricity transmission have been among the most critical issues of our audit due to certain specifics of the electricity market functioning mechanisms, which causes disagreements between the power grid, power supply, and other companies regarding the amount and cost of electricity transmitted. The amount of revenues disputed by counterparties is material for the Group's financial statements. The Group management's assessment of the likelihood of resolving disagreements in their favor is largely subjective. Revenue is recognized when, given the assumptions, the disagreement will be resolved in favor of the Group. | We have reviewed the accounting policy applied concerning the recognition of revenue from electricity transmission and the internal system of control over recording this revenue, checked the calculation of the relevant revenues based on the power transmission contracts concluded, obtained confirmation of the AR balances from counterparties on a test basis, analyzed the results of litigations on the disputed costs of services provided, if any, and assessed the current procedures for confirming the amount of electricity transmitted. |
| Information on revenue from electricity transmission is disclosed in paragraph 8 of the Notes to the Consolidated Financial Statements.  |  |
| Provisions of expected credit losses on trade receivables  |  |
| The issue of forming provisions of expected credit losses on trade receivables has been among the most critical for our audit due to the significant balances of trade receivables as of 31 December 2020, and the fact that management's assessment of the recoverability of these receivables is based on assumptions, in particular, the forecasted solvency of the Group's buyers.   | We have reviewed the Group's accounting policy in the field of considering trade receivables in terms of forming provisions of expected credit losses on trade receivables and the Group management's assessment procedures, including analysis of the recovery of trade receivables, the maturity and delinquency of obligations, and the buyers' solvency.   |
| Information on expected credit losses on trade receivables is disclosed in paragraph 21 of the Notes to the Consolidated Financial Statements.   | We have audited data used by the Group to calculate the provisions of expected credit losses on trade receivables as well as the structure of receivables by aging and maturity, and tested the calculation of the provisions accrued.   |
| Recognition, estimation, and disclosure of allowances and contingencies  |  |
| Recognition, estimation, and disclosure of allowances and contingencies regarding litigations and claims of counterparties (including territorial power grid and power supply companies) have been among the most important issues of our audit since that they require critical management judgments on significant balances of settlements with counterparties, disputed in legal proceedings or pre-trial settlements.  | The audit procedures comprised the analysis of decisions made by the courts of various instances and reviewing the management's assessment of the likelihood of an outflow of financial resources caused by the resolution of disagreements, the compliance of the documents prepared with the provisions of effective contracts and legislation, and the disclosure of contingencies and estimated liabilities in the Notes to the Consolidated Financial Statements.   |
| Information on the allowances and contingencies is disclosed in paragraphs 32, 35 of the Notes to the Consolidated Financial Statements.   |  |

| Key audit issue   | The way of addressing the appropriate key issue in our audit   |
|---|--|
| <p>Impairment of non-current assets</p> <p>Due to indications of impairment of non-current assets as of December 31, 2020, the Group has performed an impairment test. The value in use of fixed assets forming a significant share of the Group's non-current assets as of December 31, 2020, has been determined using the projected cash flow method.</p> <p>The issue of testing fixed assets for impairment has been among the most critical in our audit since the balance of fixed assets forms a significant part of all the Group's assets as of the reporting date, and the management's assessment of the value in use is complex, largely subjective, and based on assumptions, in particular, the forecasted electricity transmission volumes and tariffs, as well as operating and capital costs, which depend on the expected future market and economic conditions in the Russian Federation.</p> <p>Information on the outcome of analyzing non-current assets for impairment is disclosed by the Group in paragraph 15 of the Notes to the Consolidated Financial Statements.</p> | <p>As part of our audit, we have analyzed, among other things, the Group's assumptions and methodologies, in particular, those related to projected transmission revenues, tariff decisions, operating and capital costs, terminal growth rates of tariffs, and discount rates. We have tested the model inputs and the arithmetic accuracy of the model used to determine the recoverable amount in the fixed asset impairment test. We have engaged internal cost analysts in the analysis of the model used to calculate the recoverable amount in the fixed asset impairment test. We have also analyzed the model's sensitivity to changes in key assessment indicators and the Group's disclosures on the assumptions most affecting the impairment testing outcome.</p> |

## Other Information Included in the 2020 Annual Report

Other information includes data contained in the 2020 annual report but does not include consolidated financial statements and our auditor's opinion thereon. The management is responsible for other information. The 2020 Annual Report is expected to be provided to us after the submission of this auditor's report.

Our opinion on the consolidated financial statements does not apply to other information, and we will not provide any conclusion expressing confidence in any form concerning this information.

Our duty concerning our audit of the consolidated financial statements is to review the above other information when it is provided to us and consider whether there are material inconsistencies between the other information and the consolidated financial statements or our finding obtained during the audit, as well as whether the other information contains any material misstatements.

## Responsibility of the Management and the Board of Directors' Audit Committee for Consolidated Financial Statements

Management is responsible for the preparation and proper presentation of the consolidated financial statements specified according to the IFRS and the internal control system, which management considers appropriate for the preparation of consolidated financial statements free of material misstatement due to fraud or errors.

When preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing information on the going concern as appropriate, and drawing up reports based on a going concern assumption unless management intends to liquidate the Group, seize its activity, or has no real alternative to such actions.

The Board of Directors' Audit Committee is responsible for overseeing the preparation of the Group's consolidated financial statements.

## Auditor's Responsibility for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement due to fraud or errors and issue an auditor's report containing our opinion. Reasonable assurance is a high degree of assurance but is not a guarantee that an audit performed according to ISAs will always identify a material misstatement, if any. Misstatements may be caused by fraud or error and are considered material if, individually or in the aggregate, would reasonably affect the economic decisions of users taken based on these consolidated financial statements.

As part of an audit performed according to ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also do the following:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or errors; develop and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to form a ground for our opinion. The risk of not identifying material misstatement as a result of fraud is higher than that as a result of errors since fraud may include collusion, forgery, deliberate omission, misrepresentation of information, or circumventing internal control,
- ▶ gain an understanding of the internal control system that is relevant to the audit to develop audit procedures appropriate to the circumstances but not to express an opinion on the efficiency of the Group's internal control system,
- ▶ assess the appropriateness of the accounting policy pursued and the soundness of estimates calculated by management and related disclosures,
- ▶ conclude on the appropriateness of the use of the going concern assumption by management and based on the audit evidence obtained, conclude whether there is material uncertainty in connection with events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, in our auditor's report, we should draw attention to the appropriate disclosure in the consolidated financial statements or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained before the date of our auditor's report. However, future events or conditions may cause the Company to lose its ability to continue as a going concern,
- ▶ assess the presentation of the consolidated financial statements as a whole, their structure and content, including disclosure of information, as well as whether the consolidated financial statements reflect the underlying transactions and events in such a way as to ensure their fair presentation.
- ▶ obtain sufficient appropriate audit evidence concerning the fiscal data of entities and economic activity within the Group to express an opinion on the consolidated financial statements. We are responsible for the general management of, control over, and performance of the Group audit. We are solely responsible for our audit opinion.

We communicate with the Board of Directors' Audit Committee, notifying it, among other things, of the planned scope and time of the audit, as well as material comments on the audit results, including significant deficiencies in the internal control system, if identify them during the audit.

We also provide the Board of Directors' Audit Committee with a statement that we have complied with all relevant ethical requirements for independence and informed these individuals of all relations and other matters that may reasonably be considered to have an impact on the auditor's independence and where appropriate, actions performed to eliminate threats or precautions taken.

From among the issues that we have brought to the attention of the Board of Directors' Audit Committee, we identify those most significant for the audit of the consolidated financial statements for the current period which, therefore, are key audit issues. We describe these issues in our auditor's report, unless the public disclosure of these matters is prohibited by law or regulatory act or, in extremely rare cases, we conclude that information on any matter should not be reported in our opinion since it can reasonably be assumed that the negative consequences of communicating such information will outweigh the socially significant benefits.

The head responsible for the audit, based on the results of which this independent auditor's report has been issued, is A. B. Kalmykova.

**A. B. Kalmykova**  
Partner  
Ernst & Young LLC



March 9, 2021

#### The audited entity details

Name: Public Joint Stock Company Rosseti South

The entry was made in the Unified State Register of Legal Entities on June 28, 2007, with the assignment of the state registration number 1076164009096.

Location: 49, St. Bolshaya Sadovaya, Rostov-on-Don, 115035, Russia.

#### The auditor details

Name: Ernst & Young LLC

The entry was made in the Unified State Register of Legal Entities on December 5, 2002, with the assignment of the state registration number 1027739707203.

Location: bld. 1, 77, Sadovnicheskaya Nab., Moscow, 115035, Russia

Ernst & Young LLC is a member of the Sodruzhestvo Association Self-Regulatory Organization of Auditors (SRO AAS). Ernst & Young LLC is included in the control copy of the Register of Auditors and Audit Organizations under Principal Registration Number 12006020327.

## Consolidated Statement of Profit and Loss and Other Aggregate Income (in Thousands of Russian Rubles, Unless Otherwise Specified)

|  | Note | For the year ended on December 31, |                    |
|--|------|------------------------------------|--------------------|
|  |      | 2020                               | 2019               |
| Revenues   | 8    | 41,094,227                         | 38,017,251         |
| Operating costs  | 11   | (40,173,141)                       | (36,742,519)       |
| (Accrual)/reversal of provisions for expected credit losses  |      | 538,630                            | (3,426,450)        |
| Net accrual of fixed asset impairment loss   |      | (2,319,297)                        | (614,661)          |
| Other revenues   | 9    | 1,350,340                          | 929,435            |
| Other expenses   | 10   | (220,721)                          | -                  |
| Operating profit/(loss)  |      | 270,038                            | (1,836,944)        |
| Financial revenues   | 13   | 994,616                            | 439,477            |
| Financial expenses   | 13   | (2,219,412)                        | (2,518,763)        |
| <b>Total finance expenses</b>  |      | <b>(1,224,796)</b>                 | <b>(2,079,286)</b> |
| Loss before tax  |      | (954,758)                          | (3,916,230)        |
| (Expense)/income on income tax   | 14   | (261,631)                          | 652,669            |
| Loss for the period  |      | (1,216,389)                        | (3,263,561)        |
| Other comprehensive income   |      |                                    |                    |
| Items that cannot be subsequently reclassified to profit or loss   |      |                                    |                    |
| Changes in the fair value of equity investments accounted at fair value through other comprehensive income |      | 2,775                              | 1,819              |
| Revaluation of defined benefit pension plans   | 28   | 4,811                              | (157,423)          |
| Income tax   | 14   | (555)                              | (364)              |
| <b>Total items that cannot be subsequently reclassified to profit or loss</b>                              |      | <b>7,031</b>                       | <b>(155,968)</b>   |
| <b>Other comprehensive income/(expense) for the period, net of income tax</b>                              |      | <b>7,031</b>                       | <b>(155,968)</b>   |
| <b>Total comprehensive expense for the period</b>  |      | <b>(1,209,358)</b>                 | <b>(3,419,529)</b> |
| <b>Loss due to:</b>  |      |                                    |                    |
| <b>The Company owners</b>  |      | <b>(1,216,389)</b>                 | <b>(3,263,561)</b> |
| <b>Total comprehensive expense due to:</b>   |      |                                    |                    |
| <b>The Company owners</b>  |      | <b>(1,209,358)</b>                 | <b>(3,419,529)</b> |
| <b>Earnings per share</b>  |      |                                    |                    |
| <b>Basic and diluted earnings per share (RUB)</b>  | 25   | <b>(0.008)</b>                     | <b>(0.042)</b>     |

These consolidated financial statements were approved by management on March 9, 2021, and signed on behalf of management by the following officials: insert autograph like last year (take from last year's PDF)

