

«Rosseti Lenenergo», PJSC

Internal Auditor's Report on the reliability and effectiveness of the Company's internal control and risk management system, and the effectiveness of its corporate governance

1. Basis for the preparation of the internal auditor's opinion

The Opinion has been prepared in line with Federal Law No. 208-FZ, On Joint Stock Companies, of December 26, 1995, recommendations of the Bank of Russia (Letter No. IN-06-28/143, On Recommendations on Organizing Risk Management, Internal Control, and Internal Audit, and the Activities of the Audit Committee of the Board of Directors (Supervisory Board) at Public Joint Stock Companies, of October 1, 2020, and the Internal Audit Policy of «Rosseti Lenenergo», PJSC approved by the Company's Board of Directors, Minutes No. 12 of September 20, 2021.

The assessment was made to determine the reliability and effectiveness of the internal control system, the risk management system, and effectiveness of corporate governance.

2. Methods and criteria for assessing the internal control system, risk management system, and corporate governance at «Rosseti Lenenergo», PJSC

2.1 The reliability and effectiveness of the internal control and risk management system of «Rosseti Lenenergo», PJSC was assessed in line with the "Guidelines for Assessing the Reliability and Effectiveness of the Internal Control and Risk Management System of Rosseti Group" (hereinafter referred to as the "ICS and RMS Guidelines") as per Order No. 580 of PJSC "Rosseti" of December 3, 2021 and adopted by Order No. 727 of «Rosseti Lenenergo», PJSC of December 16, 2021.

Under clause 3.1 of the ICS and RMS Guidelines, the Company's internal control system has been assessed across five components (elements) of the internal control system:

- Oversight environment,
- Risk assessment,
- Follow-up,
- Information and communications,
- Monitoring.

Under clause 3.2 of the ICS and RMS Guidelines, the Company's risk management system has been assessed across five components (elements) of the risk management system:

- Corporate governance and culture,
- Strategy and goal-setting,
- Operational efficiency,
- Analysis and revision,
- Information, communications, and reporting.

2.2 The corporate governance effectiveness has been assessed under the Guidelines for Assessing the Effectiveness of Corporate Governance at Subsidiaries and Dependent Companies of «Rosseti Lenenergo», PJSC (hereinafter referred to as the "Corporate Governance Guidelines") as per Order No. 342 of PJSC «Rosseti» of August 5, 2020 (as amended by Order No. 368 of PJSC «Rosseti» of July 28, 2021) and adopted by Order No. 425 of «Rosseti Lenenergo», PJSC of August 4, 2021.

Under clause 4.2. of the Corporate Governance Guidelines, the following six components have been assessed:

- Shareholder rights,
- Board of Directors,

- Executive management,
- Transparency and information disclosure,
- Risk management, internal control, and internal audit,
- Corporate social responsibility, business ethics, and compliance.

3. Assessment of the reliability and effectiveness of the internal control system at «Rosseti Lenenergo», PJSC

The maturity level of the internal control system at «Rosseti Lenenergo», PJSC based on the results of the average score of current compliance with targets has been rated at "4.7" out of "6" for 2021.

This score corresponds to the "**intermediate between moderate and optimal**" maturity level, which is characterized by:

1. Performance management issues (risks) are addressed. The executive management bodies review the results of risk management on a quarterly basis and take management decisions. However, the risk management system is not fully integrated into the decision-making process. The risk management system is not automated, not all possible controls are automated;

2. Processes are regulated and communicated to the staff through a publicly available source. However, the procedure for using these processes is left to the discretion of the staff. This carries the risk of deviations from standard procedures, which may remain undetected. The procedures used are not optimal and not sufficiently up-to-date, but they reflect practices used by the Company.

3. The processes used by the Company are monitored and evaluated for effectiveness. If they are found to be insufficiently effective, optimization measures are applied.

4. Performance management is partially automated and to a limited extent.

4. Evaluation of the reliability and effectiveness of the risk management system at «Rosseti Lenenergo», PJSC

The maturity level of the risk management system at «Rosseti Lenenergo», PJSC based on the results of the average score of current compliance with targets has been rated at "4.3" out of "6.0" for 2021.

This score corresponds to the "**intermediate between moderate and optimal**" maturity level, which is characterized by:

1. Performance management issues (risks) are addressed. The executive management bodies review the results of risk management on a quarterly basis and take management decisions. However, the risk management system is not fully integrated into the decision-making process. The risk management system is not automated, not all possible controls are automated;

2. Processes are regulated and communicated to the staff through a publicly available source. However, the procedure for using these processes is left to the discretion of the staff. This carries the risk of deviations from standard procedures, which may remain undetected. The procedures used are not optimal and not sufficiently up-to-date, but they reflect practices used by the Company.

3. The processes used by the Company are monitored and evaluated for effectiveness. If they are found to be insufficiently effective, optimization measures are applied.

4. Performance management is partially automated and to a limited extent.

5. Evaluation of the reliability and effectiveness of corporate governance at «Rosseti Lenenergo», PJSC

Based on the analysis of compliance with the current state of corporate governance elements for the corporate year 2020/2021, it was established that, in accordance with the existing criteria of the target state of corporate governance elements in accordance with the principles and recommendations set out in the Corporate Governance Code, the Listing Rules, and best practices

in corporate governance:

- The Company's corporate governance level for the corporate year 2020/2021 is assessed as "**Developed Practice**" (Score: 422 points (out of 489), or 86%).

(Signed)

E.N. Kotova

Head of Internal Audit