

KEY RISKS

The Company's Board of Directors has approved the preferred risk (risk appetite) of PAO Rosseti Ural⁸. The preferred risk (risk appetite) of PAO Rosseti Ural represents a set of target indicators of preferred risk (risk appetite), which the Company seeks to maintain in the course of its activities.

In order to ensure a uniform approach to the determination (calculation) of preferred risk (risk appetite), the Regulations for determining the preferred risk (risk appetite) of PAO Rosseti Ural has been approved at the Company⁹.

Target indicators of the Company's risk appetite:

- The Company ensures a reliable and high-quality electricity supply
- The Company ensures the implementation of the Labor Protection Policy, development and improvement of the occupational health and safety management system
- The Company ensures the development and enhancement of grid infrastructure's accessibility
- The Company strives to reduce electricity losses in the course of electricity transmission and distribution processes
- The Company strives to retain a sustainable financial position
- The Company strives to reduce (minimize) a negative impact on the environment
- The Company ensures that shareholders' rights are respected
- The Company has a zero tolerance to the violations of statutory requirements
- The Company strives to ensure a technological and innovative development through the implementation of scientific research results
- The Company ensures the development of human resources of the electric grid complex and maintains a consistently high level of staffing

Information on corporate level risks that have a material impact on the achievement of the Company's objectives, as well as on risk owners and the key risk indicators applied, is contained in the Risk Register¹⁰. Risk assessment is carried out in accordance with the Company's Methodology for Risk Assessment and Monitoring¹¹. Risk evaluation is performed for each identified risk and is aimed at determining risk significance, taking into account the consequences of risk realization and the probability of its occurrence. Risk evaluation is carried out using qualitative and quantitative approaches, as well as a combination thereof.

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.

Information on the management of risks of critical and important materiality level

Risk ID	Risk Title	Measures to manage the risks
SR-1	Failure to achieve reliability of electricity supply indicators	<ul style="list-style-type: none"> · Scheduling and completion of R&M programs factoring in equipment ITS (technical status, defects and defect criticality). · Purchase of emergency power supply equipment. · Location of EPS equipment in the most energy-intensive and densely populated areas. · Optimization of supply schemes, construction of grid facilities.
SR-2	Deterioration of macroeconomic conditions impacting the Company's operations	<ul style="list-style-type: none"> · Monitoring of energy consumption, preparation of a net supply forecast through the end of the year factoring in current energy consumption. · Activities to settle discrepancies with customers over transmission volumes and prevention of disputed volumes. · Building of legal precedents on the settlement of discrepancies over transmission volumes and/or loss volumes.
SR-4	Failure to achieve the targets of the Digital Transformation Strategy	<ul style="list-style-type: none"> · Control of completion of the business plan by the Company and its branches on a quarterly basis. · Control of procurements, contractual and sales pipelines on a weekly basis. · Control of digital transformation projects on a weekly basis.
OR-2	Occurrence of a casualty at work	<ul style="list-style-type: none"> · Provision of efficient functioning and continuous improvement of labor protection system. · Oversight of completion of the Injury Risk Reducing Program activities. · Risk control and management of professional risks.