**B. B. Ebzeev**  
Director General



**G. G. Savin**  
Chief Accountant



## Consolidated Statement of Financial Condition (in Thousands of Russian Rubles, Unless Otherwise Specified)

|   | Note | December 31,<br>2020 | December 31,<br>2019 |
|---|------|----------------------|----------------------|
| <b>ASSETS</b>   |      |                      |                      |
| <b>Non-current assets</b>   |      |                      |                      |
| Fixed assets  | 15   | 28,700,638           | 23,428,237           |
| Intangible assets   | 16   | 240,602              | 204,899              |
| Right-of-use assets   | 17   | 990,241              | 844,015              |
| Long-term trade and other receivables   | 21   | 2,196,778            | 1,581,256            |
| Other non-current financial assets  | 18   | 7,900                | 5,125                |
| Deferred tax assets   | 19   | 758,218              | 1,047,942            |
| Advances paid and other non-current assets                                    | 22   | 3,268                | 952                  |
| <b>Total non-current assets</b>   |      | <b>32,897,645</b>    | <b>27,112,426</b>    |
| <b>Current assets</b>   |      |                      |                      |
| Stocks  | 20   | 956,498              | 915,154              |
| Income tax prepaid  |      | 208,296              | 192,493              |
| Trade and other receivables   | 21   | 7,176,316            | 7,894,117            |
| Cash and cash equivalents   | 23   | 1,056,650            | 571,848              |
| Advances paid and other current assets  | 22   | 492,174              | 400,695              |
| <b>Total current assets</b>   |      | <b>9,889,934</b>     | <b>9,974,307</b>     |
| <b>Total assets</b>   |      | <b>42,787,579</b>    | <b>37,086,733</b>    |
| <b>EQUITY AND LIABILITIES</b>   |      |                      |                      |
| <b>Equity</b>   |      |                      |                      |
| Authorized capital  | 24   | 15,164,143           | 8,203,960            |
| Share issue provisions  | 24   | -                    | 6,960,000            |
| Other provisions  |      | (358,665)            | (365,696)            |
| Outstanding loss  |      | (11,964,676)         | (10,748,287)         |
| <b>Total equity attributable to Company's owners</b>                          |      | <b>2,840,802</b>     | <b>4,049,977</b>     |
| <b>Long-term liabilities</b>  |      |                      |                      |
| Long-term borrowed funds  | 26   | 14,710,603           | 17,352,848           |
| Long-term trade and other payables  | 29   | 5,763,366            | 677,590              |
| Employee benefit liabilities  | 28   | 310,566              | 291,501              |
| Long-term advances received   | 31   | 380,984              | 84,813               |
| <b>Total long-term liabilities</b>  |      | <b>21,165,519</b>    | <b>18,406,752</b>    |
| <b>Short-term liabilities</b>   |      |                      |                      |
| Short-term borrowed funds and the short-term part of long-term borrowed funds | 26   | 6,634,436            | 709,117              |
| Trade and other payables  | 29   | 7,655,685            | 9,749,447            |
| Tax arrears other than income tax   | 30   | 766,140              | 1,086,040            |
| Advances received   | 31   | 2,084,661            | 1,384,773            |
| Estimated liabilities   | 32   | 1,640,336            | 1,700,031            |
| Current income tax arrears  |      | -                    | 596                  |
| <b>Total short-term liabilities</b>   |      | <b>18,781,258</b>    | <b>14,630,004</b>    |
| <b>Total liabilities</b>  |      | <b>39,946,777</b>    | <b>33,036,756</b>    |
| <b>Total equity and liabilities</b>   |      | <b>42,787,579</b>    | <b>37,086,733</b>    |

## 3. Information on the Property Complex Structure of PJSC Rosseti South

| Item No. | Description   | Physical quantities: for overhead lines, cable networks - the circuit length (km); for substations, other assets - number (pcs.) | Book (residual) value as of 1/1/2020 (kRUB) | Entered from 1/1/2020 to 12/31/2020 incl. (kRUB) | Withdrawn from 1/1/2020 to 12/31/2020 incl. (kRUB) | Depreciation accrued from 1/1/2020 to 12/31/2020 incl. (kRUB) | Book (residual) value as of 12/31/2020 (kRUB) |
|----------|---|--|---|--|--|---|---|
| <b>1</b> | <b>Assets related to power grid facilities, including:</b>  | -  | <b>25266728</b>                             | <b>8 858 284</b>                                 | <b>20 689</b>                                      | <b>2 728,820</b>  | <b>31,378,396*</b>                            |
| 1.1.     | overhead lines 220 kV and higher  | 141.0  | 49,135                                      | 0  | 0  | 2,263   | 46,872  |
| 1.2.     | overhead lines 110 kV   | 18,840.8   | 3,520,656                                   | 199,277  | 30   | 313,734   | 3,406,169                                     |
| 1.3.     | overhead lines 35 kV  | 12,084.1   | 897,600                                     | 82,561   | 42   | 81,104  | 899,015                                       |
| 1.4.     | overhead lines 10 kV and lower  | 128,125.9  | 5,545,246                                   | 872,089  | 8,687  | 658,976   | 5,749,672                                     |
| 1.5.     | substations 220 kV and higher   | 2  | 345   | 0  | 0  | 28  | 317   |
| 1.6.     | substations 110 kV  | 639  | 3,946,243                                   | 449,786  | 188  | 483,900   | 3,911,941                                     |
| 1.7.     | substations 35 kV   | 567  | 523,216                                     | 12,191   | 6  | 75,712  | 459,689                                       |
| 1.8.     | substations 10 kV and lower   | 31,630   | 2,136,723                                   | 402,948  | 1,913  | 207,664   | 2,330,094                                     |
| 1.9.     | cable networks (all voltage rates)  | 2,736.8  | 2,515,478                                   | 214,068  | 2,059  | 179,705   | 2,547,782                                     |
| 1.10.    | other assets ensuring electrical connections  | 0,0  | 6,132,086                                   | 6,625,364  | 7,764  | 725,734   | 12,026,845*                                   |
| <b>2</b> | <b>Non-core assets included in the Register of Non-Core Assets</b>  | <b>23</b>  | <b>51,700</b>                               | <b>682</b>                                       | <b>455</b>   | <b>2,212</b>  | <b>49,715</b>                                 |
| <b>3</b> | <b>Other assets (l. 3 = l. 4 - l. 2 - l. 1)</b>   | <b>-</b>   | <b>333,976</b>                              | <b>34,945</b>                                    | <b>7,349</b>                                       | <b>52,516</b>   | <b>306,163*</b>                               |
| <b>4</b> | <b>Fixed assets (land plots and nature management objects; buildings, machinery, and equipment, structures; other fixed assets), including:</b> | <b>-</b>   | <b>25,652,404</b>                           | <b>8,893,911</b>                                 | <b>28,493</b>                                      | <b>2,783,548</b>  | <b>31,734,274</b>                             |
| 4.1.     | owned land plots  | 410.0  | 32,713                                      | 0  | 28   | 0   | 32,685  |
| <b>5</b> | <b>Leased assets related to power grid facilities, including:</b>   | <b>-</b>   | <b>142,701</b>                              | <b>80,271</b>                                    | <b>0</b>   | <b>0</b>  | <b>222,972</b>                                |
| 5.1.     | overhead lines 220 kV and higher  | 0.0  | 0   | 0  | 0  | 0   | 0   |
| 5.2.     | overhead lines 110 kV   | 0.0  | 0   | 80   | 0  | 0   | 80  |
| 5.3.     | overhead lines 35 kV  | 11.0   | 0   | 0  | 0  | 0   | 0   |
| 5.4.     | overhead lines 10 kV and lower  | 216.6  | 50,605                                      | 1,936  | 0  | 0   | 52,541  |
| 5.5.     | substations 220 kV and higher   | 0  | 0   | 0  | 0  | 0   | 0   |
| 5.6.     | substations 110 kV  | 2  | 6,407                                       | 9,289  | 0  | 0   | 15,696  |
| 5.7.     | substations 35 kV   | 1  | 0   | 0  | 0  | 0   | 0   |
| 5.8.     | substations 10 kV and lower   | 140  | 16,608                                      | 9,474  | 0  | 0   | 26,082  |
| 5.9.     | cable networks (all voltage rates)  | 69,3   | 12,493                                      | 19,811   | 0  | 0   | 32,304  |

\* As a result of correcting a technical error 2020, the book value of objects in lines 1.10 and 3 as of December 31, 2020, was changed to 2,893 kRUB (in connection with transfer from group to group for 2 893 kRUB).

| Item No.  | Description   | Physical quantities: for overhead lines, cable networks - the circuit length (km); for substations, other assets - number (pcs.) | Book                                   | Entered from                        | Withdrawn from                      | Depreciation                                     | Book                                     |
|-----------|---|--|--|-------------------------------------|-------------------------------------|--|--|
|           |   |  | (residual) value as of 1/1/2020 (kRUB) | 1/1/2020 to 12/31/2020 incl. (kRUB) | 1/1/2020 to 12/31/2020 incl. (kRUB) | accrued from 1/1/2020 to 12/31/2020 incl. (kRUB) | (residual) value as of 12/31/2020 (kRUB) |
| 5.10.     | other leased assets ensuring electrical connections                                     | 0  | 56 588                                 | 39,681                              | 0                                   | 0  | 96,269                                   |
| <b>6</b>  | <b>Other leased assets, including:</b>  | -  | <b>3208454</b>                         | <b>31,082</b>                       | <b>105,619</b>                      | <b>0</b>   | <b>3,133,917</b>                         |
| 6.1.      | land plots  | 8 294  | 3 169 625                              | 31,082                              | 105,417                             | 0  | 3,095,290                                |
| <b>7</b>  | <b>Assets related to power grid facilities, used under lease agreements, including:</b> | <b>0</b>   | <b>0</b>                               | <b>0</b>                            | <b>0</b>                            | <b>0</b>   | <b>0</b>                                 |
| 7.1.      | overhead lines 220 kV and higher  | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.2.      | overhead lines 110 kV   | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.3.      | overhead lines 35 kV  | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.4.      | overhead lines 10 kV and lower  | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.5.      | substations 220 kV and higher   | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.6.      | substations 110 kV  | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.8.      | substations 35 kV   | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.9.      | substations 10 kV and lower   | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| 7.10.     | cable networks (all voltage rates)  | 0  | 0                                      | 0                                   | 0                                   | 0  | 0  |
| <b>8</b>  | <b>Other assets ensuring electrical connections, used under lease agreements</b>        | <b>0</b>   | <b>0</b>                               | <b>0</b>                            | <b>0</b>                            | <b>0</b>   | <b>0</b>                                 |
| <b>9</b>  | <b>Other assets used under lease agreements</b>   | <b>0</b>   | <b>0</b>                               | <b>0</b>                            | <b>0</b>                            | <b>0</b>   | <b>0</b>                                 |
| <b>10</b> | <b>Total leased assets, including under lease agreements</b>                            | -  | <b>3351155</b>                         | <b>111353</b>                       | <b>105 619</b>                      | <b>0</b>   | <b>3 356 889</b>                         |
|           | (l. 10=l. 5+l. 6+l. 7+l. 8+l. 9)  | -  |  | <b>0</b>                            | <b>0</b>                            | <b>0</b>   | <b>0</b>                                 |
| <b>11</b> | <b>TOTAL (l. 11=l. 4+l. 10)</b>   | -  | <b>29 003 559</b>                      | <b>9 005 264</b>                    | <b>134 112</b>                      | <b>2 783 548</b>                                 | <b>35 091 163</b>                        |

## 4. Report on compliance with the principles and recommendations of the Corporate Governance Code of the Russian Federation

This report on compliance with the principles and recommendations of the Corporate Governance Code (hereinafter referred to as the Code) was considered by the Board of Directors of PJSC Rosseti South as part of the Preliminary Approval of the Company's Annual Report for 2020 at the meeting on April 30, 2021 (Minutes 428/2021 as of May 11, 2021).

The Board of Directors confirms that the data herein contain complete and accurate information on the Company's compliance with the principles and recommendations of the Corporate Governance Code for 2020.

Assessment methodology: the assessment of the compliance with the corporate governance principles set in the Corporate Governance Code was conducted in accordance with the form suggested in the recommendations for report making on the compliance with the principles and recommendations of the Corporate Governance Code (letter of the Bank of Russia of February 17, 2016 No. IN-06-52/8).

| No.   | Corporate governance principles   | Compliance assessment criteria for the corporate governance  | Compliance assessment criteria for the corporate governance principle | Explanations for deviations from the compliance governance principle |
|-------|---|--|---|--|
| 1.1   | The Company shall ensure equal and fair treatment of all shareholders in exercising their right to be involved in the Company management.   |  |   |  |
| 1.1.1 | The Company creates the most enabling environment shareholders to attend the General Meeting, develop an informed position on the items of the General Meeting agenda, coordinate their actions, as well as the opportunity to express their opinion on the agenda items under consideration. | 1 The Company's internal document approved by the General Meeting of Shareholders and regulating the procedures for holding the General Meeting is publicly available.<br><br>2 The Company provides a readily available method of communication with the Company, such as a hotline, email, or Internet forum, allowing shareholders to express their opinions and send their questions regarding the agenda while preparing for the General Meeting. These actions were taken by the Company before each General Meeting held during the reporting period. | ●   |  |

\* Status of compliance with corporate governance principles

● observed

◐ partially observed

○ not observed

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| <p>1.1.2 The procedures for the notification about the General Meeting and the provision of materials for the General Meeting enables shareholders to duly prepare for attending the meeting.</p>   | <p>1 Notification of the General Meeting of Shareholders is posted (published) on the website at least 30 days prior to the date of the General Meeting.</p> <p>2 The meeting notification specifies the place of the meeting and the documents required for admission to the premises.</p> <p>3 The shareholders had access to information about the persons who proposed the agenda items and who nominated the candidates for the Company's Board of Directors and the Audit Committee.</p>  |  |
| <p>1.1.3 During the preparation to the General Meeting and the event itself, the shareholders were able to freely and timely receive information about the meeting and related materials, pose questions to executive bodies and members of the Company's Board of Directors and communicate with each other.</p> | <p>1. In the reporting period, the shareholders could pose questions to the members of executive bodies and members of the Company Board of Directors before and during the Annual General Meeting.</p> <p>2. The opinion of the Board of Directors (including special opinions included in the minutes) on each of the agenda items of General Meetings held during the reporting period was included in the scope of materials for the General Meeting of Shareholders.</p> <p>3. The Company provided the eligible shareholder with access to the list of persons entitled to attend the General Meeting, starting from the date of receipt thereof by the Company, every time a General Meeting was held in the reporting period.</p> |  |
| <p>1.1.4 The exercise of the shareholders' right to demand convening of a General Meeting, nominate candidates to the governing bodies, and propose items to be included into the agenda of the General Meeting was not unreasonably complicated.</p>   | <p>1. In the reporting period, shareholders could propose items to be included into the agenda of the Annual General Meeting within at least 60 days after the end of a relevant calendar year.</p> <p>2. In the reporting period, the Company did not refuse to accept proposals to the agenda or candidates to the Company bodies due to typos and other insignificant defects in the shareholder's proposal.</p>   |  |
| <p>1.1.5 Each of the shareholders was able to freely exercise the right to vote in the easiest and most convenient manner.</p>  | <p>1. The Company's internal document (internal policy) stipulates that each participant of the General Meeting may request a copy of their completed ballot certified by the vote counting committee before the end of the respective meeting.</p>   |  |

