




KEY RISKS

In 2023, the Board of Directors¹⁴ adopted the PAO Rosseti Ural's risk appetite. The risk appetite is an aggregate of risk appetite's target indicators, which the Company tries to maintain in the course of operations. Besides, the Company also adopted the Determination of Risk Appetite Procedures¹⁵ to ensure a unified approach to the specification (calculation) of the risk appetite and timely managerial decision-making focused on eliminating exposed downsides and enhancing efficiency of the Company's operations.

Target indicators of the Company's risk appetite are:

1. The Company ensures a reliable and high-quality electricity supply.
 2. The Company ensures the implementation of the Labor Protection Policy, development and improvement of the occupational health and safety management system.
 3. The Company ensures the development and enhancement of grid infrastructure's accessibility.
 4. The Company strives to reduce electricity losses in the course of electricity transmission and distribution processes.
 5. The Company strives to retain a sustainable financial position.
 6. The Company strives to reduce (minimize) a negative impact on the environment.
 7. The Company ensures that shareholders' rights are respected.
 8. The Company has a zero tolerance to the violations of statutory requirements.
 9. The Company strives to ensure a technological and innovative development through the implementation of scientific research results.
 10. The Company ensures the development of human resources of the electric grid complex and maintains a consistently high level of staffing.
- The Company regularly reveals, evaluates and controls risks, adapts its activities to reduce the likelihood and potential consequences of risk occurrence as well as informs shareholders and other stakeholders about it. As stated by the Risk Management Regulations, the Executive Board has adopted the list of risks for 2024¹⁶, consisting of 38 risks, universal for the Rosseti Group and identified on strategic and corporate levels, with material effect on the achievement of the Company's goals..

Risks are classified into three materiality levels:

-  Red zone – critical risks which are unacceptable and subject to priority control.
-  Yellow zone – important risks with a significant impact on the Company's operations and subject to control.
-  Green zone – moderate risks with no significant impact on the Company's operations, subject to intermittent monitoring.

Measures to minimize risks with "important" or "crucial" materiality are included into the 2024 risk management action plan. The list of the most significant risks impacting Company's operations as well as measures to minimize adverse impacts is presented in the table below.

Risk ID	Risk Title	Measures to manage the risks
Strategic risks		
SR-1	Failure to achieve reliability and quality of electricity supply indicators	<p>Scheduling and completion of R&M programs factoring in equipment ITS (technical status, defects and defect criticality).</p> <p>Purchase of emergency power supply equipment.</p> <p>Location of EPS equipment in the most energy-intensive and densely populated areas.</p> <p>Optimization of supply schemes, construction of grid facilities.</p>
SR-2	Deterioration of macroeconomic conditions impacting the Company's operations	<p>Monitoring of energy consumption, preparation of a net supply forecast through the end of the year factoring in current energy consumption.</p> <p>Activities to settle discrepancies with customers over transmission volumes and prevention of disputed volumes.</p> <p>Building of legal precedents on the settlement of discrepancies over transmission volumes and/or loss volumes.</p>
SR-4	Failure to achieve the targets of the Digital Transformation Strategy	<p>Control of completion of the business plan by the Company and its branches on a quarterly basis.</p> <p>Control of procurements, contractual and sales pipelines on a weekly basis.</p> <p>Control of digital transformation projects on a weekly basis.</p>