Risk ID	Risk Title	Measures to manage the risks
OR-5 	Exceedance of the established loss level target (%)	<ul style="list-style-type: none"> · Control over the timely and correct determination of the volume of electricity losses (verification of the accuracy of the volume of services rendered and the presence of primary documents confirming such volume). · Conduct of field inspections to identify cases of unaccounted electricity consumption, as well as cross regional joint inspections among territorial structural subdivisions. · Implementation of energy saving and energy efficiency improvement programs, including programs of measures to reduce electricity losses and programs for the prospective development of electricity metering systems. · Conduct of periodic inspections of the activities of structural subdivisions regarding service provision and reduction of electricity losses in accordance with the schedule. · Conduct of inspections of enforced consumption mode restrictions applied to consumers who breach their obligations. · Monitoring of data on volumes of electricity losses and electricity prices used by guaranteed suppliers in calculating the cost of electricity losses.
OR-6 	Failure to follow contractual connection schedules	<ul style="list-style-type: none"> · Registration of "ready-for-connection within connection schedule" notices from applicants in the ACS on connection. · 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. · Control over scheduled filing of a connection contract with the applicant via reports in the ACS on connection. · Control over target and actual execution of indicators stipulated by the roadmap on connection according to the execution rate calculation format.
OR-9 	Malfunction and (or) breakdown of crucial information infrastructure facilities as a result of IT attacks	<ul style="list-style-type: none"> · Implementation of activities from the Company's Build-Up of Integrated Information Security System Program¹². 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.
OR-11 	Failure to reach the labor productivity improvement target	<ul style="list-style-type: none"> · Improvement of the efficiency of organizational structures and the development of approaches to organizational design. · Implementation of organizational changes within the Company, including within the framework of digital transformation. · Enhancement of employees' professional level through training under programs of professional training, retraining, and advanced qualification in accordance with approved plans.
OR-12 	Failure to achieve required staffing level	<ul style="list-style-type: none"> · Conduct of satisfaction surveys, monitoring of reasons of turnover and offer, implementation of measures to reduce turnover and enhancement of satisfaction. · Conduct of assessment and preparation of a talent pool to retain staff and reduce turnover. · Resuming of the adaptation program for newly hired employees: welcome letter, adaptation plan, and monitoring of its implementation to reduce turnover among newly hired staff. · Monitoring of wage levels in the labor market and maintenance of competitive employee salaries and social guarantees, taking into account the Company's financial and economic capabilities.
FR-1 	Failure to achieve target values of transmission revenues	<ul style="list-style-type: none"> · Monitoring of energy consumption, preparation of a net supply forecast factoring in current energy consumption. · Activities to settle discrepancies with customers over transmission volumes and prevention of disputed volumes. · Building of legal precedents on the settlement of discrepancies over transmission volumes and/or loss volumes.
FR-2 	Failure to achieve target values of connection revenues	<ul style="list-style-type: none"> · Control over target and actual execution of indicators stipulated by the roadmap on connection according to the execution rate calculation format. · Control over target and actual execution of key indicators on connection, stipulated by the business plan.