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| <p>1.1.6 The General Meeting procedure established by the Company ensures that all persons present at the meeting have an equal opportunity to express their opinions and ask questions of their interest.</p>                   | <p>1. When General Meetings of Shareholders were held in the reporting period in the form of an in-person meeting (joint presence of shareholders), sufficient time was provided for reports on agenda items and the discussion of these items. 2. The nominees to the Company's governing and supervisory bodies were available to answer questions from shareholders at the meeting at which their nominations were put to a vote. 3. When making decision concerning the preparation for and holding of the General Meeting of Shareholders, the Board of Directors considered using telecommunications to provide shareholder with remote access to participate in General Meetings in the reporting period.</p> |  | <p>1. Observed. Due to the pandemic the Annual General Meeting of the Shareholders of PJSC Rosseti South on the results of 2019 was held on May 29, 2020 in the absentee voting form. By virtue whereof the listening to the reports on agenda items and the time for their discussion were not stipulated.</p> <p>2. Partially observed. Regarding the availability of candidates for the governing and supervisory bodies to answer the questions from shareholders at the General Meeting of the Shareholders, the Regulation on the General Meeting of the Company's Shareholders approved by the Annual General Meeting of the Shareholders in 2019 established that the Company ensures the distribution of invitations for the members of the Company's executive bodies, members of and candidates for the Board of Directors and the Audit Committee, the Company's auditor to participate in the General Meeting of the Shareholders in the framework of preparation to the General Meeting of the Shareholders in the form of an in-person meeting (joint presence). The candidates receive the invitations for the participation in the General Meeting of the Shareholders but not all invited candidates can ensure their attendance due to various working and personal factors. Nevertheless, the shareholders can pose any questions to the candidates present at the Meeting.</p> <p>3. Partially observed. In part of using telecommunications to provide the shareholders with remote access to participate in General Meetings the Company's Charter provided such an option if such participation form is stipulated for by the decision of the Board of Directors within the preparation to the General Meeting of the Shareholders. During the reporting period the Board of Directors did not consider using telecommunications to provide the shareholders with remote access to participate in the General Meeting. The Company's shareholders being the clients of nominee holders are provided with remote access by means of a depository. The company will review the established practice if necessary.</p> |
| <p>1.2 Shareholders have an equal and fair opportunity to receive a share in the Company profits in the form of dividends..</p>  |  |  |   |
| <p>1.2.1 The Company has developed and implemented transparent and clear arrangements for determining the amounts of dividends and their payment procedures.</p>   | <p>1. The Company has developed, approved (by the Board of Directors), and disclosed the dividend policy. 2. If the Company dividend policy uses the Company financial statements to determine the amounts of dividends, the relevant provisions of the dividend policy take into account the consolidated financial statements.</p>   |  |   |
| <p>1.2.2 The Company shall not resolve to pay dividends, if such resolution, while not formally violating statutory restrictions, is economically unreasonable and may result in false ideas about the Company's operations.</p> | <p>The Company dividend policy clearly states the financial/economic circumstances, under which the Company should not pay dividends.</p>  |  |   |



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| 2.1.5 | The Board of Directors plays a key role in preventing, identifying, and resolving internal conflicts between the Company's bodies, shareholders, and employees.  | <ol style="list-style-type: none"> <li>The Board of Directors plays a key role in preventing, identifying, and resolving internal conflicts.</li> <li>The Company has established a system for identifying transactions related to conflicts of interest and a system of measures aimed at resolving such conflicts.</li> </ol>  | ● |
| 2.1.6 | The Board of Directors plays a key role in ensuring the Company's transparency, timely and full disclosure of information by the Company, and unhindered access of shareholders to the Company's documents.  | <ol style="list-style-type: none"> <li>The Board of Directors approved the Regulations on Information Policy.</li> <li>The Company has identified persons responsible for the implementation of the information policy.</li> </ol>   | ● |
| 2.1.7 | The Board of Directors controls the Company's corporate governance practices and plays a key role in significant corporate events of the Company.  | During the reporting period, the Board of Directors reviewed the corporate governance practices in the Company.  | ● |
| 2.2   | The Board of Directors is accountable to the shareholders of the Company.  |  |   |
| 2.2.1 | Information about the activities of the Board of Directors is disclosed and provided to shareholders.  | <ol style="list-style-type: none"> <li>The Company annual report for the reporting period includes the information about the attendance of the Board of Directors and committee meetings by individual directors.</li> <li>The annual report contains information about the main results of the Board of Directors' performance assessment carried out in the reporting period.</li> </ol>   | ● |
|       | The Chairman of the Board of Directors is available for communication with the Company shareholders.   | The Company has a transparent procedure in place to ensure that shareholders have the opportunity to send questions to the Chairman of the Board of Directors and their opinion on relevant issues.  |   |
| 2.2.2 | Information about the activities of the Board of Directors is disclosed and provided to shareholders.  | <ol style="list-style-type: none"> <li>The Company annual report for the reporting period includes the information about the attendance of the Board of Directors and committee meetings by individual directors.</li> <li>The annual report contains information about the main results of the Board of Directors' performance assessment carried out in the reporting period.</li> </ol>   | ● |
| 2.3   | The Board of Directors is an efficient and professional governing body of the Company, capable of making unbiased independent judgments and decisions that meet the interests of the Company and its shareholders.   |  |   |
| 2.3.1 | Only persons with impeccable business and personal reputation and possessing the knowledge, skills, and experience necessary to make decisions falling within the competence of the Board of Directors and required to perform its functions efficiently are elected as members of the Board of Directors. | <ol style="list-style-type: none"> <li>The Company's performance assessment procedure for the Board of Directors includes, among other things, the assessment of professional expertise of the members of the Board of Directors.</li> <li>In the reporting period, the Board of Directors (or its Nomination Committee) evaluated the candidates for the Board of Directors in terms of required experience, knowledge, business reputation, absence of conflict of interest, etc.</li> </ol> | ● |

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| 2.3.2 | Members of the Company Board of Directors are elected through a transparent procedure allowing shareholders to obtain sufficient information about candidates to get an idea of their personal and professional qualities.   | During the reporting period, when the agenda of the General Meeting of Shareholders, included the election of the Board of Directors, the Company provided to shareholders with biography details of all the candidates to the Board of Directors, as well as the results of the assessment of such candidates by the Board of Directors (or its Nomination Committee), and the information on the candidate's compliance with the independence criteria, following recommendations 102-107 of the Code along with the written consent of candidates to be elected to the Board of Directors. | ● |
| 2.3.3 | The structure of the Board of Directors is balanced, in particular, in terms of the expertise of its members, their experience, knowledge, and business proficiency, and enjoys the confidence of shareholders.  | As part of the Board of Directors performance evaluation procedure carried out in the reporting period, the Board of Directors analysed its own needs in professional expertise, experience, and business skills.   | ● |
| 2.3.4 | The quantity of members the Company's Board of Directors enables the Board of Directors to conduct its activities in the most efficient way, including the possibility to establish committees of the Board of Directors. It also enables significant minority shareholders to elect a candidate for whom they vote to the Board of Directors.   | As part of the Board of Directors assessment procedure carried out in the reporting period, the Board of Directors considered the issue of compliance of the number of the Board of Directors members with the Company's needs and shareholders' interests.   | ● |
| 2.4   | The Board of Directors has a sufficient quantity of independent directors.   |   |   |
| 2.4.1 | An independent director is a person who has sufficient competence, experience, and independence to form his/her own opinions and can make unbiased and bona fide judgments independent of the influence of the Company executive bodies, groups of individual shareholders, or other stakeholders. A candidate (elected member of the Board of Directors) who is related to the Company, its significant shareholder, significant counterparty or competitor of the Company or related to the state cannot be deemed as independent under normal conditions. | During the reporting period, all independent members of the Board of Directors met all independence criteria specified in Recommendations 102-107 of the Code or were recognized as independent by resolution of the Board of Directors.  | ○ |
|       |  | Not observed. Due to the fact that the Board of Directors is elected by the General Meeting of the Shareholders it is not possible to impact its composition, the election or non-election of the independent directors.  |   |
|       |  | The process of recommendation for the Board of Directors is the prerogative of shareholders. In 2020 as the nominees for the Board of Directors the persons meeting the independent criteria were recommended; however, the nominees were not elected by the shareholders into the Board of Directors. Despite the Company strives to comply with the recommendation mentioned, the change of the practice established depends on the Company's shareholders.   |   |
|       |  | After the re-election of the new composition of the Board of Directors at the Annual General Meeting of May 29, 2020, the Board of Directors included one independent member - Korotkova M. V.  |   |
|       |  | As of the results of the Annual General Meeting of Shareholders it is planned to consider the recognition of independence for the members of the Board of Directors meeting the independence criteria in compliance with the recommendations 102-107 of the Code by the Board of Directors.   |   |

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| <p>2.4.2 Compliance of candidates for the Board of Directors with the independence criteria is assessed, and compliance of independent members of the Board of Directors with the independence criteria is analysed regularly. In conducting such an assessment, content should prevail over form.</p> | <p>1. The Board of Directors (or the Nomination Committee of the Board of Directors) made an opinion about the independence of each candidate for the position of member of the Board of Directors and sent it to shareholders during the reporting period.</p> <p>2. The Board of Directors (or the Nomination Committee of the Board of Directors) considered the independence of the current members of the Board of Directors specified in the annual report by the Company as independent directors at least once in the reporting period.</p> <p>3. The Company has developed procedures, which determine the actions to be taken by a member of the Board of Directors if he/she ceases to be independent, including the obligation to timely inform the Board of Directors thereof.</p> | <p></p>  |
| <p>2.4.3 Independent directors amount to at least one-third of the elected Board of Directors members.</p>   | <p>Independent directors amount to at least one-third of the Board of Directors members.</p>  | <p></p> <p>Partially observed. The Company's Board of Directors is elected in the number of 11 people (cl.16.1 art.16 of the Company's Charter). In the reporting year the Board of Directors included three independent directors at the beginning - Morozov A.V., Zarkhin V.Yu., Dobin. A.A. Since May 29, 2020 one more independent director was included in the Board of Directors - Korotkova M. V. The Company works with the shareholders on the inclusion of the candidates meeting the independence criteria into Board of Directors. Alongside with this, despite the Company's strive to comply with the recommendation, the management has a limited impact on the election of the members of the Board of Directors as the nomination of candidates to the Board of Directors is made by the shareholders. The non-compliance of the nominee with the independence criteria is not the basis for his/her non-inclusion into a list of nominees for vote to be elected into the Board of Directors.</p> <p>As of the results of the Annual General Meeting of Shareholders it is planned to consider the recognition of independence for the members of the Board of Directors meeting the independence criteria in compliance with the recommendations 102-107 of the Code by the Board of Directors to ensure the recommendation implementation. Approximate deadline: Q3 2021..</p> |
| <p>2.4.4 Independent directors play a key role in the prevention of internal conflicts in the Company and taking major corporate actions by the Company.</p>   | <p>Independent directors (with no conflict of interest) preliminarily assess major corporate actions related to a potential conflict of interest, and the results of such assessment are provided to the Board of Directors.</p>  | <p></p> <p>Not observed. Independent directors (with no conflict of interest) preliminarily assessed major corporate actions related to a potential conflict of interest, and, if necessary, the results of such assessment are provided to the Board of Directors via the Corporate Secretary. However, no special assessment or the results of major corporate actions related to potential conflict of interests were not provided by independent members of the Board of Directors in 2020.</p>  |

