

## ACRA ASSIGNS ESG-C, LEVEL ESG-5 TO ROSSETI LENENERGO PJSC

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ACRA has assigned the ESG rating ESG-C, level ESG-5 to Rosseti Lenenergo PJSC (hereinafter Rosseti Lenenergo, or the Company), which corresponds to a high assessment in the field of the environment, social responsibility, and governance.

According to the [Methodology for Assigning ESG Ratings](#), a **high ESG assessment** means that the Company pays sufficient attention to environmental, social responsibility, and governance matters.

The ESG rating is based on the Company's moderately positive indicators in terms of environmental impact, favorable social responsibility indicators compared to peer companies, and high quality of corporate governance. In addition, the Company has policies and procedures for managing key industry ESG risks, as well as a moderately high level of compliance with best practices.

Rosseti Lenenergo is one of Russia's largest and oldest electric grid companies. As a result of the reform of the energy industry which began in 2005, the main functions of Rosseti Lenenergo are the transmission of electricity through 110–0.4 kV networks, as well as the connection of consumers to electric grids in Saint Petersburg and the Leningrad Region. The company serves Saint Petersburg and the Leningrad Region (85,900 square kilometers), which are home to 7.2 mln people.

### KEY ASSESSMENT FACTORS

The indicators of Scope 1 water consumption, emissions of pollutants and greenhouse gases, as well as the Company's energy consumption per unit of revenue, are worse than the industry averages. In terms of specific indicators for emissions of pollutants and wastewater discharge, there has been a negative trend over the past year (increase in the indicator), associated with the commissioning of new facilities with gas boilers, which negatively affected the final assessment of this indicator. At the same time, in terms of specific indicators of waste generation and wastewater discharge per unit of revenue, the Company received a moderate score because they are close to industry averages.

In general, the Company has a relatively high level of environmental risk management. High scores have been assigned for the majority of industry risks, which, in the Agency's opinion, are relevant to the Company.

The degree of development of environmental issues in terms of best practices at the Company is at a relatively high level. The Company regularly assesses environmental risks, has adapted a program for increasing energy efficiency, has a public environmental policy, a center of expertise and divisions for environmental issues, as well as certification of its environmental management systems. At the same time, the presence of partnerships with non-commercial organizations, calculation and publication of information on Scope 2 greenhouse gas emissions, development

of a program to increase the efficiency of water usage and a dedicated channel for giving feedback on environmental issues are potential areas for improvement.

The Company has a favorable level of gender equality, a high level of social investments in relation to revenues, as well as a relatively low employee injury rate, including fatal injuries. The level of average wages at the Company is lower than the industry average, however, this indicator has recorded positive dynamics over the past three years.

The assessment was constrained by the employee turnover rate, which is worse than the industry average. The Company's employee turnover rate increased in 2020–2022. Despite the growth in this indicator, the Company maintains a consistently high level of staffing, including industrial personnel, at a level of at least 97%.

In addition, ACRA applied positive modifiers for the high share of employees that undergoes training, annual indexation of pay, as well as the high percentage of women in the Company's board of directors. However, the Agency applied a negative modifier in view of the high share of the variable component in the structure of employees' remuneration.

The Company received a high score for most of the relevant social risks. The factor Employee Health and Safety received the maximum score.

The approach to resolving social issues is generally in line with best global practices. The Company regularly publishes information on its gender composition, holds training sessions for personnel, has formed certain mechanisms for protecting employees' rights, carries out external audits in the field of labor protection and industrial safety, has a transparent personnel assessment system, and also runs a program for providing housing. However, ACRA notes that a policy aimed at combating discrimination and a program to support mothers in addition to the norms established by law have not been developed at the Company, and there are no supplier code and publicly disclosed quantitative targets for the share of purchases from local suppliers.

Rosseti Lenenergo is one of the largest interregional distribution grid companies in Russia and part of the Rosseti Group (participation share of PJSC ROSSETI (ACRA rating AAA(RU), outlook stable) in the Company's authorized capital is 67.48%). Due to this, the Stock Ownership Concentration factor is not relevant to the Company as per the [Methodology for Assigning ESG Ratings](#).

The Company received conservative scores for stability of the membership of the board of directors and independence of the board of directors. The Company received a moderately high score for the quality of strategic planning and the industry work experience of the members of the board of directors. At the same time, the Company received the highest score for the level of information disclosure. Every year, Rosseti Lenenergo discloses an annual integrated report that takes into account Global Reporting Initiative Sustainability Reporting Standards; GRI) and is in compliance with AA1000 Stakeholder Engagement Standard (AA1000SES).

The Agency also applied positive modifiers when assessing the quality of corporate governance at the Company in view of the presence of an external audit report for non-financial reporting, as well as an internal public corporate governance code and a report on adherence to the principles and recommendations of the code.

The Agency assessed the quality of management of more than half of the corporate governance risks at Rosseti Lenenergo as high, while it assessed the quality of management of the remaining risks as medium. The assessment for most risks was constrained by the lack of information on measurable performance indicators in corporate governance documents.

ACRA notes that most of the corporate governance practices applied at Rosseti Lenenergo comply with best global practices. The Company has a code of corporate ethics, a dividend policy, and a stakeholder engagement policy. The Company monitors corporate governance practices, has created an audit committee at the level of the board of directors, and has also appointed an officer responsible for internal control and audit. The Company discloses its key

beneficiaries and describes key risks in its annual report. At the same time, ACRA notes that the Company does not have an ESG strategy.

## KEY ASSUMPTIONS

- Companies from the Electric Power Industry: Grids were selected as benchmarks (i.e. peer companies).
- Data specified in the questionnaire and Rosseti Lenenergo's annual report is reliable and comparable to benchmarks.

## RATING COMPONENTS

**Final ESG rating: ESG-C.**

**Final level: ESG-5.**

**ESG rating determination:** high assessment in the field of the environment, social responsibility and governance. Sufficient attention is paid to the environment, social responsibility and governance matters.

**E assessment: ESG-5.**

**S assessment: ESG-7.**

**G assessment: ESG-4.**

## ADDITIONAL INFORMATION

The ESG rating has been assigned in accordance with the [Methodology for Assigning ESG Ratings](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

An ESG rating has been assigned to Rosseti Lenenergo PJSC for the first time. The ESG rating is expected to be revised within one year from the publication date of this press release.

The ESG rating was assigned based on data provided by Rosseti Lenenergo PJSC, information from publicly available sources, and ACRA's databases.

The ESG rating is solicited and Rosseti Lenenergo PJSC participated its assignment.

In assigning the ESG rating, ACRA used only information, the quality and reliability of which were, in ACRA's opinion, appropriate and sufficient to apply the methodology.

No conflicts of interest were discovered in the course of the assessment process.

The assigned ESG rating is not a credit rating.

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