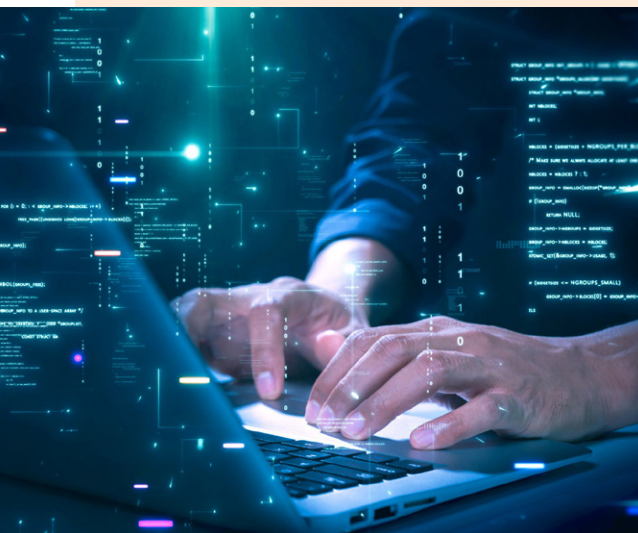
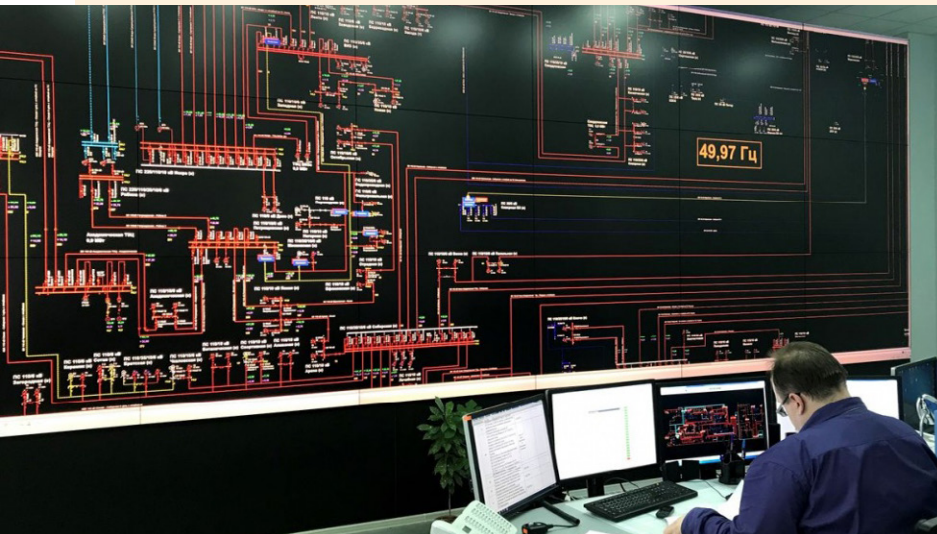
Risk ID	Risk Title	Measures to manage the risks
FR-6 	Exceedance of the interest expense target	Provision of free limit in maximum possible number of banks (at least 3 banks). Control over compliance with the covenants, stipulated by credit agreements. Monitoring of programs on state support of the energy 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.
FR-7 	Exceedance of the overdue transmission receivables target	Initiation of discussions on non-payments during meetings of regional collegiate bodies chaired by regional executive authorities. Bringing forward of penalties, stipulated by the current laws and contract terms, to contractors that violated payment deadlines. Initiation of Federal Bailiff Service's activities to accelerate decision of non-payment issues.
PR-1 	Violation of antimonopoly laws	Regulation of business processes and procedures for interaction among the Company's structural subdivisions in performing activities subject to antitrust regulation, and monitoring compliance with antitrust legislation requirements. Familiarization of employees with amendments to antitrust legislation, its application practice, and recommendations issued by state authorities, as well as participation in training under the "Knowledge Day" events conducted by PAO Rosseti. Challenging decisions of the Federal Antimonopoly Service or the regional FAS office regarding the Company's violation of antitrust legislation, and appealing resolutions of the FAS/UFAS imposing administrative liability on the Company to higher authorities and to the court.
PR-2 	Violation of labor legislation	Audit of current HR documents for compliance with the internal standards and Russian Labor Code. Update of local regulatory acts, or their parts, containing mandatory requirements, compliance with which is subject to federal state supervision over observance of labor legislation.
PR-3 	Violation of occupational safety and health legislation	Communicating changes in occupational safety and health legislation to personnel. Inclusion of occupational safety and health measures in the business plan, with substantiation of the required amount of funding, and implementation of such measures. Monitoring of compliance with occupational safety and health measures through participation in internal audits, inspections conducted as part of Occupational Safety Days, internal technical control system, and business plan completion reports.
PR-8 	Violation of tax and levy legislation and accounting legislation	Development of internal regulatory documents governing accounting and tax accounting matters. Provision of consultations to branches on current issues and issuance of clarifying letters.
PR-9 	Commission of a corruption-related offence by the Company's employees	Implementation of measures from the corruption-combating plan for a correspondent year. Conduct of annual declaration campaigns.
PR-10 	Wilful misconduct of corporates and individuals, incl. employees, bringing economic losses and harming business reputation	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. Inspections (investigations) related to identification and combating unlawful actions by corporates and individuals, incl. employees that already caused or may cause damage. 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. Protection of the Company's interests, incl. in close cooperation with law enforcements. Introduction of proposals into the investment program and other programs regarding installation of security equipment at Company's facilities. Conduct of inspections on grid facilities to check whether they comply with security requirements. Working through with the Company's personnel, during Occupational Safety Days, cases of third parties and the Company's employees being held criminally liable for unlawful acts causing economic damage to the Company.

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 obtainment, 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, incl. exploitation of centralized information security systems embracing the infrastructure of our branches and AO EESK. 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.