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| <p>2.5 The Chairman of the Board of Directors promotes the most effective implementation of the functions assigned to the Board of Directors.</p> <p>2.5.1 An independent director has been elected as the Chairman of the Board of Directors, or a Senior Independent Director has been appointed from among the elected independent directors to coordinate the operations of independent directors and interact with the Chairman of the Board of Directors.</p> | <p>1. The Chairman of the Board of Directors is an independent director, or a Senior Independent Director was elected among the independent directors.</p> <p>2. The role, rights, and responsibilities of the Chairman of the Board of Directors (and, if applicable, the Senior Independent Director) are duly defined in the internal documents of the Company.</p>  | <p></p> <p>1. Not observed. The Chairman of the Board of Directors is not an independent director. The Chairman of the Board of Directors is not always an independent director. In compliance with the internal documents and established Company practice, the Chairman of the Board of Directors is elected by the Board of Directors from its members by a majority vote (of the total number of the Board of Directors members), and the Board of Directors has the right to re-elect the Chairman of the Board of Directors any time by a majority vote (of the total number of the Board of Directors members).</p> <p>Due to the fact that the Board of Directors includes one independent director, the election of the Senior Independent Director was not discussed. cl.3.13 of the Regulation on the Company's Board of Directors stipulates for the election of the Senior Independent Director and dully defines its role, rights and responsibilities in relation to the Board of Directors activity.</p> <p>2. The role, rights and the responsibilities of the Chairman are defined in the Company's internal documents (art. 17, 18 of the Company's Charter, art.2 of the Regulation on the Company's Board of Directors, etc.)</p> |
| <p>2.5.2 The Chairman of the Board of Directors ensures a sound environment at the meetings, free discussion of the issues included in the agenda of the meeting, and control over the implementation of resolutions adopted by the Board of Directors.</p>   | <p>Performance of the Chairman of the Board of Directors was assessed as part of the Board of Directors' performance assessment procedure in the reporting period.</p>  | <p></p>  |
| <p>2.5.3 The Chairman of the Board of Directors takes actions necessary for timely provision of the information required to adopt resolutions on agenda items to the members of the Board of Directors.</p>   | <p>The obligation of the Chairman of the Board of Directors to ensure timely submission of materials to the members of the Board of Directors concerning the items of the agenda of the Board of Directors meeting is set forth in the Company's internal documents.</p>  | <p></p>   |
| <p>2.6 Members of the Board of Directors act in good faith and reasonably in the interests of the Company and its shareholders based on sufficient information, with due care and diligence.</p>  |   |   |
| <p>2.6.1 Members of the Board of Directors make decisions based on all the information available to them, in absence of a conflict of interest, with equal treatment of the Company's shareholders and within the ordinary business risk.</p>   | <p>1. The Company's internal documents stipulate that a member of the Board of Directors must notify the Board of Directors if he/she has a conflict of interest with regard to any item on the agenda of a meeting of the Board of Directors or a committee of the Board of Directors before the relevant agenda item is discussed.</p> <p>2. The Company's internal documents stipulate that a member of the Board of Directors must abstain from voting on any issue, in which he/she has a conflict of interest.</p> <p>3. The Company has established a procedure that allows the Board of Directors to receive professional advice on matters within its competence and at the Company's expense.</p> | <p></p> <p>1. Observed.</p> <p>2. Observed.</p> <p>3. Partially observed. The Company has established a standard that allows the Board of Directors to receive professional advice on matters within its competence and at the Company's expense. This procedure is specified in the provisions on the committees.</p> <p>It is planned to introduce this standard into other internal documents if necessary.</p>   |

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| 2.6.2 | The rights and responsibilities of the members of the Board of Directors are clearly stated and established in the Company's internal documents.  | The Company has adopted and published an internal document clearly defining the rights and responsibilities of the members of the Board of Directors.  | ● |
| 2.6.3 | Members of the Board of Directors have sufficient time to carry out their duties.   | 1. Individual attendance of meetings of the Board of Directors and committees, as well as the time devoted to preparation for participation in meetings, was taken into account as part of the Board of Directors' assessment procedure in the reporting period.<br><br>2. Following the Company's internal documents, the members of the Board of Directors must notify the Board of Directors of their intention to become members of governing bodies of other entities (other than the Company's controlled and affiliated entities) and such appointment. | ● |
| 2.6.4 | All of the Board of Directors members have equal access to the Company's documents and information. Sufficient information about the Company and the activities of the Board of Directors is provided to newly elected members of the Board of Directors as soon as possible. | 1. Following the Company's internal documents, members of the Board of Directors have the right to access documents and make inquiries concerning the Company and its controlled entities, and the Company executive bodies must provide relevant information and documents.<br><br>2. The Company has a formalized awareness-raising program for newly elected members of the Board of Directors.   | ● |
| 2.7   | Meetings of the Board of Directors, preparation for them, and the participation of members of the Board of Directors ensure efficient operation of the Board of Directors.  |  |   |
| 2.7.1 | Meetings of the Board of Directors are held as necessary, with due regard to the scope of activities and tasks faced by the Company at a certain period.  | Meetings of the Board of Directors are held as necessary, with due regard to the scope of activities and tasks faced by the Company at a certain period.   | ● |
| 2.7.2 | The Company internal documents establish the procedures for preparing and holding meetings of the Board of Directors, ensuring that members of the Board of Directors can properly prepare for the meeting.   | The Company has approved an internal document governing the procedures for preparing for and holding the meetings of the Board of Directors, which stipulates, in particular, that notice of a meeting should be given, as a general rule, at least 5 days before the meeting date.  | ● |

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| 2.7.3 | The form of the meeting of the Board of Directors is determined taking into account the importance of the issues on the agenda. The most important issues are resolved at meetings held in person.                        | The Charter or an internal document of the Company stipulates that the most important issues (according to the list given in Recommendation 168 of the Code) must be considered at in-person meetings of the Board.  | ● | 1. Partially observed. According to art.6.12 of the Regulation of the Board of Directors established in 2020, the most important issues must be considered at in-person meetings of the Board. Such issues include those stipulated for in the list given in Recommendation 168 of the Code except for:<br><br>- placing the reorganization issues (including the definition of the conversion coefficient for the Company's shares) or the Company liquidation for the consideration of the General Meeting of the Shareholders;<br><br>- issues related to the Company's capital increase (including the definition of the cost for the property brought as the payment for additional shares placed by the Company);<br><br>- consideration of the Company's financial activity for the reporting period (quarter, year).   |
| 2.7.4 | Resolutions on the most important issues of the Company operations are adopted at a meeting of the Board of Directors by a qualified majority or by a majority vote of all the elected members of the Board of Directors. | The Company's Charter stipulates that resolutions on the most important issues set out in Recommendation 170 of the Code must be adopted at a meeting of the Board of Directors by a qualified majority of at least three-quarters of votes, or by a majority vote of all the elected members of the Board of Directors.   | ○ | Not observed. In compliance with cl. 18.8 of the Charter the decisions are taken by the majority vote - three-quarter of votes of the<br><br>Board of Directors on some issues not provided in the recommendation 170 of the Code.<br><br>In compliance with cl.18.7 of the Charter, the decisions at the meetings are taken by the majority vote of the Board of Directors members participating in the meetings, not by all the elected members of the Board of Directors.   |
| 2.8   | The Board of Directors establishes committees for preliminary consideration of the most important issues of the Company's operations  |  |   |  |
| 2.8.1 | An Audit Committee consisting of independent directors has been established for preliminary consideration of issues related to control over the Company's financial and business operations.                              | 1. The Board of Directors has established the Audit Committee, which consists of independent directors only.<br><br>2. The Company's internal documents determine the tasks of the Audit Committee, in particular, the tasks contained in Recommendation 172 of the Code.<br><br>3. At least one member of the Audit Committee, who is an independent director, has the experience in and knowledge of the preparation, analysis, evaluation, and audit of accounting (financial) statements.<br><br>4. Meetings of the Audit Committee were held at least once a quarter during the reporting period. | ● | Partially observed. As of December 31, 2020 the last changes in the personal composition of the Audit Committee of the Board of Directors were formed by the resolution of the Board of Directors as of July 7, 2020 (Minutes No.384/2020) in the amount of 3 persons, one of them is independent director: Korotkova M. V. Therefore, the requirement in part of the Audit Committee composition is partially observed due to the absence of a sufficient number of the Board of Directors members meeting the independence criteria.<br><br>Observed. The Audit Committee Regulation contains the standards that set requirements to the committee composition in part of the number of independent directors.<br><br>Separate Committee tasks are set in the internal documents and local acts of the Company.<br><br>Partially observed. The management carries our regular interaction with the shareholder representatives to increase the number of independent directors in the Board of Directors nominee for election and supported during vote.<br><br>The Company will strive to comply with this recommendation with the account of the actual election of the Board of Directors at the Annual General Meeting of the Shareholders.<br><br>Observed. During the reporting period 14 meeting of the Audit Committee were held. On average, 3-4 meetings are held per quarter. |

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| <p>2.8.2 The Remuneration Committee consisting of independent directors and chaired by an independent director who is not the Chairman of the Board of Directors was established for the preliminary consideration of issues related to the development of effective and transparent remuneration practices</p>   | <p>1. The Board of Directors has established the Remuneration Committee, which consists of independent directors only.</p> <p>2. The Remuneration Committee is chaired by an independent director who is not the Chairman of the Board of Directors.</p> <p>3. The Company's internal documents determine the tasks of the Remuneration Committee, including the tasks contained in Recommendation 180 of the Code.</p>  |    | <p>1. Not observed. As of December 31, 2020 the personal composition of the Human Resources and Remuneration Committee of the Board of Directors was formed by the resolution of Company's Board of Directors as of July 7, 2020 (Minutes No. 384/2020). The Human Resources and Remuneration Committee contains no independent directors. In addition, the Committee includes persons who are not the members of the Company's Board of Directors.</p> <p>2. Not observed. The Chairman of the Human Resources and Remuneration Committee is L.A.Romanovskaya. She is not a member of the Board of Directors.</p> <p>3. Partially observed. The Regulation on the Human Resources and Remuneration Committee of the Board of Directors of PJSC IDGC of South, has been approved by the resolution of the Company's Board of Directors of July 31, 2014 (Minutes No.140 of August 4, 2014). The Committee tasks are defined in the Regulation on the Committee. However, due to the fact that this document revision was approved in 2014, it does not contain all the standards enlisted in the Code recommendations, in particular, in part cl.6 of the recommendation 180 of the Code on the issue of the development of recommendations to the Board of Directors on defining the amount of remuneration and bonus payment principles for the Company's Corporate Secretary, etc.</p> <p>To introduce the Code recommendations (cl.180), the Company plans to prepare appropriate suggestions at the amending and adding the internal documents. To introduce the Code recommendations (cl.180), the Company plans to prepare appropriate suggestions at the amending and adding the internal documents. Approximate deadline: Q3 2021.</p> |
| <p>2.8.3 The Nomination Committee, most members of which are independent directors, was established for preliminary consideration of issues related to the implementation of human resources planning (succession planning), occupational structure, and efficiency of the Board of Directors.</p>  | <p>1. The Board of Directors has established the Nomination Committee (or its tasks specified in Recommendation 186 of the Code are implemented by a different committee), most members of which are independent directors.</p> <p>2. The Company's internal documents determine the tasks of the Nomination Committee (or a relevant committee with combined functions), including, in particular, the tasks contained in Recommendation 186 of the Code.</p> |  | <p>1. Not observed. The Company has not the Nomination Committee. However, the Company has the Human Resources and Remuneration Committee of the Board of Directors and other committees. The quantity of the Committee members is defined by the resolution of the Board of Directors and is equal to 3 persons. No independent directors are included in the Committee.</p> <p>Not observed. The Committee tasks are defined in the Regulation on the Human Resources and Remuneration Committee of the Board of Directors, approved by the resolution of the Company's Board of Directors as of July 31, 2014 (Minutes No.140 as of August 4, 2014) and partially comply with the recommendations of cl.186 of the Code. To introduce the Code recommendations (cl.186), the Company plans to prepare appropriate suggestions at the amending and adding the internal documents.in 2021.</p>   |
| <p>2.8.4 Taking into account the extent of operations and the level of risks, the Company Board of Directors has ensured that its committees fully complies with the Company objectives. Additional committees were either established or were not deemed necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety, and Environment Committee, etc.).</p> | <p>1. In the reporting period, the Company Board of Directors considered the compliance of its committees with the objectives of the Board of Directors and the Company. Additional committees were either established or were not deemed necessary.</p>   |  |   |