Operational risks

OR-2	Occurrence of a casualty at work	<p>Provision of efficient functioning and continuous improvement of labor protection system.</p> <p>Oversight of completion of the Injury Risk Reducing Program activities.</p> <p>Completion of Zero Vision Program activities.</p> <p>Risk control and management of professional risks.</p> <p>Record of employees' in-process micro damages.</p> <p>Execution and control of execution of the HR Management Procedures, regarding safe work trainings, knowledge testing, tool box talks, etc., by the structural units.</p> <p>Provision of safe working environment by acquiring certified, high-quality and compliant with requirements protective gear, detergents and decontaminants, serviceable tools and equipment, control over correctness of their usage, accounting, storage, testing, etc.</p> <p>Arrangement of measures to prevent injuries (certification of work places, acquisition of bodycams, elimination of hazards, exposed by certification of work places).</p> <p>Arrangement of sanitary hygiene measures to prevent deceases and accidents (medical exams, pre-trip/ post-trip medical exams, repellent supplies, acaricide treatment, etc.).</p> <p>Oversight of bodycam video recording of electrical work practices.</p> <p>Implementation of the system encouraging employees to strictly comply with the labor protection rules: behavioral safety audit of operating crews.</p> <p>Implementation of the system encouraging employees to strictly comply with the labor protection rules: labor protection review contest, Best Crew review contest, Master's Day.</p> <p>Control over the execution of organizational and regulatory documents, programs, containing labor safety requirements.</p>
OR-6	Failure to follow contractual connection schedules	<p>Registration of "ready-for-connection within connection schedule" notices from applicants in the ACS on connection.</p> <p>Filing of "approaching connection deadline" notices with applicants and informing of liability for failure to complete activities on schedule (payment of penalties, actual expenses, right to cancel the contract) in line with the TP RP ISM-RS-0.1-2024 Regulations.</p> <p>Control over scheduled filing of a connection contract with the applicant via reports in the ACS on connection.</p> <p>Control over target and actual execution of indicators stipulated by the roadmap on connection according to the execution rate calculation format.</p>
OR-9	Malfunction and (or) breakdown of crucial information infrastructure facilities as a result of IT attacks	<p>Implementation of activities from the Company's Build-Up of Integrated Information Security System Program. Implementation of the security system for important facilities of crucial information infrastructure in line with the schedule for commissioning in branches with deadlines due up to 2030.</p>
OR-12	Failure to achieve required staffing level	<p>Conduct of satisfaction surveys, monitoring of reasons of turnover and offer, implementation of measures to reduce turnover and enhancement of satisfaction.</p> <p>Evaluation and preparation of talent pool to create career tracks and individual development plan.</p> <p>Analysis of market wages and maintenance of competitive wages and social benefits bearing in mind financial and economic capabilities of the Company.</p> <p>Implementation of the "Bring Your Friends to Work Together" referral program.</p>

Financial risks		
FR-1	Failure to achieve target values of transmission revenues	<p>Monitoring of energy consumption, preparation of a net supply forecast through the end of the year factoring in current energy consumption.</p> <p>Activities to settle discrepancies with customers over transmission volumes and prevention of disputed volumes.</p> <p>Building of legal precedents on the settlement of discrepancies over transmission volumes and/or loss volumes.</p>
FR-2	Failure to achieve target values of connection revenues	<p>Control over target and actual execution of indicators stipulated by the roadmap on connection according to the execution rate calculation format.</p> <p>Control over target and actual execution of key indicators on connection, stipulated by the business plan.</p>
FR-6	Exceedance of the interest expense target	<p>Provision of free limit in maximum possible number of banks (at least 3 banks).</p> <p>Control over compliance with the covenants, stipulated by credit agreements.</p> <p>Monitoring of programs on state support of the energy sector. If state bodies issue documents on funding of the energy sector enterprises and PAO Rosseti Ural complies with the requirements, documents and applications for participation are to be prepared on time.</p>
FR-7	Exceedance of the overdue transmission receivables target	<p>Initiation of discussions on non-payments during meetings of regional collegiate bodies chaired by regional executive authorities.</p> <p>Bringing forward of penalties, stipulated by the current laws and contract terms, to contractors that violated payment deadlines.</p> <p>Initiation of Federal Bailiff Service's activities to accelerate decision of non-payment issues.</p>
FR-8	Exceedance of debt burden target	<p>Preparation of short-term cash flow forecast (quarter basis), calculation of forecast amount of the debt portfolio.</p> <p>Effect payments within the deadlines stipulated by contracts.</p> <p>Execution of the action plan to reduce overdue transmission receivables (incl. rescheduled) as of 01.01.2024.</p> <p>Execution of the "Level of payments for electricity transmission, %" indicator.</p> <p>Filing of claims for recovery of receivables.</p>
FR-10	Insufficient liquidity risk	<p>Preparation of short-term cash flow forecast (quarter basis)</p> <p>Control over timely redemption of receivables.</p> <p>Filing of claims for recovery of receivables.</p>
Compliance risks		
LR-1	Violation of antimonopoly laws	<p>Regulation of business processes and procedures for interaction of the Company's structural units during operations, subject to antimonopoly laws, control over compliance with antimonopoly laws, building of legal precedents on contestation of acts issued by the antimonopoly authorities.</p>
LR-9	Commission of a corruption-related crime by the Company's employees	<p>Implementation of measures from the corruption-combating plans for a correspondent year.</p> <p>Conduct of annual declaration campaigns.</p>
LR-10	Wilful misconduct of corporates and individuals, incl. employees, bringing economic losses and harming business reputation	<p>Cooperation with the Federal Bailiff Service in aid of execution, control over debt repayment through enforcement proceedings on judicial decisions related to collection of overdue debt.</p> <p>Inspections (investigations) related to identification and combating unlawful actions by corporates and individuals, incl. employees that already caused or may cause damage.</p> <p>Communication of information on the outcomes of investigations to decision-makers to adopt decisions to bring perpetrators to liability and create conditions to prevent misconduct of Company's employees and outsiders.</p> <p>Protection of the Company's interests, incl. in close cooperation with law enforcements.</p> <p>Introduction of proposals into the investment program and other programs regarding installation of security equipment at Company's facilities.</p> <p>Conduct of inspections on grid facilities to check whether they comply with security requirements.</p>

