

APPROVED BY  
Decision of the Board of Directors  
of PJSC “Rosseti Lenenergo”  
of February 27, 2023  
(Minutes No. 50 of February 28, 2023)

**PUBLIC JOINT STOCK COMPANY “ROSSETI LENENERGO”**

**COMPANY POLICY**

**PK-08.01.01-002-2022**

**PUBLIC JOINT STOCK COMPANY  
“ROSSETI LENENERGO”**

**BOARD OF DIRECTORS CONTINUITY  
POLICY**

*Version 1*

Saint Petersburg  
2023

## Contents

|  |   |
|--|---|
| Contents .....   | 2 |
| 1. General Provisions .....  | 3 |
| 2. Key Definitions .....   | 4 |
| 3. How the Board of Directors is Formed .....  | 4 |
| 4. Identification of the Board of Directors' Staffing Needs.....                         | 6 |
| 5. Search for and Selection of Potential Candidates to the Board of Directors .....      | 6 |
| 6. Nomination of Candidates to the Board of Directors .....                              | 7 |
| 7. Provision of Introductory Course and Professional Development for the Board Members . | 8 |
| 8. Final Provisions.....   | 9 |

## 1. General Provisions

1.1. The Board of Directors of “Rosseti Lenenergo” Public Joint Stock Company (the “Company”) is responsible for strategic management of the Company, sets the underlying principles and approaches to risk management and internal controls in the Company. It supervises the management bodies’ activities, and exercises other key functions.

Efficient exercise of the Board of Directors’ functions builds upon its overall competence, qualifications and experience of members, their independent judgement and degree of independence. Only a balanced and qualified Board of Directors can successfully manage the Company with due account for the balance of interests of various shareholder groups, management, and other stakeholders.

1.2. This Board of Directors Continuity Policy (the “Policy”) sets out basic principles and procedures enabling to form and maintain a qualified and efficient Board of Directors which can provide unbiased and independent judgements and make decisions that meet the interests of the Company and the shareholders in the long term.

1.3. This Policy is solely designed to secure continuity of the Board of Directors and shall not apply to other management bodies (CEO or Management Board).

1.4. This Policy sets out:

- the principles to form the Board of Directors;
- the procedure to identify staffing needs in the Board of Directors;
- the procedure to search for and select potential candidates to the Board of Directors;
- the interaction procedure between the Company and shareholders in the nomination of candidates, and the procedure for the nomination of candidates by the Board of Directors on its own initiative;
- the procedure for providing an introductory course and professional development for the Board members.

1.5. This Policy is designed in accordance with the Russian law, the Articles of Association and internal regulations of the Company, the Corporate Governance Code approved on March 21, 2014 by the Bank of Russia’s Board of Directors and recommended by the Bank of Russia’s Letter No. 06-52/2463 of April 10, 2014 “On the Corporate Governance Code” to be applied by joint-stock companies (the “Bank of Russia's Corporate Governance Code”), the Listing Rules of Moscow Exchange PJSC, and best corporate governance practices.

1.6. All continuity aspects of the Board of Directors shall be first reviewed by the HR and Remuneration Committee at the Board of Directors.

1.7. This Policy only includes recommendations for the shareholders and shall not limit their right to nominate and elect candidates to the Board of Directors.

## **2. Key Definitions**

2.1. Independent Director means an individual who possesses adequate qualification, experience and independence to form his/her own opinion, make unbiased and good faith judgments independent of the Company's executive bodies or certain shareholder groups or other stakeholders, and who is not:

- a related party to the Company;
- a related party to a substantial shareholder;
- a related party to a substantial counterparty or competitor of the Company;
- a related party to the Government or local government.

The criteria/requirements for identifying related party relationships are set out in the Listing Rules of Moscow Exchange PJSC.

2.2. The Board of Directors continuity is an ongoing process secured by the Company and seeking to form and maintain the best possible and balanced Board of Directors, who most fully meets the Company's strategic goals and objectives.

2.3. Rotation means partial replacement of members of the Board of Directors and election of new members who have not previously served on the Board.