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| <p>2.8.5 The structure of the committees was determined to allow for a comprehensive discussion of the issues under preliminary consideration, taking into account the diversity of views.</p>   | <p>1. Committees of the Board of Directors are headed by independent directors.</p> <p>2. The Company's internal documents (policies) stipulate provisions under which persons who are not members of the Audit Committee, Nomination Committee, and Remuneration Committee may attend meetings of the committees only if they have been invited by the Chairman of the relevant committee.</p>  |    | <p>1. Not observed. The Committees of the Board of Directors (except for the Audit Committee) are not chaired by independent directors as the members of the Company's Board of Directors, elected by the shareholders of the Company at the Annual General Meeting of the Shareholders in 2020, do not meet the independence criteria except for one member of the Board of Directors - Korotkova M. V. In case of the election of independent directors to the Board in 2021, it is possible to elect the Committee chairmen from their number.</p> <p>2. Partially observed. Cl.6.1.6 of the Audit Committee, cl. 4.1. of the Reliability Committee as well as cl.4 cl. 4.1. of the Provisions on the Human Resources and Remuneration Committee of the Board of Directors fix the opportunity to invite the corporate executives and the employees of the Company subsidiaries and affiliates (who are not the Committee members) as well as other persons to take part in the Committee meetings.</p>   |
| <p>2.8.6 The chairmen of the committees regularly inform the Board of Directors and its Chairman of the activities of their committees.</p>  | <p>During the reporting period, the chairmen of the committees regularly reported on the committees' activities to the Board of Directors.</p>   |    | <p>1. Partially observed. Cl.7.4.8 of the Regulation on the Audit Committee fixes the responsibility to report the Committee activities to the Board of Directors with the frequency stipulated for in the provision. On September 7, 2020, the Board of Directors considered the report of the Audit Committee on the work done in the 2019-2020 corporate year (Minutes No.394/2020 of September 7, 2020) to the Board of Directors.</p> <p>Cl.14.1 art. 14 of the Regulation on the Human Resources and Remuneration Committee grants the right to the Board of Directors to request the report on the current committee activities. The terms for the preparation and presentation of such a report are defined by the separate resolutions of the Board of Directors. Due to the fact that in the reporting year the Board of Director did not pass a resolution on the need to consider the report provided by the Human Resources and Remuneration Committee of the Board of Directors, the committee report was not reviewed as a separate issue.</p> <p>The Strategy Committee report of the Board of Directors of PJSC Rosseti South on the work done in the 2019-2020 corporate year was considered by the Board of Directors on August 7, 2020 (Minutes No. 389 of August 10, 2020).</p> |
| <p>2.9 The Board of Directors ensures assessment of the performance of the Board of Directors, its committees, and members of the Board of Directors</p>   |  |   |  |
| <p>2.9.1 The performance of the Board of Directors is assessed to determine the efficiency of the Board of Directors, committees, and members of the Board of Directors, compliance of their operations with the Company development needs, and revitalize the operations of the Board of Directors and identify the areas of improvement.</p> | <p>1. Self-assessment or external assessment of the Board of Directors' performance in the reporting period included the performance assessment of committees, individual members of the Board of Directors, and the Board of Directors as a whole.</p> <p>2. The results of self-assessment or external assessment of the Board of Directors carried out during the reporting period were considered at an in-person meeting of the Board of Directors.</p> |  | <p>Partially observed. According to the Methodology, the self-assessment of the work of the Board of Directors during the reporting period included the assessment of the committees and the Board of Directors activities in general/ It did not assessed the individual work of the members of the Board of Directors.</p> <p>Partially observed. During the reporting period the Board of Directors activities were self-assessed. However, due to the coronavirus pandemic, the result of the self-assessment conducted for the Board of Directors activities during the reporting period were considered at the meeting of the Company's Board of Directors in absentia on October 7, 2020 (Minutes No.400 of October 10, 2020).</p>  |

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| <p>2.9.2 The performance of the Board of Directors, committees, and members of the Board of Directors is assessed regularly at least once a year. A third party (advisor) is engaged at least once every three years to carry out an independent assessment of the performance of the Board of Directors.</p>   | <p>1.The Company engaged a third-party (advisor) at least once in the last three reporting periods to carry out an independent assessment of the performance of the Board of Directors.</p>   | <p>1. In compliance with cl. 5.4. of the Regulation on the Company's Board of Directors, the Board of Directors has the right to annually assess the efficiency of the Board of Directors activities in the form of self-assessment or involving an independent third-party organization (advisor) with an appropriate qualification to conduct such assessment.</p> <p>In compliance with cl. 2.9.2. of the Code the assessment of the activities for the Board of Directors, committees and members of the Board of Directors should be conducted on a regular basis at least once a year. To conduct an independent assessment for the quality of the Board of Directors activities, it is recommended to involve an external third-party organization (consultant) with the frequency of at least once in three years.</p> <p>The method for the efficiency assessment of the activities for the Board of Directors and its Committees was approved in Q1 2020. In 2020 the Company conducted the self-assessment of the Board of Directors for the first time. It plans to conduct the assessment by the set methodology for the next two years. Upon the expiry of this period the Company will consider the issue on the involvement of the external organization for assessment.</p> |
| <p>3.1 The Company Corporate Secretary carries out effective day-to-day interaction with shareholders, coordinates the Company's actions to protect shareholder rights and interests, and supports the efficient operation of the Board of Directors.</p>   |   |  |
| <p>3.1.1 The Corporate Secretary has the knowledge, experience, and expertise sufficient for the performance of his/her duties, as well as an impeccable reputation, and is trusted by shareholders.</p>  | <p>1. The Company has adopted and disclosed an internal document - the Regulations on the Corporate Secretary.</p> <p>2. The Company website and the annual report provide biographical information about the Corporate Secretary in such detail as information about the members of the Board of Directors and the Company's executives.</p> |  |
| <p>3.1.2 The Corporate Secretary enjoys sufficient independence from the Company's executive bodies and has the necessary powers and resources to perform his/her tasks.</p>  | <p>The Board of Directors approves the appointment, removal, and additional remuneration of the Corporate Secretary.</p>  |  |
| <p>4.1 The level of remuneration paid by the Company is sufficient to hire, motivate and retain persons with the competence and expertise required by the Company. Remuneration provided to the members of the Board of Directors, executive bodies, and other key executives of the Company is subject to the Company Remuneration Policy.</p>   |   |  |
| <p>4.1.1 The remuneration paid by the Company to the members of the Board of Directors, executive bodies, and other key executives provides sufficient motivation for their efficient work, allowing the Company to hire and retain specialists with the required competence and expertise. That being said, the Company avoids a higher than necessary level of remuneration, as well as an unjustifiably large gap between the remuneration the said persons and the Company employees.</p> | <p>1.The Company has adopted an internal document(s) – the remuneration policy(ies) for the members of the Board of Directors, executive bodies, and other key executives of the Company, which clearly defines approaches to remuneration of the abovementioned persons.</p>   |  |

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| <p>4.1.2 The Company Remuneration Policy was developed by the Remuneration Committee and approved by the Company's Board of Directors. The Board of Directors, supported by the Remuneration Committee, exercises control over the introduction and implementation of the Company Remuneration Policy and, if necessary, revises and amends it.</p>        | <p>1.The Remuneration Committee considered the Remuneration Policy(ies) and implementation thereof and, if necessary, gave relevant recommendations to the Board of Directors during the reporting period.</p>   |  |
| <p>4.1.3 The Company's Remuneration Policy establishes transparent procedures to determine the amounts paid as remuneration to the members of the Board of Directors, executive bodies, and other key executives of the Company and regulates all kinds of payments, benefits, and privileges granted to such persons.</p>                                 | <p>1.The Company Remuneration Policy(ies) establishes transparent procedures to determine the amounts of remuneration paid to the members of the Board of Directors, executive bodies, and other key executives of the Company and regulates all kinds of payments, benefits, and privileges granted to such persons.</p>                            |  |
| <p>4.1.4 The Company determines the Expense Reimbursement (Compensation) Policy specifying the expenses to be reimbursed as well as the level of service which members of the Board of Directors, executive bodies, and other key executives of the Company may claim. Such a policy can be an integral part of the Company's Remuneration Policy.</p>     | <p>1.The Remuneration Policy(ies) or other internal documents of the Company establish the rules for the reimbursement of expenses incurred by the members of the Board of Directors, executive bodies, and other key executives of the Company.</p>   |  |
| <p>4.2 The system of remuneration of the members of the Board of Directors ensures alignment of directors' financial interests with the long-term financial interests of shareholders.</p>   |  |  |
| <p>4.2.1 The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for attending certain meetings of the Board of Directors or its committees.</p> <p>The Company does not use short-term motivation and additional financial incentives for the members of the Board of Directors.</p> | <p>The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for attending certain meetings of the Board of Directors or its committees.</p> <p>The Company does not use short-term motivation and additional financial incentives for the members of the Board of Directors.</p> |  |

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| <p>4.2.2 The long-term ownership of the Company shares is the largest contributor to the alignment of the financial interests of members of the Board of Directors with the long-term interests of shareholders. However, the Company does not link the right to sell shares to the achievement of specific performance indicators, and members of the Board of Directors are not enrolled in stock option plans.</p> | <p>1.If the internal document(s) (the Company's Remuneration Policy(ies)) provides for granting the Company shares to the members of the Board of Directors, clear rules of share ownership by board members (promoting long-term ownership of such shares) should be stipulated and disclosed.</p>  | <p>1. Partially observed. The Regulation on Payment of Remunerations and Compensations to the Members of the Board of Directors (in new revision) approved by the Annual General Meeting of the Shareholders of June 5, 2019, minutes No. 20, does not stipulate for the allocation of the Company's shares to the members of the Board of Directors.</p> <p>The Company has the Regulation on the Option Plan of PJSC IDGC of South, approved by the resolution of the Board of Directors as of July 25, 2008, minutes No. 16/2008. In compliance with cl.2.1. of the plan the members of the Board of Directors can participate in the option plan. In compliance with cl.2.2. of the Regulation, the members of the Company's Board of Directors, General Director, Senior managers and the Company's employees become the participants of the Plan since the date of the Agreement conclusion. The participation of the Chairman of the Board of Directors, members of the Board of Directors in the Plan and the number of shares in their option agreements is defined by the resolution of the Board of Directors by the suggestion of the Human Resources and Remuneration Committee of the Board of Directors. The resolution on the participation and the amount of the option agreement of the members of the Board of Directors is passed by a qualified majority voting of the number of the persons attending the meeting of the Board of Directors. The information on the participation of the Board of Directors members in the Plan and the individual size of the option agreement is disclosed in the materials for the Annual Meeting of the Company's Shareholders (in the Company's annual report).</p> |
| <p>4.2.3 The Company does not provide for any additional payments or compensations in case of early termination of powers of the members of the Board of Directors due to the change of control over the Company or other circumstances.</p>  | <p>1.The Company does not provide for any additional payments or compensations in case of early termination of powers of the members of the Board of Directors due to the change of control over the Company or other circumstances.</p>   |  |
| <p>4.3. The system of remuneration for the members of executive bodies and other key executives of the Company makes the remuneration conditional on the Company performance and the members' personal contribution to such performance.</p>  |  |  |
| <p>4.3.1 The remuneration paid to the members of the executive bodies and other key executives of the Company is determined to ensure a reasonable and justified balance between the fixed part of the remuneration and the variable part of remuneration that depends on the Company performance and an employee's personal (individual) contribution to the bottom line.</p>  | <p>1. During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration paid to the members of the executive bodies and other key executives of the Company.</p> <p>2. In the latest assessment of the system of remuneration for the members of the executive bodies and other key executives of the Company, the Board of Directors (Remuneration Committee) ascertained that the Company maintains an efficient balance between the fixed and the variable part of remuneration.</p> | <p>1. Observed. The members of the Company's Board are included in the category of the Company's top management.</p> <p>The size of the variable remuneration part for the executive bodies' members and other key executives of the Company is defined in compliance with the Regulation on the financial incentives and social package for the top managers of PJSC IDGC of South in new revision approved by the resolution of the Board of Directors as of June 14, 2011 (minutes No. 67/2011 of June 16, 2011).</p> <p>The motivation of the Board of Control is implemented by:</p> <ul style="list-style-type: none"> <li>- by means of establishing bonuses in the amount of 15% of the fixed official salary for a top manager according to the order of the Company's Director General;</li> <li>- by means of payment of the quarter and annual remuneration for the meeting of corresponding KPIs to the members of the Board as top managers.</li> </ul>  |

3. The Company has established a procedure to return bonus payments to the Company which were improperly received by the members of the executive bodies and other key executives of the Company.

The list of KPIs of the Company's Director General and their specific weights are defined in the Methodology for the calculation and assessment of KPI achievement for the Director General of PJSC Rosseti South.

The reports of target KPIs achievement by Director General are considered by the Board of Directors, the reports of target KPIs achievement by the Company's top managers - by Director General on a quarterly basis with the establishment of specific weights and target KPIs for each of top managers by the resolution of the Company's Director General.

2. Partially observed. Due to the fact that the composition of the Board of Control, Director General, other key executives of the Company are balanced, including by their qualification, experience, knowledge and business traits, have credibility of the Company's Board of Directors while the assessment of the remuneration system for the above-mentioned persons was not conducted by the Board of Directors in 2020. The Company has no need to confirm the efficiency of the existing remuneration system.

3. Partially observed. The provisions of the Company's internal documents regulating the remuneration payment to the members of the executive bodies and other key executives of the Company, and they provide no possibility for the illegal receipt of bonus payments by the above-mentioned persons.

The return of bonus payments to the Company that were improperly received by the members of the executive bodies (members of the Board of Control and Director General) and other key executives of the Company (in case of this fact confirmation) is performed in compliance with the existing RF legislation that stipulates for such arrangement only in case of the calculation error and against the employee consent.