Cyber security and cyber threats risks

High level of computer attacks on IT infrastructure and grid facilities may result in significant IT threat probability. The following cybersecurity risks were identified as key risks:

- Disruption and/or discontinuation of operations of crucial IT infrastructure facilities of the Company as a result of illegal access to information
- Falsification, theft of sensitive information during obtaining, processing, storage and transmission
- Illegal access to confidential information
- Target attacks on the Company's IT infrastructure, incl. crucial IT infrastructure facilities



To reduce cybersecurity risks and ensure resilience of crucial IT infrastructure facilities of the Company during computer attacks, execute requirements of federal laws on IT security, the Company continued to create an integral information security system. We continued an ongoing 24/7 monitoring of IT incidents connected to the Rosseti Group's incident monitoring center (PAO Rosseti Tsyfra).

We also arranged interaction with the National Coordination Center on Computer Incidents for collaboration in detection, prevention and liquidation of consequences of computer attacks and replaced imported means of information protection, used at most crucial sections, for domestic ones.

Sustainable Development Risks

The Board of Directors adopted¹⁷ the PAO Rosseti's Sustainable Development Policy as a Company's bylaw. The policy is focused on the identification of unified principles and approaches of the Company with regard to the sustainable development. The key goal of the Company in the sphere of sustainable development is maximizing its contribution to the achievement of the UN SDGs in the course of its operations and creating additional value for stakeholders in relation to relevant domestic and global challenges. The Company conducts an ongoing analysis of the environment, examining also risks and possibilities related to sustainable development.

Sustainable Development Goals	SDG Description	Possibilities	Risks
Good health and well-being	Provision of healthy life-style and facilitation of general well-being at all ages	<p>The Company strives to ensure the safety of the population, preserve health and well-being of its employees in the course of its operations, incl.:</p> <ul style="list-style-type: none">· by ensuring safe working conditions and occupational safety· by insuring health and lives of employees· promotion of sport-oriented lifestyle	<ul style="list-style-type: none">· Risk of workplace accidents· Risks of personnel incapacity caused by epidemiological diseases
Affordable and clean energy	Provision of general access to affordable, reliable, sustainable and modern energy	<p>The Company ensures reliable, high-quality and easy-access electricity supply at a cost acceptable by the consumers by:</p> <ul style="list-style-type: none">· meeting requirements to grids exploitation, focused on maintaining reliability and QoS indicators· simplifying connection of consumer's equipment and generating facilities (incl. renewable energy resources)· by implementing investment projects focused on executing connection activities on time and in a quality manner;· minimizing consumer's costs related to access to electricity· enhancing energy efficiency and reducing electricity losses level· enhancing quality of service· developing e-services for customers	<ul style="list-style-type: none">· Risk of reduced reliability of power supply· Failure to achieve QoS targets· Disruption of operations of crucial IT infrastructure facilities