Sustainable Development Risks

The Board of Directors adopted the PAO Rosseti's Sustainable Development Policy as a Company's bylaw¹³. 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"> · Workplace accidents. · Failure to comply with the requirements of documented procedures of the occupational safety management system. · Failure to implement measures from the Reduction of Injury Risk Program.
Quality education	Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all	<p>Taking into account the specific knowledge and skills required for work at electric grid facilities, the Company contributes to the development of employees' professional competencies, inter alia by:</p> <ul style="list-style-type: none"> · training, retraining, and advanced qualification of personnel; · development of the corporate personnel training system; · improvement of the training quality for new specialists for the electric grid complex; · cooperation with higher and secondary specialized educational institutions. 	<ul style="list-style-type: none"> · Risk of incorrect identification of target specialist profiles, inconsistency with the current official state directories. · Risk of incorrect determination of the volume of targeted training: shortage or excess of labor resources, absence of demand for young specialists in a given period. · Risk of absence or insufficiency of proposals for mandatory training. · Risk of proposals for training failing to correspond to the employee's current job duties.
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"> · Failure to achieve reliability of electricity supply indicators. · Failure to achieve the readiness for heating season indicator. · Exceedance of the established target value of electricity loss level. · Violation of the deadlines for technological connection. · Disruption or termination of the operation of critical information infrastructure facilities as a result of computer attacks. · Large-scale incidents at grid facilities. · Theft or damage of main technological equipment.
Decent work and economic growth	Promoting sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.	<p>The Company guarantees opportunities for employees' comprehensive development and ensures decent working conditions by:</p> <ul style="list-style-type: none"> · providing jobs in the regions of operation; · giving priority to employees from the internal personnel reserve when filling management positions; · ensuring fair remuneration and working conditions and compliance with employees' rights; · supporting employees' professional development; · entering into collective agreements; · providing employees with compensation, social benefits and guarantees; · improving labor productivity; · reducing industrial injury rates. 	<ul style="list-style-type: none"> · Failure to achieve the labor productivity improvement indicator. · Risk of under staffing with qualified personnel (labor pool). · Risk of reduced employee motivation for result oriented work. · Risk of suboptimal use of the Company's human resources. · Failure to implement measures from the Reduction of Injury Risk Program.

Sustainable Development Goals	SDG Description	Possibilities	Risks
Industry, innovation and infrastructure	Build-up of a resilient infrastructure, fostering of comprehensive and sustainable industrialization and innovation	The Company fosters the development of innovations and resilient green infrastructure by: <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"> · Failure to achieve the indicators of the digital transformation strategy. · Unauthorized access to confidential information. · Disruption or termination of the operation of critical information infrastructure facilities as a result of computer attacks. · Failure to meet the indicator of innovation activity effectiveness.
Sustainable cities and communities	Making cities safe, resilient and sustainable	The Company makes cities and communities safe, resilient and sustainable, inter alia, by: <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 achieve reliability of electricity supply indicators. · Violation of the deadlines for technological connection. · Deterioration of macroeconomic conditions affecting the Company’s operations.
Responsible consumption and production	Provision of transition to sustainable consumption and production patterns	The Company adheres to the rational consumption and production policy, inter alia, by: <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"> · Exceedance of the established target value of electricity loss level. · Violation of industrial and fire safety legislation. · Violation of environmental protection legislation.
Protection of terrestrial ecosystems	Protecting and restoring terrestrial ecosystems, promoting their sustainable use, practicing sustainable forest management, combating desertification, halting and reversing land degradation, and halting biodiversity loss.	The Company carries out its production activities in compliance with environmental protection requirements, including the implementation of the following measures: <ul style="list-style-type: none"> · conservation of biodiversity, including ensuring ornithological safety of electric grid facilities and implementing measures to preserve aquatic biological resources and their habitats; · land reclamation and compensatory reforestation; · phased decommissioning of PCB containing equipment, followed by its transfer for disposal. 	<p>Risks associated with the impact of climate change on the Company’s operations.</p> <ul style="list-style-type: none"> · Violation of industrial and fire safety legislation. · Violation of environmental protection legislation.