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| <p>4.3.2. The Company has implemented a long-term incentive program for the members of the executive bodies and other key executives using the Company shares (options or other derivatives with the Company shares as the underlying asset).</p>                       | <p>1. The Company has implemented a long-term incentive program for the members of its executive bodies and other key executives using the Company shares (financial instruments with the Company shares as the underlying asset).</p> <p>2. The long-term incentive program for the members of the executive bodies and other key executives of the Company provides the right to sell shares and other financial instruments used in such program upon the expiration of three years from the date of granting thereof. The right to exercise them is conditional on the achievement of the Company's specific performance indicators.</p> | <p>1. Partially observed. The Company has the Regulation on the Option Plan of PJSC IDGC of South, approved by the resolution of the Board of Directors as of July 25, 2008, minutes No. 16/2008.</p> |
| <p>2. Observed. Within the option plan the Company and the Member enter into a stock purchase and sale agreement with an obligation to hand over the Company shares and pay for them in 3 years after the conclusion of the Agreement. (cl. 4.2. of the Regulation)</p> |  |   |

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| 4.3.3 | The amount of compensation (the "golden parachute") paid by the Company in case of early termination of powers of the members of its executive bodies or key executives and in the absence of bad faith actions on their part does not exceed the double amount of the fixed part of the annual remuneration. | 1.The amount of compensation (the "golden parachute") paid by the Company in case of early termination of powers of the members of its executive bodies or key executives and in the absence of bad faith actions on their part did not exceed the double amount of the fixed part of the annual remuneration in the reporting period. | ● |
| 5.1   | The Company has established an efficient risk management system and internal controls to provide reasonable assurance of achieving the Company goals.   |  |   |
| 5.1.1 | The Company Board of Directors determined the principles of and approaches to establishing the risk management system and internal controls at the Company.   | 1.The functions of various governing bodies and departments of the Company within the risk management system and internal controls are clearly defined in the internal documents/relevant Company policy approved by the Board of Directors.   | ● |
| 5.1.2 | The Company executive bodies ensure the establishment and maintenance of an efficient risk management system and internal controls at the Company.  | 1.The Company executive bodies delegated the functions and powers concerning risk management and internal controls among the directors (heads) of departments and divisions accountable to them.   | ● |
| 5.1.3 | The Company risk management system and internal controls provide an unbiased, fair, and clear view of the Company's current situation and prospects, the integrity and transparency of the Company's reporting, the feasibility and acceptability of the risks taken by the Company.                          | 1. An anti-corruption policy has been approved in the Company.<br>2. The Company has a simple way to inform the Board of Directors or the Audit Committee of the Board of Directors about any violations of laws, internal procedures, and the Company code of ethics.   | ● |
| 5.1.4 | The Company Board of Directors takes the necessary steps to make sure that the risk management system and internal controls in place at the Company comply with the principles of and approaches to its establishment (as determined by the Board of Directors) and function efficiently.                     | During the reporting period, the Board of Directors or the Audit Committee of the Board of Directors assessed the efficiency of the risk management system and internal controls in the Company. The main results of this assessment are set out in the Company annual report.   | ● |

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| 5.2   | The Company orders internal audits for regular independent assessment of the reliability and efficiency of the risk management system and internal controls and corporate governance practices.  |  |   |
| 5.2.1 | The Company has established a separate division or engaged an independent third-party entity to conduct an internal audit. The functional and administrative accountability of the internal audit division is delineated. The internal audit division reports to the Board of Directors. | 1.To conduct an internal audit, the Company established a separate internal audit division functionally reporting to the Board of Directors or the Audit Committee or engaged an independent third party entity based on the same principle of accountability.   | ● |
| 5.2.2 | The internal audit division assesses the efficiency of the internal controls, the risk management system, and the corporate governance system. The Company uses the generally accepted standards of internal auditing.   | 1. During the reporting period, the internal audit assessed the efficiency of internal controls and the risk management system.<br>2. The Company uses generally accepted approaches to internal controls and risk management.   | ● |
| 6.1   | The Company and its operations are transparent to shareholders, investors, and other stakeholders.   |  |   |
| 6.1.1 | The Company has developed and implemented an information policy that ensures effective information exchange between the Company, shareholders, investors, and other stakeholders.  | 1. The Board of Directors approved the Company information policy developed with due regard to the recommendations specified in the Code.<br>2. The Board of Directors (or any committee thereof) considered the issues related to the Company's compliance with its information policy at least once in a reporting period.   | ● |
| 6.1.2 | The Company discloses the information on the corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.  | 1. The Company discloses the information on the corporate governance system in the Company and the general principles of corporate governance used in the Company, particularly on the Company website.<br>2. The Company discloses the information on the members of the executive bodies and the Board of Directors, the independence of the members of the Board of Directors, and their membership in committees of the Board of Directors (as defined in the Code).<br>3. If there is a person or entity controlling the Company, the Company shall publish the memorandum of such controlling person or entity regarding their plans concerning the corporate governance in the Company. | ● |

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| 6.2   | The Company shall disclose, in a timely manner, complete, relevant, and reliable information about the Company to allow the Company shareholders and investors to make informed decisions.                                |  |   |
| 6.2.1 | The Company shall disclose information regularly, consistently, and on time, and such information will be readily available, reliable, complete, and comparable.  | <p>1. The Company information policy defines approaches to and criteria to identify the information that may have a significant impact on the Company's valuation and the value of its securities, and the procedures to ensure timely disclosure of such information.</p> <p>2. If the Company's securities are traded on foreign organized markets, material information in the Russian Federation and such markets will be disclosed simultaneously and on an equivalent basis during the reporting year.</p> <p>3. If foreign shareholders own a significant quantity of the Company shares, during the reporting year, the information was disclosed not only in Russian but also in one of the most commonly spoken languages.</p> | <p>Not observed. The Company Regulation on Information Policy approved by the Company Board of Directors on March 29, 2018 (minutes No. 266 of March 28, 2018) does not set out the approaches and criteria to identify the information that may have a significant impact on the Company's valuation and the value of its securities, and the procedures to ensure timely disclosure of such information.</p> <p>Not observed. The Company's securities are not traded on foreign organized markets.</p> <p>Partially observed. Despite the fact that foreign shareholders do not have a significant number of the Company's shareholders, during the reporting year the Company discloses the information on significant events not only in Russian but also in English on the Company's website.</p> |
| 6.2.2 | The Company avoids a formalistic approach to information disclosure and discloses material information about its operations, even if the disclosure of such information is not required by law.                           | <p>1. During the reporting period, the Company disclosed annual and semi-annual financial statements prepared in accordance with IFRS. The Company annual report for the reporting period includes annual financial statements prepared following IFRS, together with the auditor's report.</p> <p>2. The Company discloses full information on its capital structure in accordance with Recommendation 290 of the Code in the annual report and on the Company's website.</p>   |   |
| 6.2.3 | The annual report, being one of the most important tools for sharing information among shareholders and other stakeholders, contains information enabling an assessment of the Company performance in the reporting year. | <p>1. The Company annual report contains information on the key aspects of the Company operations and its financial results</p> <p>2. The Company annual report contains information on the environmental and social aspects of the Company operations.</p>  |   |

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| 6.3   | The Company provides information and documents upon shareholders' requests, ensuring equal and easy access thereto.   |  |   |
| 6.3.1 | Information and documents are provided by the Company upon shareholders' requests based on equal and easy access principles.  | Information and documents are provided by the Company upon shareholders' requests based on equal and easy access principles.   | <p>Not observed. In compliance with Company Regulation on Information Policy approved by the Company Board of Directors on March 29, 2018 (minutes No. 266 of March 28, 2018), the Company does not provide a clear definition of simple procedures for providing shareholders with access to information, including the information about legal entities controlled by the Company, upon shareholders' request.</p> <p>In accordance to cl.4.3. of the Company Regulation, to comply with the principle of information availability the Company uses the channels and methods for distributing information on its activity available for most interested parties providing for free, easy and open access to the information disclosed. The Company plans to make appropriate changes to the Regulation with the possibility to approve the Regulation on Information Policy in new revision in the 2021-2022 corporate year.</p>  |
| 6.3.2 | When the Company provides information to its shareholders, it ensures a reasonable balance between the interests of individual shareholders and the interests of the Company itself, which stands for keeping safe the confidential commercially sensitive information that could have a significant impact on the Company's competitiveness.   | <p>1. During the reporting period, the Company did not reject shareholders' requests for information, or such rejections were justified.</p> <p>2. In cases determined by the Company information policy, shareholders are warned of the confidential nature of information and assume the obligation to keep it confidential.</p>   |   |
| 7.1   | Actions that significantly affect or may affect the Company's share capital structure, financial condition, and, subsequently, the position of shareholders (major corporate actions) shall be taken on fair terms ensuring that the rights and interests of the shareholders and stakeholders are observed.  |  |   |
| 7.1.1 | Major corporate actions include the Company restructuring, acquisition of 30 or more percent of the Company's voting shares (takeover), major transactions entered into by the Company, increase or decrease in the Company's authorized capital, listing and delisting of the Company shares, as well as other actions that may lead to significant changes in the rights of shareholders or violations of their interests. The Company's Charter lists (the criteria for) transactions or other actions that constitute major corporate actions, and such actions are referred to the competence of the Company Board of Directors. | <p>1. The Company Charter lists transactions or other actions that constitute major corporate actions and the criteria used to determine them. Making decisions on major corporate actions falls within the competence of the Board of Directors. If the implementation of such corporate actions is expressly attributed by law to the competence of the General Meeting of Shareholders, the Board of Directors shall provide appropriate recommendations to shareholders.</p> <p>2. According to the Company Charter, major corporate actions include, at least: the restructuring of the Company, the acquisition of 30% or more of the Company's voting shares (takeover), major transactions entered into by the Company, increase or decrease in the Company authorized capital, listing and delisting of Company shares.</p> | <p>1. The Company's Charter does not include the concept of "major corporate action".</p> <p>2. The mandatory competence of the Board of Directors stipulated for by the Law on Joint-Stock Companies is significantly extended included by means of the items that can affect the share capital structure and the Company's financial status and, correspondingly, the shareholders status, including:</p> <ul style="list-style-type: none"> <li>- preliminary approval of the Company's decisions on: the transactions related to a gratuitous transfer of the Company property or property rights (receivables) to itself or a third party; transactions related to exemption from liability to itself or a third party in cases (amounts) determined by separate decisions of the Company Board of Directors, and making decisions on the performance of such transactions by the Company where the above cases (amounts) are not determined;</li> <li>- preliminary approval of the Company's decisions on: <ul style="list-style-type: none"> <li>a) transactions with the Company's non-current assets in the amount exceeding 10% of the book value of these assets based on the financial statements of the last reporting date;</li> </ul> </li> </ul> |

b) transactions (including several related transactions) involving the acquisition, disposal or potential disposal of property comprising fixed assets, intangible assets, facilities under construction for the generation, transmission, dispatching, and distribution of electric and thermal energy, in cases (amounts) determined by separate resolutions of the Company Board of Directors, or if the said cases (amounts) are not determined by the Company Board of Directors;

c) transactions (including several related transactions) involving the acquisition, disposal or potential disposal of property comprising fixed assets, intangible assets, facilities under construction for purposes other than the generation, transmission, dispatching, and distribution of the electric and thermal energy, in cases (amounts) determined by separate resolutions of the Company Board of Directors, or if the said cases (amounts) are not determined by the Company Board of Directors;

d) preliminary approval of transactions involving the Company's real estate property, including land lots and the facilities under construction in cases determined by separate resolutions of the Company Board of Directors (for example, by means of determining the amount and/or the list) as well as any of above-mentioned transactions involving real estate property, including land lots and the facilities under construction if the said cases (amounts, list) are not determined;

e) transactions related to handover or acceptance of real estate property, electric grid facilities for temporary possession and use for more than 5 (five) years in cases (amounts) determined by separate resolutions of the Company's Board of Directors, or if the said cases (amounts) are not determined by the Company's Board of Directors;

- preliminary approval of one or several related transactions of the Company involving the Company transfer or possible transfer of property into a trust to the amount exceeding RUB 1,000,000,000 (one billion);

- preliminary approval of one or several related transactions of the Company involving the receipt or possible receipt by the Company of bank guarantees under which the Company acts as a principal, to the amount exceeding RUB 1,000,000,000 (one billion),

- other items.

To take these recommendations into account, the Company is planning to generalize practice and develop amendments and additions to its internal documents.

7.1.2 The Board of Directors plays a key role in making decisions or providing recommendations on major corporate actions; the Board of Directors relies on the position of the independent directors of the Company.

The Company has a procedure for the independent directors to express their opinion on major corporate actions prior to their approval



The Company's Charter does not provide definition for a "major corporate action".

Along with this, the mandatory competence of the Board of Directors stipulated for by the Law on Joint-Stock Companies is significantly extended included by means of the items that can affect the share capital structure and the Company's financial status and, correspondingly, the shareholders status (see cl. 7.1.1).

To take these recommendations into account, the Company is planning to develop amendments and additions to its internal documents.

7.1.3 When taking major corporate actions that affect the rights and legitimate interests of shareholders, equal conditions for all shareholders of the Company should be ensured, and if the arrangements for protecting the shareholders' statutory rights are insufficient, additional steps protecting the rights and legitimate interests of the Company shareholders should be taken. In doing so, the Company is guided not only by compliance with formal legal requirements but also by the corporate governance principles set out in the Code.

1. Taking into account the special aspects of the Company operations, the Charter sets the minimum criteria for major corporate transactions that are lower than those stipulated by law.

2. During the reporting period, all major corporate actions were subject to approval before their implementation.



1 and 2. The Company's Charter did not fixed the list of transactions or other actions belonging to significant corporate actions and, correspondingly, did not set lower minimum criteria for attributing the Company's transactions to significant corporate actions than those stipulated in the legislation.

The Company plans to develop the suggestions on amending the internal documents in the 2021-2022 corporate year.

7.2 The Company procedures for taking major corporate actions enable shareholders to receive full information on such actions in a timely manner, making sure that they can influence such actions, and guarantee that their rights are respected and adequately protected in the course of such actions.

7.2.1 The information on major corporate actions shall be disclosed with an explanation of the reasons, conditions, and consequences thereof.

1. During the reporting period, the Company disclosed, in a timely and detailed manner, information on its major corporate actions, including the grounds and terms for such actions.



7.2.2 The rules and procedures related to major corporate actions taken by the Company are set out in the Company internal documents.

1. The internal documents of the Company stipulate the engagement of an independent appraiser to determine the value of the property being disposed of or acquired in the course of a major transaction or a related-party transaction.