2.4. Substantial shareholder means any person who is entitled, directly or indirectly (through its controlled persons), severally or jointly with other persons with whom it is contractually bound through a trust management agreement, and/or ordinary partnership agreement, and/or contract of commission, and/or shareholder agreement, and/or any other agreement purporting to exercise the rights whereby the object is the exercise of rights attaching to the Company's shares, to control five (5) or more percent of votes represented by the Company's voting shares.

## **3. How the Board of Directors is Formed**

3.1. The number of Directors on the Board and their personal qualities and competences are key to the Board's ability to look into all aspects of matters without bias, make decisions in the most balanced way, promptly identify and prevent conflicts of interest, and efficiently exercise other functions assigned to the Board of Directors.

3.2. Underlying principles of the Board formation:

- Overall Competence. The Board of Directors operates as a team of professionals. Ample degree of overall competence helps the Board of Directors as a management body to jointly make balanced professional decisions thus mitigating the factor of poor awareness of individual Directors in the matters beyond their competence;

- Balance. The Board of Directors is formed so that the experience, knowledge and competences of its members seamlessly merge to achieve a synergy helping the Board of Directors to make professional, unbiased and impartial judgments, promptly identify strategic risks and assess their possible consequences;

- Diversity. The Board of Directors shall be diverse in terms of skills, experience, competences and other factors. Diversity enables the Board of Directors

to take in various aspects of a matter, avoid template and group thinking, bring in new ideas in the discussion process and make more balanced decisions;

- Dedicated Approach. The Company independently chooses the approaches to the formation of the best possible Board of Directors and its Committees and plans their continuity with due account for the Company's tasks, profile, risk appetite, shareholding structure, involvement of independent directors in the Board of Directors and its committees, and other factors;

- Independence. The Board of Directors makes the most unbiased and independent decisions for the benefit of the Company and shareholders (not limited to Substantial Shareholders), takes into account the interests of other stakeholders. Independence of the Board of Directors' decisions from the executive bodies, certain shareholder groups or other stakeholders, and the absence of a conflict of interest in making decisions are the factors underlying the formation and planning of the Board of Directors continuity;

- Transparency. The Board of Directors is formed using a well-defined and transparent procedure ensuring that the shareholders are informed in advance about candidates to the Board of Directors, their qualifications, experience and competences;

### 3.3. Requirements for candidates to the Board of Directors.

3.3.1. An important aspect of the formation of the Board of Directors is the best possible combination of executive, non-executive and independent directors and the distribution of functions between them.

#### 3.3.2. Benefits of continuity planning:

- the Board of Directors has the required overall competence to support continuous strategic management;

- the Board of Directors timely rotates and new members enter, whose skills, experience and qualifications meet the challenges of the Company's changing external environment and life cycle.

3.3.3. The Board of Directors rotation shall be consistent and phased. Therefore, the Company takes a proactive approach to introducing new members to the Board of Directors and, to the extent possible, avoids multiple replacements at a time (more than 7 out of 13 members).

3.3.4. Candidates to the Board of Directors shall meet the requirements necessary to make balanced decisions reserved to the Board of Directors, including:

- have the knowledge, skills and experience in the Company's priority business areas as are necessary for making decisions reserved to the Board of Directors;

- have a flawless business and personal reputation;

- have enough time to fully exercise their duties as a member of the Board of Directors (it is recommended that a member of the Board of Directors does not serve on the board of directors in more than five (5) public companies).

3.4. Independent directors facilitate an unbiased view of the Board of Directors on the Company's operations, critical assessment of the implementation of the Company's strategy by the executive bodies, and independent assessment of the risk management and efficiency of internal controls.

## **4. Identification of the Board of Directors' Staffing Needs**

4.1. Staffing needs of the Board of Directors are identified as part of annual self-assessment of the performance of the Board of Directors, the Board's Committees and members or assessment of the performance of the Board of Directors, the Board's Committees and members by an independent third party provider (advisor) engaged on a competitive basis. External assessment of the performance of the Board of Directors, the Board's Committees and members shall take place at least once in three (3) years.

