

PJSC “Rosseti Lenenergo”

Internal Auditor’s Report

Reliability and effectiveness of the Company’s internal controls and risk management system, and the effectiveness of its corporate governance

1. Basis 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 PJSC “Rosseti Lenenergo” approved by the Company’s Board of Directors (Minutes No. 12 of September 20, 2021).

The Company’s practices such as internal controls, risk management system, and corporate governance practices were assessed for reliability and effectiveness.

2. Methods and criteria for assessing the internal controls, risk management system, and corporate governance at PJSC “Rosseti Lenenergo”

2.1 The reliability and effectiveness of the internal controls and risk management practices at PJSC “Rosseti Lenenergo” was assessed under Guidelines for Assessing the Reliability and Effectiveness of the Internal Control and Risk Management System of Rosseti Group (hereinafter referred to as the “Internal Control Guidelines”) in accordance with Order No. 580 of PJSC “Rosseti” of December 3, 2021) adopted as the Company’s regulation under Order No. 727 of PJSC “Rosseti Lenenergo” of December 16, 2021.

Under clause 3.1 of the Internal Control 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, and
- Monitoring.

Under clause 3.2 of the Internal Control 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 goals,
- Operational efficiency,
- Review and analysis,
- Information, communications, and reporting.

2.2 The Company’s corporate governance practices were assessed for efficiency under the Guidelines for Assessing the Effectiveness of Corporate Governance at Subsidiaries and Affiliates of PJSC “Rosseti Lenenergo” (hereinafter referred to as the “Corporate Governance Guidelines”) in accordance with Order No. 342 of PJSC “Rosseti” of August 5, 2020 (as amended by Order No. 369 of PJSC “Rosseti” of July 29, 2022) adopted as the Company’s regulation under Order No. 425 of PJSC “Rosseti Lenenergo” of August 4, 2021 (as amended by Order No. 539 of PJSC “Rosseti” of August 26, 2022).

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 disclosure,

- Risk management, internal controls, and internal audit,
- Corporate social responsibility, business ethics, and compliance.

3. Reliability and effectiveness of the internal controls at PJSC “Rosseti Lenenergo”

The level of maturity of the internal controls at PJSC “Rosseti Lenenergo” as evidenced by the average score (that reflects the current level of meeting the targets was **4.8** out of **6** for 2022.

With the internal control maturity level scored at **4.8**, the Company’s internal controls’ maturity is “**optimal**”, which means that:

1. Performance and operational management issues and risks are addressed. The executive management review the risk management outcomes on a quarterly basis and take management decisions. However, the risk management system is not fully incorporated into the decision-making process. Risks do not arise consistently. The risk management system is not automated, and not all possible controls are automated;
2. Processes are regulated standardized. They are communicated to the employees via a publicly available resource.
3. The Company’s processes are monitored and evaluated for effectiveness. If they are found to be insufficiently effective, they are optimized and improved. The Company continues to streamline its processes.
4. Performance management is automated partially, with the limited automated scope and functions.

4. Reliability and effectiveness of the risk management system at PJSC “Rosseti Lenenergo”

The level of maturity of the risk management system at PJSC “Rosseti Lenenergo” as evidenced by the average score (that reflects the current level of meeting the targets was **4.8** out of **6** for 2022.

With the internal control maturity level scored at **4.8**, the Company’s internal controls’ maturity is “**optimal**”, which means that:

1. Performance and operational management issues and risks are addressed. The executive management review the risk management outcomes on a quarterly basis and take management decisions. However, the risk management system is not fully incorporated into the decision-making process. Risks do not arise consistently. The risk management system is not automated, and not all possible controls are automated;
2. Processes are regulated standardized. They are communicated to the employees via a publicly available resource.
3. The Company’s processes are monitored and evaluated for effectiveness. If they are found to be insufficiently effective, they are optimized and improved. The Company continues to streamline its processes.
4. Performance management is automated partially, with the limited automated scope and functions.

5. Reliability and effectiveness of corporate governance at PJSC “Rosseti Lenenergo”

The state of corporate governance components throughout the corporate year 2021/2022 was assessed versus the required targets and goals prescribed by the Company’s Corporate Governance Code, Listing Rules, and best corporate governance practices:

- The Company’s corporate governance maturity level for the corporate year 2021/2022 is assessed as “**Mature**” (“**High**”) (Score: 436 out of 489, or 89%).

(Signed)

E.N. Kotova

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