2. The internal documents of the Company establish procedures for engaging an independent appraiser to assess the Company shares purchase and redemption value.

3. The internal documents of the Company provide an extended list of the grounds, on which members of the Company Board of Directors and other persons stipulated by the laws are recognized as stakeholders in respect of the Company's transactions.



2. The Company's internal documents do not contain special provisions relating to the cost definition of the property disposed or acquired by the major or related-party transaction. However, in practice the requirement is complied with. Additionally, the Procedure for the organization of the Company's non-core assets sale stipulates for the independent assessment. In compliance with subcl. 9, cl. 15.1, art. 15 the Company's Charter defines the property costs(monetary assessment), offer price or the procedure for its definition and the cost of the emission securities repurchase in the cases stipulated by the Federal law "On Joint-Stock Companies" as well as on the number of property transactions.

3. The Company's internal documents do not stipulate for the extended list of grounds to recognize the members of the Board of Directors and other parties stipulated by the RF legislation as related parties to the Company's transactions. The approval of the transactions is conducted in compliance with the RF legislation. However, in 2018 the Company approved the Regulation on the procedure of major and related party transactions with the interest criteria indication.

The Company plans to consider the possibility of the current practice change.

## 5. Information about the participation of PJSC Rosseti South in other organizations

The information on the Company's participation in the activities of subsidiaries, affiliates and other business entities (commercial organizations) in 2020

| Short business name of the company | Activity region    | Main activity type   | Participation purpose | Share of PJSC Rosseti South in the Company's equity capital as of December 31, 2020 | Financial indicators for 2020 |                             | The amount of dividends received by the shares owned by the Company in the reporting year |
|------------------------------------|--------------------|--|-----------------------|---|-------------------------------|-----------------------------|---|
|                                    |                    |  |                       |   | Revenue, thousand rubles      | Net profit, thousand rubles |   |
| <b>Core companies</b>              |                    |  |                       |   |                               |                             |   |
| JSC VMES                           | Volgograd region   | Providing electric energy transmission services, operation and technological control, technological connection of power receivers (energy units) to power grids for legal entities and individuals                           | Profit making         | 100%  | 3,933,040                     | - 307,496                   | 0   |
| PJSC Volgogradenergosbyt           | Volgograd region   | Electric energy purchase and sale  | Profit making         | Ordinary shares - 0.2469%<br>Preferential shares - 1.8097%                          | No data                       | No data                     | 0   |
| PJSC FSK EES                       | Russian Federation | Electric energy transmission and distribution, technological connection services.  | Profit making         | 0.0009%   | 230,591,805                   | 39,965,377                  | 173,136.45  |
| <b>Non-core companies</b>          |                    |  |                       |   |                               |                             |   |
| JSC Energoservis of South          | Rostov region      | Engineering tests, research and certification, analysis of mechanical and electrical characteristics of ready products, design and construction&installation works, professional, scientific, technical and other activities | Profit making         | 100%  | 114,428                       | 11,921                      | 0   |

| Short business name of the company | Activity region    | Main activity type  | Participation purpose | Share of PJSC Rosseti South in the Company's equity capital as of December 31, 2020 | Financial indicators for 2020 |                             | The amount of dividends received by the shares owned by the Company in the reporting year |
|------------------------------------|--------------------|---|-----------------------|---|-------------------------------|-----------------------------|---|
|                                    |                    |   |                       |   | Revenue, thousand rubles      | Net profit, thousand rubles |   |
| JSC PSKh Sokolovskoye              | Rostov region      | Manufacture, processing and sale of in-house agricultural products  | Profit making         | 100%  | 54,200                        | 332                         | 0   |
| JSC Recreation center "Energetika" | Krasnodar Krai     | Activities of a health resort institution including the treatment and health improvement (recreation) of adults, parents and their children and organized groups of schoolers, provision of utility, excursion and touristic, cultural and entertaining services. | Profit making         | 100%  | 19,799                        | -3,667                      | 0   |
| PJSC SAK Energogarant              | Russian Federation | Insurance   | Profit making         | 0.0226%   | No data                       | No data                     | 1,702.5   |
| JSC Naganskoye                     | Astrakhan region   | Agricultural activity   | Profit making         | 2.3250%   | No data                       | No data                     | 0   |

### Information about the participation in non-commercial organizations in 2020

| NCO name                | Key information about the organization (activity type) | Participation purpose                            | Participation financial parameters (payment types/ amount, thousand of rubles) |
|-------------------------|--|--|--|
| NGI APE MKUTs Energetik | Additional professional education                      | Additional professional education of employees   | PJSC Rosseti South is a founder  |
| ANCO YuMTsK             | Independent assessment of employee qualification       | Independent assessment of employee qualification | PJSC Rosseti South is a founder  |

## 6. Functions of ICS participants

### Functions of ICS participants

| Participant   | Key functions in ICS  |
|---|---|
| Audit Committee   | <ul style="list-style-type: none"> <li>▶ controls the financial and economic activity of the Company, prepares suggestions/recommendations on ICS improvement upon the audit results;</li> <li>▶ conducts independent assessment of the authenticity for the Company's annual report and financial statements</li> </ul>  |
| Board of Directors                                      | <ul style="list-style-type: none"> <li>▶ defines principles and approaches to the internal control system organization in the Company, including the approval of the Company's internal documents setting the organization and the strategy for ICS development and improvement, approves the internal control policy in the Company;</li> <li>▶ controls the activity of the Company's executive bodies in major (priority) areas;</li> <li>▶ considers the Board report on the Company's ICS organization and functioning;</li> <li>▶ daily reviews the Internal Auditor's reports on the ICS efficiency;</li> <li>▶ considers the results of the external independent assessment of the ICS efficiency.</li> </ul>   |
| Audit Committee of the Board of Directors               | <ul style="list-style-type: none"> <li>▶ preliminarily considers the Company's internal documents defining the organization and the ICS development and improvement strategy, internal control policy and further amendments thereof before the Board of Directors approval;</li> <li>▶ preliminarily considers the results of ICS efficiency assessment on the Internal Auditor's report data about the ICS efficiency as well as the information on the results of the independent ICS efficiency assessment, prepares suggestions/recommendations for the Company's internal control system improvement before the consideration by the Board of Directors;</li> <li>▶ controls the internal system control in part of the consideration of issues related to the control of the Company's financial statements' authenticity, the external auditor selection and external audit conduct, the compliance with legal regulations, in part of the consideration of the Board report on the ICS organization and operation as well as in part of the consideration of the issues related to the analysis and assessment of the internal control policy implementation.</li> </ul> |
| Other committees of the Board of Directors              | <ul style="list-style-type: none"> <li>▶ controls the achievement of the set financial and operation indicators, supervises the compliance with the applied legislation, rules and procedures set by local regulations as well as supervises the authenticity and timely submission of the Company's statements.</li> </ul>   |
| Company's executive bodies (Board, Sole executive body) | <ul style="list-style-type: none"> <li>▶ provide for the ICS establishment and efficient operation;</li> <li>▶ responsible for the implementation of the resolutions passed by the Board of Directors in ICS organization.</li> </ul>   |

| Participant  | Key functions in ICS  |
|--|---|
| Company Board  | <ul style="list-style-type: none"> <li>▶ forms the areas and plans for ICS development and improvement;</li> <li>▶ prepares the financial and economic statements for the Company, on the Company's ICS organization and functioning;</li> <li>▶ considers the results of the external independent ICS efficiency assessment, develops the measures for ICS improvement and development.</li> </ul>   |
| Sole executive body of the Company   | <ul style="list-style-type: none"> <li>▶ approves regulating and methodological Company documents on the ICS organization and functioning except for the documents approved by the Company's Board of Directors;</li> <li>▶ provides the implementation of the Company's activity plans necessary for fulfilling its tasks;</li> <li>▶ organizes keeping financial and management accounting, prepares financial and other statements;</li> <li>▶ submits the statements on the Company's financial and economic activity, the ICS organization and operation for the consideration of the Company's Board of Directors.</li> </ul>   |
| Collective working bodies created by the Company's executive bodies to perform specific functions (committees, working groups, etc.) | <ul style="list-style-type: none"> <li>▶ implements control procedures and/or develop the recommendations on the improvement of control procedures, specific internal control elements and ICS.</li> </ul>  |
| Heads of the Company blocks and structural subdivisions  | <ul style="list-style-type: none"> <li>▶ develop, document, introduce, monitor and build the ICS in the functional areas of the Company's activity, the responsibility for the organization and coordination/implementation of which is born by them in compliance with the Company's regulatory documents/provisions on structural subdivisions, including: <ul style="list-style-type: none"> <li>▶ ensure the implementation of internal control principles;</li> <li>▶ organize efficient processes (activities) including the development and introduction of new control procedures or the amendment of the existing ones with the account of the risks revealed;</li> <li>▶ regulate the supervised processes (activities);</li> <li>▶ organize the implementation of control procedures;</li> <li>▶ assess (monitor) the implementation of control procedures;</li> <li>▶ assess the supervised processes (activities) and the need of their optimization to improve efficiency and make them comply with the changing conditions of external and internal environment, organize the development of suggestions on control procedures improvement;</li> <li>▶ ensure the elimination of the identified drawbacks in the control procedures and processes (activities).</li> </ul> </li> </ul> |
| Employees of the Company structural subdivisions implementing control procedures due to their functions                              | <ul style="list-style-type: none"> <li>▶ implement control procedures;</li> <li>▶ ensure timely information transmission to the immediate managers on the cases when the implementation of control procedures was not possible by some reasons and/or it is required to change the design of control procedures due to the change of internal and/or external conditions of the Company's operation;</li> <li>▶ submit the suggestions on the introduction of control procedures in the corresponding areas to the immediate managers.</li> </ul>   |

| Participant   | Key functions in ICS   |
|---|--|
| <b>2d protection line</b>   |  |
| Internal control subdivision (Internal Control and Anti-Corruption Activity Department) | <ul style="list-style-type: none"> <li>▶ develops and ensures key and methodological documents for ICS building and improving;</li> <li>▶ facilitates the management in building the ICS for business processes, elaboration of recommendations on the description and introduction of control procedures into the processes (activities) and the assignment of responsibility to executives;</li> <li>▶ prepares information on the ICS status for related parties;</li> <li>▶ interacts with the public regulatory authorities on internal control issues;</li> <li>▶ coordinates the Company's activity on the conduct of corporate compliance procedures (including the combat against the misuse of insider information and market manipulation in the Company, provision of the Company's compliance with the RF legislation requirements, etc.);</li> <li>▶ organizes the Company's activity on the conduct of anticorruption compliance procedures (including the management of conflicts of interests, anticorruption control of procurement, preventing, revealing and combating corruption cases, etc.).</li> </ul> |
| Safety Department   | <ul style="list-style-type: none"> <li>▶ protection of the Company's interests against illegal actions of legal entities and individuals intending to or doing material and/or moral damage to the Company, localization and minimization of the damage done;</li> <li>▶ building the conditions ensuring information safety of the data to be protected in compliance with the existing RF legislation, revealing and preventing possible information leakage channels;</li> <li>▶ organization and improvement of anti-terroristic and anti-diversion protection of the Company facilities</li> </ul>  |
| Legal Support Department  | <ul style="list-style-type: none"> <li>▶ provision of the validity of the Branch/Company production and business operations;</li> <li>▶ provision of legal means for the appropriate protection of rights and legal interests of the Branch/Company;</li> <li>▶ methodological support of the legal interests of the Branch/Company.</li> </ul>  |
| <b>3d protection line</b>   |  |
| Internal audit subdivision (Internal audit department)                                  | <ul style="list-style-type: none"> <li>▶ develops the recommendations on the improvement of control procedures, specific internal control elements of the internal control and ICS by the results of internal audit.</li> <li>▶ performs internal independent assessment of the ICS efficiency and issues recommendations for improving the ICS efficiency and effectiveness.</li> </ul>   |

## 7. Functions of RMS participants

### Functions of RMS participants

| Participant                                     | Key functions in RMS  |
|---|---|
| Board of Directors                              | <p>Approves the Company's internal documents, defining the organization and operation of the RMS, Company.</p> <p>Considers the reports of the Company's executives on the RMS organization, functioning and efficiency, assess the operation of such system and develops recommendations for their improvement.</p>  |
| Authorized committee at the Board of Directors  | Controls the efficiency of risk management procedures and assesses the efficiency of measures for risk management and RMS improvement   |
| Executives bodies (Board, Director General)     | <p>Set requirements towards the format and completeness of the information on the Company's risks.</p> <p>Form the areas and plans for ICS development and improvement</p> <p>Analyze the risk portfolio and develop the measures on the strategy of response and resource redistribution in terms of appropriate risk management</p>   |
| Risk owners                                     | Timely identify and assess the risks, select the method of risk response, timely develop and organize the implementation of risk management measures, conduct risk monitoring on a regular basis  |
| Executors of risk management measures           | Timely identify and/or mitigate risks, conduct measures aimed at risk management timely and to a full extent  |
| Internal control and risk management department | <p>Performs functions on:</p> <p>general coordination of risk management processes;</p> <p>introduction of methodological documents for the provision of risk management processes and RMS operation to the Company;</p> <p>organization of the RMS training for the Company's employees;</p> <p>timely information aggregation on all risks identified and the development of suggestions on the risk register upgrade;</p> <p>monitoring by the Company's risk management process and its controlled entities in a due order;</p> <p>preparation of the report on the results of risk management and assessment of RMS efficiency and informing the Company's executive bodies at least twice a year;</p> <p>forming an annual report of the executive bodies on the Company's RMS organization, operation and efficiency as well as on other issues stipulated for in the Risk management policy</p> |
| Internal Audit Department                       | <p>Conducts internal independent assessment for the RMS efficiency and issues recommendations for the RMS efficiency and effectiveness improvement aimed at its better efficiency and effectiveness.</p> <p>Informs the executive bodies and the Board of Directors (authorized committee of the Board of Directors) on the RMS status</p>  |

