

# KEY RISKS

## INFORMATION ON THE APPROVAL OF THE COMPANY’S PREFERRED RISK (RISK APPETITE) AND TARGET INDICATORS OF PREFERRED RISK (RISK APPETITE)

In accordance with the Risk Management and Internal Control Policy, subject to the requirements of the Procedure for Determining Preferred Risk (Risk Appetite), the Board of Directors of the Company approved the preferred risk (risk appetite) on 4 October 2023<sup>1</sup>.

### The following targets are set for preferred risk (risk appetite)



The Company provides reliable and high-quality power supply



The Company seeks to maintain a strong financial position



The Company ensures the enforcement of its Occupational Health and Safety Policy commitments and the development and improvement of its occupational health and safety management system and safety culture



The Company ensures the development of the power grid system's human resources potential and maintains a consistently high staffing level



The Company ensures the development and improvement of the accessibility of the power grid infrastructure



The Company strives to reduce (minimise) its negative environmental impact



The Company endeavours to reduce electricity losses during transmission and distribution



The Company ensures that the rights of shareholders are respected



The Company strives to ensure technological and innovative development by conducting and implementing scientific research



The Company does not tolerate violations of the requirements established by the laws of the Russian Federation

OPERATING WITHIN THE STATED PREFERRED RISK (RISK APPETITE) ALLOWS FOR A HIGHER DEGREE OF CONFIDENCE THAT THE COMPANY WILL ACHIEVE ITS OBJECTIVES.

<sup>1</sup> Minutes No. 535/2023 dated 5 October 2023.

## INFORMATION ON KEY RISK MANAGEMENT

### Information on risk assessment method

Information on corporate-level risks that significantly affect the achievement of the Company's objectives, risk owners and key risk indicators used is contained in the Company's risk register<sup>1</sup>.

Risk assessment shall comply with the Company's Risk Assessment and Monitoring Policy. Each identified risk is to be assessed to determine its materiality, taking into account the consequences of the risk materialising and the likelihood of it occurring. Risk assessment involves the use of qualitative and quantitative approaches, or a combination of both.

The impact of risks on the Company's activities is assessed at three levels of materiality, which provide a summary assessment of the probability and consequences of the risk materialising:

- **Moderate risk** does not have a material negative impact on financial and economic performance, but requires continuous monitoring for timely identification of possible increase in risk materiality.
- **Significant risk**, if materialised, could lead to significant deviations from KPIs, short-term suspension of operations, a downgrade in independent ratings and/or negative publicity.

- **Critical risk**, if materialised, may result in the failure to achieve the objectives set by the management bodies, as well as a prolonged disruption of operations, negative publicity in the media and a decline in the market quotation of the Company's shares.

The risk level was determined using the available risk assessment methods — either quantitative or qualitative.

Current risk levels are monitored using key risk indicators.

