

# RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Company has the risk management and internal control system aimed at provisioning a reasonable assurance in achieving goals and strategy of the Rosseti Group's development, incl. reliable, high-quality and easy-access electricity supply as well as operational goals of financial and economic operations. The RM&ICS develops and functions using unified principles that are accepted and complied with by governing bodies and employees of the Company at all management levels: consistency and complexity; goal orientation; integration into management; methodological unity; reasonable assurance; agility; responsiveness; records creation; dynamism; quality of information; prioritization; responsibility; division of powers and liabilities; cross-functional interaction; constant improvement.

The primary documents regulating the RM&ICS are the Risk Management and Internal Control Policy, Risk Appetite, Development of RM&IC Program, Arrangement of Risk Management and

Internal Control Procedures, Evaluation and Monitoring of Risk Methodology and Determination of Risk Appetite Procedures, RM&IC glossary, risk register.

To guarantee the RM&ICS efficiency and compliance with changing requirements and conditions, the Company's internal auditor evaluates the RMS efficiency whether it complies with the target status and maturity level.

## During the reported period, the Company implemented the following key measures to improve the RM&ICS:

1. The following RM&IC regulatory and methodological documents were prepared / revised:
  - Arrangement of RM&IC Procedures
  - A format of a report on the roll-out, functioning and efficiency of RM&ICS, format of a report on risk management
2. Process on revision of risk matrices and control procedures arranged.

3. Control procedures were completed to evaluate sufficiency, effectiveness and efficiency of the RM&ICS, incl. complex audits of performance of the Company's branches and subsidiaries.

4. Trainings for the Company's management and employees on RM&ICS roll-out and functioning were conducted.

## In 2025, we plan to implement the following measures to improve the RM&ICS:

1. Decomposition and correlation of corporate-level risks with business process risks.
2. Revision of the Evaluation and Monitoring of Risks Methodology.
3. Improvement of the mechanism for the control of financial stability, support of contractors' liquidation and bankruptcy procedures.

Indicator	2022	2023	2024	2024/2023, %
Number of conducted control activities focused on risk exposure and mitigation, pcs	302	410	431	5.1%
Number of examined procurement-related materials (items), pcs	2,179	4,177	2,514	-39.8%
Number of eliminated violations following the inspections conducted by external watchdogs, pcs (%)	86.0	72.4	76.2	5%
Total sum of annulled fines after appeals against decisions to impose administrative sanctions, RUB million	7.6	19.5	57.35	66%
Total funds received by the Company from contractors under liquidation and bankruptcy procedures, RUB million	200	144.465	758.127	424.8%
The total amount of funds saved by the Company as a result of acquiring its own debt at auction from debtors undergoing bankruptcy proceedings, RUB million	0	0	0	-

The Internal Audit Department is a unit, liable for internal audit. The Internal Audit Department is responsible to the Company's Board of Directors (via the Audit Committee). This means that the Board of Directors oversees and administers the unit (namely, adoption of the unit's action plan, progress report, its budget as well as assignment, dismissal and remuneration of the unit head).

The goal of internal audit is to assist the Board of Directors and executive bodies of the Company in enhancing efficacy of governance and improving its financial and economic performance, by enforcing systematic and coherent approaches to analysis and evaluation of the systems of risk management, internal control and corporate governance as tools of reasonable assurance in Company's goal achievement. Goals and objectives, principles of IA rollout and functioning, functions and authorities of the internal audit are stipulated by the Internal Audit Policy<sup>69</sup>. In 2024, 8 employees performed internal audit functions.

### **The Company has adopted the following principal documents regulating internal audit performance:**

- Amended and Restated Internal Audit Policy and Internal Auditor Ethics Code
- Regulations on the Internal Audit Department
- Amended and Restated Guarantee and Enhanced Quality of Internal Audit Program
- Internal audit standards and standards of practical application, developed in compliance with the International Professional Internal Audit Standards

Pursuant to the Regulations on the Board of Directors' Audit Committee<sup>57</sup> arrangement, efficiency evaluation and enforcement of independency and neutrality of internal audit fall within the remit of the Board of Directors' Audit Committee. The Audit Committee's feedback is delivered to the head of the internal audit unit through the head's interaction with the Committee, incl. analysis of resolutions/

recommendations of the Committee on matters falling under the competence of the internal audit unit and questionnaire survey of the Committee members. Satisfaction of the Audit Committee with the performance of the internal audit unit (average weighted total points from the questionnaires / quantity of votes of the Committee members) in 2024 corresponds with "full compliance" estimation value in line with the Guarantee and Enhanced Quality of Internal Audit Program.

Pursuant to the Guarantee and Enhanced Quality of Internal Audit Program, the quality of the Company's internal audit is evaluated by independent external expert at least once in 5 years. External independent evaluation of the IA's performance was carried out by OOO B1-Consult in 2024. After the evaluation, OOO B1-Consult presented a report, certifying general compliance of the Company's internal audit performance with the International Professional Internal Audit Standards and Ethics Code and issued recommendations regarding improvements of internal audit practices.

## **BOARD OF INTERNAL AUDITORS**

Financial and economic performance of the Company is overseen by the Board of Internal Auditors, as stated by the Charter<sup>70</sup>. The competence of the Board, as envisaged by the Charter<sup>71</sup> includes:

- Validation of data presented in the Company's annual report, annual financial statements, profit and loss account
- Analysis of Company's financial position, detection of reserves to improve Company's financial position and preparation of recommendations to Company's management bodies
- Arrangement and conduct of the audit, namely:
  - Audit of financial, accounting, payment and other documents with regard to Company's financial and economic operations to evaluate compliance with laws of Russia, Company's charter, bylaws and other documents

- Oversight whether property, plant and equipment are protected and used in a proper manner
- Oversight whether bad debt writing-offs comply with the established procedure
- Oversight whether Company's monetary resources are spent in a manner compliant with the approved business plan and budget of the Company
- Oversight how Company's reserve fund and other funds are generated and used
- Oversight whether dividends, bond interest, yield on other securities are calculated and paid in a proper manner
- Oversight whether orders, issued earlier to eliminate exposed violations and problems, are executed
- Other audit-related activities

### **Pursuant the Regulations on the Board of Internal Auditors<sup>72</sup> the Board's functionality is:**

- 1) Oversight of financial and economic performance of the Company;
- 2) Independent evaluation of authenticity of data presented in the Company's annual report and annual financial statements;
- 3) Approval of authenticity of data presented in the Company's report on related-party transactions:

As stated by the Charter, the Board of Internal Auditors consists of 5 members. There were 2 compositions of the Board of Internal Auditors during 2024.