## 8. Report on the related party transactions concluded by PJSC Rosseti South in 2020

| No. | Transaction   | Transaction date     | Material transaction conditions (parties, subject, price, validity)   | Party related to the transaction   | Notice on the related party transaction (letter details) | Management body that passed a resolution on the consent for transaction or its subsequent approval (if the resolution is available - minutes details) |
|-----|---|----------------------|---|--|--|---|
| 1   | Additional agreement to the Right (Debt) Cession Agreement of April 29, 2019. | of October 12, 2020. | <p><b>Parties to the Additional agreement:</b></p> <p>PJSC Rosseti South - Original lender (cedant);</p> <p>JSC Energoservis of South - New lender (cessionary)</p> <p><b>Subject and price of the Additional agreement:</b></p> <p>Making changes to the Right (Debt) Cession Agreement between PJSC Rosseti South and JSC Energoservis of South of April 29, 2019 No. 61201901010029.</p> <p><b>Payment term:</b></p> <p>The amount towards the payment of the assigned right (debt) is subject to payment by a New creditor to Cedant by or before April 1, 2021.</p> <p>Other material terms of the Additional agreement (or the procedure for their definition):</p> <p>Additional agreement comes into effect since the date of its signing.</p> <p>Other material terms of the Agreement, including the Agreement subject, the procedure for right (debt), the price of the assigned right (debt) are not subject to change.</p> | <p>PJSC Rosseti is a control body for PJSC Rosseti</p> <p>South and at the same time - for JSC Energoservis of South</p> <p>being a party to transaction.</p> <p>Goncharov Pavel Viktorovich is the member of the Board of PJSC Rosseti South. He is also the member of the Board of Directors of JSC Energoservis of South which is a party to the transaction.</p> | No. MP5/1000/274 of May 22, 2020                         | Board of Directors of PJSC Rosseti South (Minutes of September 9, 2020 No. 395/2020)  |

| No. | Transaction                              | Transaction date | Material transaction conditions (parties, subject, price, validity)  | Party related to the transaction  | Notice on the related party transaction (letter details) | Management body that passed a resolution on the consent for transaction or its subsequent approval (if the resolution is available - minutes details) |
|-----|--|------------------|--|---|--|---|
| 2   | Loan Agreement No. 5737 of May 22, 2020. | on May 22, 2020. | <p><b>Parties to the Loan agreement:</b></p> <p>Lender - PJSC Rosseti</p> <p>Borrower - PJSC Rosseti South</p> <p><b>Loan agreement subject:</b></p> <p>The Lender lends the Borrower monetary funds in the amount not exceeding 3,000,000,000 (three billion) rubles 00 kopecks (hereinafter referred to as the Loan amount), and the Borrower undertakes to repay the Lender the Loan amount provided. Additionally, the Borrower undertakes to pay the interests accrued for the monetary funds use in favor of the Lender within the term and in compliance with the procedure set by the Agreement.</p> <p><b>Procedure of monetary funds provision:</b></p> <p>The Lender transfers the Loan amount to the Borrower on the basis of the Application signed by the Borrower. The funds are transferred to the Borrower's settlement account. The date of monetary funds' transfer is considered the date of their withdrawal from the Lender's settlement account.</p> <p><b>Application</b> — application for the loan use sent by the Borrower to the Lender for the Loan amount provision in compliance with the Loan Agreement terms. This application is drawn by the Borrower in compliance with the form set in the Loan Agreement.</p> <p><b>Intended use:</b></p> <ul style="list-style-type: none"> <li>- Debt refinancing before loan organizations.</li> <li>- Satisfaction of accounts payable (including outstanding accounts).</li> <li>- Settlements with PJSC FSK EES and territorial network companies.</li> <li>- Funding the investment costs for the technological connection of the facilities producing electrical energy and payment by the agreements on energy service agreement termination.</li> <li>- Tax payments, salary and social due fees' payment.</li> </ul> <p><b>Loan amount:</b> up to 3,000,000,000 (three billion) rubles 00 kopecks.</p> <p><b>Interest rate:</b></p> <p>Starting from the date following the date of Loan amount provision and until the date of final loan repayment (inclusive) the Borrower undertakes to pay the loan interests to the Lender; the interests are accrued on the amount of the outstanding balance of the principal loan per each calendar day on the rate stipulated in the Application, but not more than 7.5% p.a.</p> | <p>PJSC Rosseti is a control body for PJSC Rosseti South being a party to transaction.</p> <p>Sergeeva Olga Andreevna is the member of the Board of Directors of PJSC Rosseti South. She is also the member of the Board of PJSC Rosseti which is a party to the transaction.</p> | No. MP5/1000/248 of May 6, 2020                          | Board of Directors of PJSC Rosseti South (Minutes of 5/19/2020 No. 377/2020)  |

| No. | Transaction | Transaction date | Material transaction conditions (parties, subject, price, validity)  | Party related to the transaction | Notice on the related party transaction (letter details) | Management body that passed a resolution on the consent for transaction or its subsequent approval (if the resolution is available - minutes details) |
|-----|-------------|------------------|--|----------------------------------|--|---|
|     |             |                  | <p>The interests are accrued in compliance with the following formula:</p> $N1 = C * D * \Pi\Pi (i) / (365 * 100\%),$ <p>where</p> <p>Ni – value of accrued interests on the i-th interest period;</p> <p>D – amount of the outstanding balance on the principal loan;</p> <p>C – interest rate p.s.p.a.;</p> <p><math>\Pi\Pi (i)</math> - number of days of the i-th interest period.</p> <p>I – interest period number (I=1,2,3...n) where n is the number of interest periods set by the Agreement.</p> <p>NI is calculated with an accuracy of two decimal places (the rounding of the second decimal place is made in compliance with mathematical rounding rules: in case the third decimal place is more or equal to 5, the second decimal place increases by 1; in case the third decimal place is lower than 5, the second decimal place doesn't change).</p> <p><b>Interest payment procedure:</b></p> <p>Interest payment is conducted in compliance with the schedule of interest accrual and payment under the Agreement stipulated in the Annex to the present material terms.</p> <p>In case the interest payment date falls on the non-business day, a public holiday or a weekend, irrespective of whether it is a public holiday or a weekend for settlement operations, the interest payment is conducted on the last business day before the interest payment date.</p> <p><b>Loan term:</b></p> <p>The Borrower undertakes to repay the actual loan amount provided on April 22, 2025.</p> <p><b>Loan agreement price:</b></p> <p>The price of the Loan Agreement consists of the amount of monetary funds provided by the Lender to the Borrower in the amount not exceeding 3,000,000,000 (Three billion five hundred million) rubles 00 kopecks and the amount of interests accrued by the interest rate.</p> <p><b>Other material terms of the Agreement/procedure for their definition:</b></p> <p>In case the Borrower violates the Agreement terms, the Lender has the right to require early loan repayment.</p> <p>Providing the Lender sends an early loan repayment request, the Borrower undertakes to pay the arrears on the loan and interests and penalty fees accrued on the repayment date within 10 (ten) business days after the request receipt.</p> <p><b>Loan Agreement term.</b></p> <p>The Agreement comes into operation since the date of signing and is valid until the parties fulfill their obligations in full under the Agreement.</p> |                                  |  |   |

| No. | Transaction                          | Transaction date | Material transaction conditions (parties, subject, price, validity)   | Party related to the transaction  | Notice on the related party transaction (letter details) | Management body that passed a resolution on the consent for transaction or its subsequent approval (if the resolution is available - minutes details) |
|-----|--------------------------------------|------------------|---|---|--|---|
| 3   | Loan agreement 5779 of July 14, 2020 | July 14, 2020.   | <p><b>Parties to the Loan agreement:</b></p> <p>Lender - PJSC Rosseti</p> <p>Borrower - PJSC Rosseti South</p> <p><b>Loan agreement subject:</b></p> <p>The Lender provides monetary funds to the Borrower as a loan within the Aggregate loan limit, and the Borrower undertakes to repay the monetary funds provided by the Lender. Additionally, the Borrower undertakes to pay the interests for monetary funds use in favor of the Lender in compliance with the Loan Agreement.</p> <p>Aggregate loan limit — maximum non-recurrent loan amount provided to the Borrower under the Loan Agreement.</p> <p>Tranche — monetary funds provided by the Lender to the Borrower under the Application conditions.</p> <p>Application — application for the loan use sent by the Borrower to the Lender for the Tranche provision in compliance with the Loan Agreement terms. This application is drawn by the Borrower in compliance with the form set in the Loan Agreement.</p> <p><b>Intended use:</b></p> <p>Funds added to current assets, investment activity funding, refunding of the Borrower loan portfolio and other purposes agreed with the Lender.</p> <p>Aggregate loan limit: 3,500,000,000 (Three billion five hundred million) rubles 00 kopecks.</p> <p>Loan type: interest-bearing loan.</p> <p><b>Interest rate:</b></p> <p>Since the Borrower is provided with monetary funds by the Lender until the Borrower fulfills its obligations under the Loan Agreement the interests are accrued on the Tranche amount. The interest rate is set at the Tranche provision on the basis of the Borrower's Application agreed with the Lender in the amount defined with the account of the simultaneous observance of the following terms:</p> <ol style="list-style-type: none"> <li>1. The interest rate cannot be higher than the Key rate of the Bank of Russia +2% of p.a.</li> <li>2. The interest rate cannot be lower than the interest rate available for the Lender to place monetary funds to deposit accounts for a comparable period in credit organizations.</li> </ol> | <p>PJSC Rosseti is a control body for PJSC Rosseti South being a party to transaction.</p> <p>Grebtsov Pavel Vladimirovich is the member of the Board of Directors of PJSC Rosseti South. He is also the member of the Board of PJSC Rosseti which is a party to the transaction.</p> | No. MP5/1000/330 of June 23, 2020                        | Board of Directors of PJSC Rosseti South (Minutes of July 2, 2020 No. 383/2020)   |

| No. Transaction | Transaction date | Material transaction conditions (parties, subject, price, validity)  | Party related to the transaction | Notice on the related party transaction (letter details) | Management body that passed a resolution on the consent for transaction or its subsequent approval (if the resolution is available - minutes details) |
|-----------------|------------------|--|----------------------------------|--|---|
|                 |                  | <p><b>Interest payment procedure:</b></p> <p>The interest payment procedure is defined in the Borrower application.</p> <p><b>Loan term:</b></p> <p>The final loan term under the Loan Agreement and on each of Tranches - not later than 3 years since the date of the Loan Agreement conclusion.</p> <p>The term for each Tranche payment under the Loan Agreement is defined at the Tranche provision on the basis of the Borrower Application agreed with the Lender but not more than 3 (three) years since the date of Tranche provision and cannot be longer than the Loan Agreement term.</p> <p><b>Loan agreement price:</b></p> <p>The price of the Loan Agreement consists of the amount of monetary funds provided by the Lender to the Borrower within the Aggregate outstanding limit in the amount not exceeding 3,500,000,000 (Three billion five hundred million) rubles 00 kopecks and the amount of interests accrued by the interest rate.</p> <p><b>Other material terms of the Agreement/procedure for their definition:</b></p> <p><b>Procedure of monetary funds allocation:</b></p> <p>Monetary funds are provided in one or several Tranches without the limit on the tranche number.</p> <p>A total amount of debts on the Tranches (without the accrued interest debt) under the Loan Agreement cannot be higher than the Aggregate outstanding limit.</p> <p><b>Additional conditions:</b></p> <p>The Lender has a right to unilaterally change the interest rate for the use of debt funds on all and/or separate existing and/or recurrent Tranches, including because of the change in the market situation and/or change in the Lender funding conditions and/or the change in the Borrower borrowing capacity.</p> <p>The Lender has a right of refusal to provide the Tranche.</p> <p>The Lender has a right to require early full or partial Tranche repayment as well the repayment of the accrued interest and penalty fee from the Borrower providing the Borrower violates the Loan or Tranche Agreement terms.</p> <p>Providing the Lender sends an early Tranche repayment request, the Borrower undertakes to pay the arrears on the Tranches and interests and penalty fees accrued on the repayment date within the requested term.</p> <p>Upon the agreement with the Lender, the Borrower has the right for the early repayment of all or some of existing Tranches and the interests accrued for loan funds use in compliance with the early repayment terms stipulated in the Agreement. At loan repayment the interests accrued are paid first, and the Tranche amount is paid further unless otherwise agreed by the Parties.</p> <p>Loan Agreement term: The loan agreement comes into operation since the date of signing and is valid until the parties fulfill their obligations in full under the agreement.</p> |                                  |  |   |