As part of the procedure, general performance of the Board of Directors, each Committee and personal contribution of each member shall be assessed.

The performance of the Board of Directors, the Board's Committees and members shall be assessed in accordance with the internal regulations, the Methods of Performance Assessment of the Board of Directors, Committees and Members of the Board of Directors of PJSC "Rosseti Lenenergo" approved by the Board of Directors' decision.

4.2. The assessment identifies general strengths and weaknesses of the Board of Directors (Committees), analyzes the set of knowledge, experience and competences of the Board members, and lists key competences to be added to the Board of Directors.

4.3. The outcomes of performance assessment of the Board of Directors, the Board's Committees and members shall be considered by the Board and disclosed in the Company's annual report.

4.4. The Corporate Secretary shall annually interview members of the Board of Directors (through a questionnaire) to identify their competences and staffing needs.

4.5. Based on the outcomes of performance assessment of the Board of Directors, the Board's Committees and members and interviews with members of the Board of Directors, the HR and Remuneration Committee may determine a list of additional competencies which the Board needs to successfully achieve the Company's goals and objectives (Staffing needs), to include, among other things:

- general requirements for members of the Board of Directors;
- list of competences which the Board of Directors will need in the short and medium term.

4.6. Staffing needs of the Board of Directors may also be reviewed by the HR and Remuneration Committee at any time based on long-term challenges and opportunities, in particular, changes in the market, business environment, risks and development cycles of the Company, innovative information technology, etc.

## **5. Search for and Selection of Potential Candidates to the Board of Directors**

5.1. The HR and Remuneration Committee at the Board of Directors may search for and select potential candidates for the Board of Directors based on the staffing needs identified as set out in section 4 hereof.

5.2. The HR and Remuneration Committee shall make a list of potential candidates to the Board of Directors who meet the Staffing needs and submit it to the Board of Directors for approval. The list shall be attached with a qualifications and independence assessment of potential candidates made by the HR Resources and Remuneration Committee on the basis of the information provided by the candidate and public sources.

5.3. As the list of potential candidates to the Board of Directors is made, both internal (HR resources of the Company) or external resources (professional directors associations, recruitment agencies, advisors assisting in the selection of candidates for management bodies, etc.) may be used.

5.4. The process of listing potential candidates to the Board of Directors requires collecting maximum available information about each candidate.

For the purposes of collecting information, it is advised to:

- make sure that personal qualities and business reputation of the candidate are positively assessed in the professional environment;

- review information on which management bodies of other companies the candidate currently serves (whether he/she may have a conflict of interest if elected to the Board of Directors, whether the candidate will be able to devote sufficient time to serve on the Board of Directors);

- request recommendations from the chairpersons of the boards of directors of the companies where the candidate served (currently serves) as a member of the board of directors, his/her professional competence, unbiased approach and independent judgment, involvement in the work of the board of directors and the companies, ability to communicate well with other members of the board of directors, executive bodies and employees of such companies;

- make sure that the candidate does not only have industry-specific competences in the Company's business (energy), but also basic competences, such as ample basic skills and knowledge in such areas as strategic planning, anti-crisis management, sustainable development, law, risk management, asset management, financial analysis, compliance, etc.;

- obtain the candidate's written consent to the nomination (election) to the Board of Directors.

5.5. Candidates from the list of potential candidates approved by the Board of Directors in accordance with section 5.2 hereof may be proposed to shareholders to be nominated to the Board of Directors.

## **6. Nomination of Candidates to the Board of Directors**

6.1. The shareholders(s) who hold in aggregate at least two (2) percent of the Company's voting shares, may, within sixty (60) days after the end of reporting year, nominate candidates to the Board of Directors whose number may not exceed the number of current Board members.

If the item of election of the Board of Directors is on the agenda of an extraordinary General Meeting, the nomination procedure shall be in accordance

with the Russian law and the Company's internal regulations, including the applicable provisions of this Policy.