## INFORMATION ON THE ASSESSMENT OF KEY RISKS

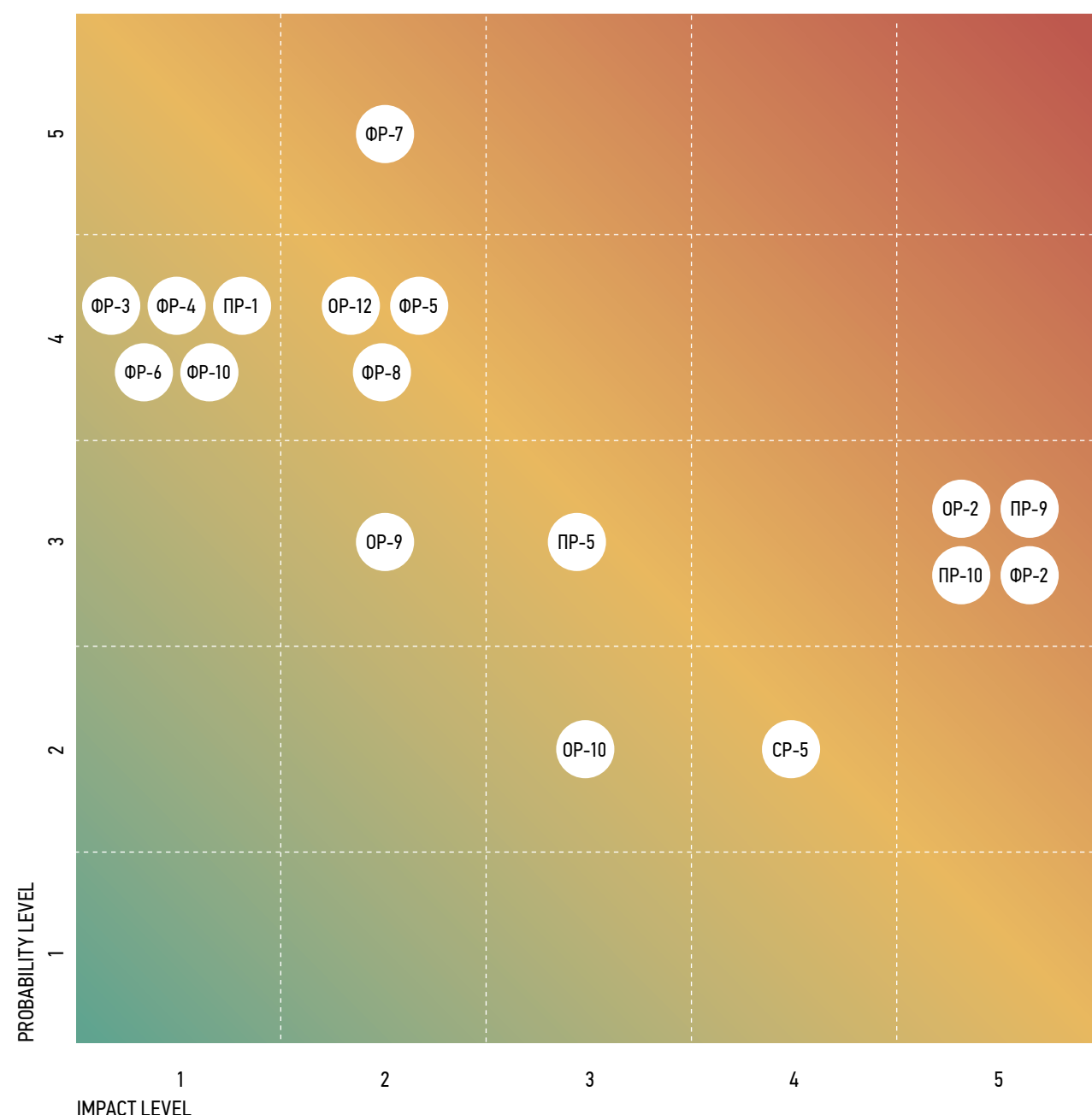
Risk ID	Risk	Risk materiality		Risk management
		as of 01.01.2024	as of 31.12.2024	
CP-5	Risks related to the impact of climate change on the Company's operations	Significant	Significant	<ol style="list-style-type: none"> <li>1. Conducting emergency response and restoration works</li> <li>2. Insuring power grid property</li> </ol>
OP-2	Occurrence of a work-related accident	Critical	Critical	<ol style="list-style-type: none"> <li>1. Ensuring a safe working environment</li> <li>2. Making sure that all organisational and administrative documents and health and safety programmes are followed</li> <li>3. Medical examinations of employees</li> <li>4. Ensuring the effective functioning and continuous improvement of the occupational health and safety management system</li> <li>5. Using bodycams to record works carried out in electrical installations</li> <li>6. Eliminating the causes of accidents within the established time frame</li> <li>7. Training in premedical first aid techniques using a simulator</li> <li>8. Providing psychophysiological support for professional reliability</li> </ol>
OP-9	Disruption and/or shutdown of critical information infrastructure facilities	Significant	Significant	<ol style="list-style-type: none"> <li>1. Making sure the technical specifications and design documents for building and renovating power facilities and setting up automated control systems include information security requirements</li> <li>2. Responding to computer incidents</li> <li>3. Analysing information security threats to important critical information infrastructure assets</li> <li>4. Coordinating the terms of reference for information technology and telecommunications to make sure they meet the requirements of Federal Law No. 187-FZ dated 26 July 2017 'On the Security of Critical Information Infrastructure'</li> </ol>