Industry, innovation and infrastructure	Build-up of a resilient infrastructure, promotion of sustainable industrialization and fostering of innovation	<p>The Company fosters the development of innovations and resilient green infrastructure by:</p> <ul style="list-style-type: none"> · maintaining and upgrading backbone and distribution grid infrastructure · implementing investment projects · implementing Digital Transformation Strategy · technological and innovative development 	<ul style="list-style-type: none"> · Damage, loss, destruction of grid facilities · Violation of integrity, accessibility, confidentiality of information · Disruption of operations of crucial IT infrastructure facilities · Failure to achieve efficiency of innovation targets · Insufficient qualifications of production personnel
Sustainable cities and communities	Making cities safe, resilient and sustainable	<p>The Company makes cities and communities safe, resilient and sustainable, incl. by:</p> <ul style="list-style-type: none"> · ensuring reliability and high-quality of electricity supply · implementing projects related to the National “Comfortable and safe environment for living” objective and “Smart City” concept · providing connection services, arranging outdoor lightning and electricity metering · expanding charging infrastructure for public and personal e-vehicles in the service area · applying technical architectural solutions facilitating rational use of lands in cities and communities as well as preserving the integrity of architectural look 	<ul style="list-style-type: none"> · Failure to execute plans on creation/upgrade of metering systems within the deadlines · Limitation / Inability to attract the required funding · Violation of laws, local regulatory documents while executing requests for connection/disconnection of consumers
Responsible consumption and production	Provision of transition to sustainable consumption and production patterns	<p>The Company adheres to the rational consumption and production policy, incl. by:</p> <ul style="list-style-type: none"> · enhancing energy-efficiency and reducing losses · preferential use of clean technologies that do not cause significant damage to the environment · rational use of natural resources in operating activities · minimizing an adverse impact on the environment · effective functioning of the environmental management system 	<ul style="list-style-type: none"> · Lack of meters, their physical and moral wearing-out · Detection of unmetered and non-contracted consumption · Risk of reduced reliability of power supply
Climate action	Urgent action on climate change and its consequences	<p>The Company is active in combating climate change, incl. by:</p> <ul style="list-style-type: none"> · reducing greenhouse gas emissions through · loss reduction in electricity transmission and distribution · development of charging infrastructure · reduction of consumption of fuel and energy resources for own needs · ensuring supply of low-carbon electricity · recultivating lands · enhancing reliability and adaptability of the grids to dangerous climatic phenomena · promoting energy-saving and energy-saving lifestyle · implementing activities on energy-saving and enhancement of energy efficiency 	<ul style="list-style-type: none"> · Acts of nature (increased velocity of winds and repeat frequency of strong icing, accumulation of wet snow, increased repetition and intensity of extreme heat or cold, degradation of permafrost) result in accidents with power lines, cable breaks, damages of transmission towers and metal constructions, transformer substations, reduction of supporting capacity of foundations of buildings and constructions, incl. transmission towers

Partnership for the goals	Strengthening of means and revitalization of the global partnership for sustainable development	<p>The Company focuses on promoting the implementation of global sustainable development policy, incl. by:</p> <ul style="list-style-type: none"> · efficient liaisons with stakeholders · presence in international associations and organizations · examining and applying global best practices through international scientific and technical exchange mechanisms · support of small and medium-size businesses 	<ul style="list-style-type: none"> · Violation of deadlines for design, delivery, construction, commissioning by contractors · Unpreparedness of filer's facilities for connection and filer's failure to discharge liabilities regarding payment for connection · Involvement of the Company or its employees into corruption activities · Bankruptcy or liquidation of contractors · Violation by the Company or its employees of prohibitions and restrictions of antimonopoly legislation
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The Board of Directors adopted¹⁷ PAO Rosseti's Climate Change Policy as a Company's bylaw. The policy is focused on the alignment of approaches with regard to the climate change in the course of Company's operations. The Company has arranged identification, registration and management of climate change risks.

Climate risks are divided into two groups in terms of their impact on the energy sector:

- physical risks: risks related to natural phenomena occurring due to climate change and able to influence the status and functioning of the energy system elements (generation, distribution and consumption of electricity)
- transition risks: risks related to transition to low-carbon economy, able to influence the industry economics

The Company identifies two groups of physical risks:

Climate factor	Risk description	Impact mechanism
Extreme weather		
Increased velocity of winds and frequency of dangerous phenomena (gusts, windflaws, tornadoes, etc.)	<ul style="list-style-type: none"> · Exposure of network infrastructure due to non-compliance of conditions with design conditions 	<ul style="list-style-type: none"> · Accidents on power lines, related to vibration, subspan oscillation, wire overlapping and wirebreak, as well as damages to towers and metal structures
Increased frequency of strong icing, accumulation of wet snow		<ul style="list-style-type: none"> · Accidents on power lines, related to wire slackness, wire overlapping and wirebreak as well as damages to towers and metal structures
Extreme rainfall and flooding	<ul style="list-style-type: none"> · Exposure of network infrastructure to floods · High water cut, relief deformation 	<ul style="list-style-type: none"> · Flooding of ground infrastructure, damage to equipment. High frequency of landslides, destruction of foundations of buildings and structures
High frequency and intensity of extreme heat, incl. urban heat islands effect	<ul style="list-style-type: none"> · Exposure of network infrastructure due to non-compliance of conditions with design conditions · Exposure of employees to weather factors 	<ul style="list-style-type: none"> · Accidents on power lines, related to wire slackness; damage to transformer substations · Higher mortality, morbidity and loss of productivity among employees
Irreversible climate processes		
Degradation of permafrost	<ul style="list-style-type: none"> · High exposure of network infrastructure structures and communications 	<ul style="list-style-type: none"> · Reduction of load-bearing capacity of the foundations of buildings and structures, incl. power line towers

The Company identifies the following transition risks:

- increased irregularity of supply from new generation facilities when the energy balance is shifted towards renewable energy resources
- changes in consumption due to the development of energy-saving technologies and electric transport
- introduction of financial mechanisms to reduce carbon dioxide emissions that will result in electricity prices to compensate network losses
- appearance of new large consumption centers, incl. centers producing low-carbon fuel

To reduce the physical risks the Company implements the following activities to adapt the grid complex

Climate risks	Activities
Extremely high / low temperature	<ul style="list-style-type: none"> · mandatory activities to ensure reliable operations of the grid equipment are implemented on an annual basis during fire and high temperatures seasons · revision of norms to enhance reliability of power lines and transformer substations · activities to maintain designed temperature modes of production buildings
Change of temperature-humidity conditions and precipitation regime, degradation of permafrost	<ul style="list-style-type: none"> · monitoring of the soil conditions at Company's production sites located in permafrost zones · monitoring of conditions of buildings' foundations and rooftops · arrangement of anti-erosion systems keeping foundations of structures, buildings and power lines frozen
Floods	<ul style="list-style-type: none"> · identification of flooding areas, prohibition to use the zones · engineering protection of grid facilities (dams, drainage channels and hydraulic obstacles) · inspection of structures against landslides, landfalls and mudslides, coast-protection structures; any damages found, measures to reconstruct them are undertaken
Hurricanes, tornadoes, hails, high winds, icing phenomena	<ul style="list-style-type: none"> · dismantling or replacement of obsolete or frail buildings and structures, power lines towers · clearing of woody and shrubby vegetation · strengthening of production buildings · determination of safe working conditions during high winds · strengthening of linear structures, icing monitoring · training of emergency repair teams
Mudslides, water-snow flows, landslides	<ul style="list-style-type: none"> · regulation of run-off flow through vertical leveling of territories and arrangement of a run-off flow system · agroforestry, artificial change of slope relief · arrangement of anti-mudslide systems, holding structures · establishment of protected zones



To reduce an adverse impact of the Company's operations on climate, we implement the following activities:

- reduction of consumption of fuel and energy resources for production and own needs
- reduction of electricity losses during its transmission to consumers
- reduction of deforestation areas during construction, reconstruction and exploitation
- minimal consumption of material and raw materials resources through improving the Company's environmental management system
- development and creation of EV charging infrastructure
- development of new solutions for energy storage devices, launch of energy storage devices

Key activities of the Company to manage the risks of adverse impact of climate change on grid infrastructure:

- arrangement of works on the expansion of climate monitoring system in the Company's areas of service, incl. through support of relevant initiatives on federal, regional and municipal levels
- risk management, based on short-term and mid-term forecasts of climate change, factoring in scientific data and blueprints on adaptation to climate change
- development and implementation of measures on mitigation of physical risks during climate change

The Company adheres to an ethical approach in doing business and strives to promote the approach among contractors as well as foster competitive environment through:

- support of small and medium-size businesses
- combat against corruption
- support of fair competition

As no risks of losses from interaction with suppliers and contractors to the extent, vital for the Company, have occurred, the Company estimates the possibility of such risks as low.