6.2. For candidates to the Board of Directors who are nominated in accordance with section 6.1 hereof, written consent of candidates to nomination (election) to the Board shall also be provided in addition to the information required by Russian laws and regulations, the Articles of Association and the Regulations for the General Meeting.

6.3. The Board of Directors shall, within five (5) days after expiry of the period prescribed in section 6.1 hereof, review such shareholder nomination proposals and reasonably decide whether to put or refuse to put such candidates on the list of candidates to be elected at the General Meeting in accordance with Russian laws and regulations.

6.4. Along with the candidates proposed by shareholders, the Board of Directors may also nominate candidates to the Board of Directors, including relying on the list of potential candidates approved by the Board of Directors in accordance with section 5.2 hereof. The number of candidates proposed by the Board of Directors may not exceed the number of current Board members.

The Board of Directors may nominate candidates to the Board of Directors at its own discretion and put them on the list of candidates to be elected at the General Meeting at any time before the voting ballots for the General Meeting are sent to shareholders.

6.5. The HR and Remuneration Committee shall assess the list of candidates for election at the General Meeting, proposed by shareholders or the Board of Directors, for their compliance with the independence criteria.

The HR and Remuneration Committee may also assess whether the candidates meet the needs of the Board of Directors in additional competencies.

Such assessment shall take place before publication of the information (materials) to be provided to persons eligible to participate in the General Meeting.

6.6. The information (materials) to be provided to persons eligible to participate in the General Meeting while preparing for the General Meeting, shall include information (materials) sufficient to have an opinion on personal and professional qualities of candidates to the Board of Directors, such as:

- details of candidates to the Board of Directors;
- outcomes of the candidate assessment in accordance with section 6.5 hereof.

6.7. The Company shall invite the candidates to the Board of Directors to attend the General Meeting held in the form of personal presence so that the shareholders can ask questions and assess the candidates.

The invited candidates are advised to attend such General Meeting.

## **7. Provision of Introductory Course and Professional Development for the Board Members**

7.1. To efficiently exercise its functions, involve the members of the Board of Directors as quickly as possible in the work of the Board and the Board's



Committees, and get an insight of the Company production, financial and business operations, the Company shall have in place an induction procedure for new members of the Board Directors.

7.2. The induction procedure for new members of the Board of Directors, in particular, seeks to:

7.2.1. make a new member of the Board of Directors aware of the decisions of the General Meeting and the Board of Directors, internal regulations of the Company and its bodies, and internal regulations governing corporate ethics, anti-corruption policy, and conflict of interest;

7.2.2. inform a new member of the Board of Directors of the key aspects of the Company management and operations;

7.2.3. inform a new member of the Board of Directors of his/her rights, duties and responsibilities set out by the Russian law, the Company's Articles of Association and internal regulations;

7.2.4. inform a new member of the Board of Directors on his/her powers, status, and resources required to perform as a member of the Board of Directors;

7.2.5. make independent directors on the Board of Directors aware of additional rights and obligations of independent directors, their functions and roles in the corporate governance system of the Company.

7.3. The activities set out in section 7.2 hereof shall be ensured by the Corporate Secretary by sending a letter to a new member of the Board of Directors attached with the relevant documents (materials) within ten (10) business days from the date of his/her election by the General Meeting.

7.4. The Corporate Secretary shall, if necessary, organize meetings of the Company's officers with new members of the Board of Directors to give explanations on the provided documents (materials) and certain aspects of the Company's operations.

7.5. To enhance knowledge and develop competencies of members of the Board of Directors, the Company may provide special professional excellence programs for the Board members in certain business areas of the Company or in strategy, finance, corporate governance, sustainable development, etc.

7.6. The introductory course, training and professional excellence programs shall be developed, delivered and supervised by the HR and Remuneration Committee at the Board of Directors assisted by the CEO, Corporate Secretary, head of HR and other persons who can provide organizational and advisory support to the Board of Directors.

## **8. Final Provisions**

8.1. This Policy shall be approved by the Board of Directors' decision.

The decision to amend or hold this Policy invalid shall be made by the Board of Directors.