<sup>1</sup> Approved by the Management Board on 6 December 2023 (Minutes No. 41/2023 dated 6 December 2023).

Risk ID	Risk	Risk materiality		Risk management
		as of 01.01.2024	as of 31.12.2024	
OP-10	Unauthorised access to confidential information	Significant	Significant	<ol style="list-style-type: none"> <li>Monitoring compliance with rules for handling information constituting trade and/or official secrets</li> <li>Monitoring compliance with corporate information handling policies</li> <li>Monitoring compliance with personal data protection requirements</li> <li>Conducting internal investigations</li> </ol>
OP-12	Understaffing	Significant	Significant	<ol style="list-style-type: none"> <li>Organising staff recruitment (selection from the external labour market, talent pool)</li> <li>Arranging staff training</li> </ol>
OP-2	Failure to achieve the planned level of revenue from grid connection services	Significant	Critical	<ol style="list-style-type: none"> <li>Coordinating and monitoring the activities of all Company subdivisions involved in the grid connection process to ensure that the Company complies with the deadlines for procedures and measures</li> </ol>
OP-3	Failure to achieve the planned level of revenue from additional (non-tariff) services	Significant	Significant	<ol style="list-style-type: none"> <li>Drafting/amending the business plan of the Company for the provision of additional (non-tariff) services</li> <li>Analysing and adjusting the cost (calculation) of additional (non-tariff) services, taking into account market conditions and the cost of additional (non-tariff) services</li> </ol>
OP-4	Exceeding the planned level of uncontrolled operating expenses for the purchase of electricity to compensate for losses, for the payment of services for the transmission of electricity via TGO grids, via the UNPG	Significant	Significant	<ol style="list-style-type: none"> <li>Monitoring the volume of electricity purchased to compensate for electricity losses in the Company's power grids and the volume of electricity transmission services provided to the Company via the UNPG grids</li> <li>Making up the aggregate declared capacity of the Company for connections to the UNPG grid</li> <li>Settling differences in the volume of electricity transmission services provided via the Company's power grids</li> </ol>
OP-5	Exceeding the planned level of other operating (controllable and uncontrollable) expenses	Significant	Significant	<ol style="list-style-type: none"> <li>Analysing monthly, quarterly, and annual cost estimates</li> <li>Monitoring compliance with established cost limits when agreeing terms of reference for competitive procedures and contracts</li> </ol>
OP-6	Exceeding the planned level of interest expenses	Significant	Significant	<ol style="list-style-type: none"> <li>Negotiating with creditor banks, sending letters requesting consideration of a reduction in interest rates on loans</li> <li>Conducting procurement procedures to select financial institutions to reduce the cost of credit resources amid competition among participating banks</li> </ol>
OP-7	Exceeding the planned value of overdue accounts receivable for electricity transmission services	Significant	Significant	<ol style="list-style-type: none"> <li>Monitoring the progress of the action plan to reduce overdue receivables for electricity transmission services and settle differences</li> <li>Monitoring the achievement of planned electricity payment collection levels</li> <li>Conducting measures to settle differences in determining the scope of obligations under contracts for the provision of electricity transmission services and/or the purchase of electricity for the purpose of compensating for process-related losses of electricity and preventing their occurrence in the future</li> <li>Conducting claims work for the purpose of pre-trial settlement</li> <li>Imposing full and/or partial restrictions on energy supply to consumers in arrears at the request of energy electricity retailers. Checking the enforcement of electricity consumption restrictions imposed on consumers who violate their obligations</li> <li>Liaising with the Federal Bailiff Service during enforcement proceedings. Signing of cooperation agreements with the Federal Bailiff Service. Monitoring debt repayment under enforcement proceedings based on court decisions on the collection of overdue debts</li> </ol>