The Board of Directors adopted PAO Rosseti's Climate Change Policy as a Company's bylaw¹³. 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:

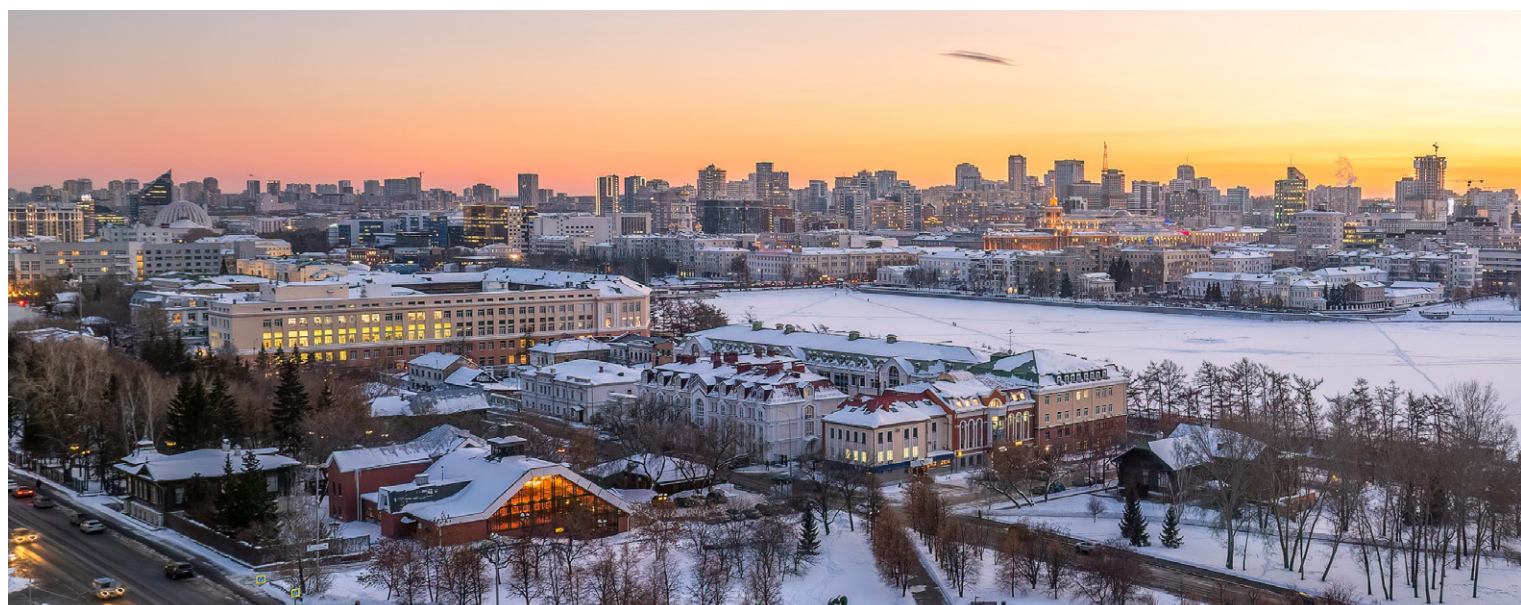
- physical risks: risks related to natural phenomena occurring due to climate change and able to influence the status and functioning of the energy system elements (generation, distribution and consumption of electricity);
- transition risks: risks related to transition to low-carbon economy, able to 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.)	· Exposure of network infrastructure due to non-compliance of conditions with design conditions	· 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	· Exposure of network infrastructure due to non-compliance of conditions with design conditions	· 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	· Exposure of network infrastructure to floods; · High water cut, relief deformation	· 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	· Exposure of network infrastructure due to non-compliance of conditions with design conditions; · Exposure of employees to weather factors	· 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	· High exposure of network infrastructure structures and communications	· 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 their economic development 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.