Risk ID	Risk	Risk materiality		Risk management
		as of 01.01.2024	as of 31.12.2024	
OP-8	Exceeding the planned debt burden level	Significant	Significant	<ol style="list-style-type: none"> <li>Managing the Company's debt position — controlling debt position limits</li> </ol>
OP-10	Underliquidity	Significant	Significant	<ol style="list-style-type: none"> <li>Following up on the Company's payment schedule as part of the budget revenue and spending of the cash flow budget</li> </ol>
PP-1	Violation of antitrust legislation	Significant	Significant	<ol style="list-style-type: none"> <li>Monitoring the legal protection of the Company's interests in state authorities and government bodies, as well as in courts in cases arising from administrative legal relations</li> <li>Liaising with the Federal Antimonopoly Service (FAS Russia) on behalf of the Company. Establishing a consolidated legal position for the Company and ensuring the protection of the Company's interests in court and other law instances. Organising the recording and monitoring of the results of inspections, including requests and other materials from the FAS of Russia received by the Company, except for issues related to tariff regulation</li> </ol>
PP-5	Violation of environmental legislation	Significant	Significant	<ol style="list-style-type: none"> <li>Carrying out a programme of industrial environmental monitoring at facilities that have a negative environmental impact, and submitting reports on the organisation and results of industrial environmental monitoring to the state authorities</li> <li>Organising and monitoring the compensation payments for granting economic entities the right to carry out activities that have a negative environmental impact, and the submission of pollution fee declarations</li> <li>Organising and supervising monitoring of negative environmental impacts and providing state authorities with information on atmospheric air protection and on the generation, treatment, disposal, neutralisation and placement of production and consumption waste</li> </ol>
PP-9	Corruption-related offences by Company employees	Critical	Critical	<ol style="list-style-type: none"> <li>Working on the anti-corruption plan</li> </ol>
PP-10	Unlawful actions of legal entities and individuals, including employees of subsidiaries and affiliated companies, causing economic damage and harm to business reputation	Critical	Critical	<ol style="list-style-type: none"> <li>Conducting analysis and verification of incoming information to identify (confirm) damage (losses)</li> </ol>

Map of key risks of the Company



## REALISATION OF KEY RISKS

Information on the realisation of critical and significant risks is reviewed by the Company's management bodies as part of the Report on the Organisation, Functioning and Effectiveness of the Company's Risk Management and Internal Control System (RM&ICS) for 2024.

# INFORMATION ON INFORMATION SECURITY RISKS AND CYBER THREATS

Due to a rise in cyber threats at the Company, the following information security risks were identified:

- Disruption and/or shutdown of the information infrastructure and telecommunication systems of power grid facilities caused by cyberattacks. This risk is assessed as significant due to the high level of consequences associated with disconnection of electricity consumers, material damage and reputational risks of the Company.
- Unauthorised access to confidential information. This risk is assessed as significant and characterised by a medium level of consequences in the form of leakage of information constituting a trade secret or personal data.

In order to reduce (minimise) the above risks, the Company takes the following measures:

- Installation of technical security equipment, video surveillance systems, access control system and security alarm system
- Organisation and control over the physical security of the Company's most important power grid facilities
- Renovation of security equipment at the power grid facilities as set forth in the Company's Investment Programme
- Inclusion of information security requirements in terms of reference for information infrastructure facilities and telecommunication systems of power grid facilities, control over the subsequent construction of facilities in compliance with the terms of reference
- Ongoing monitoring of the actions of the Company's employees through information security systems
- Monitoring and analysis of external information security events
- Use of certified information security means

