

Information on the internal control and risk management function

The Company’s organisational structure was approved by decision of the Board of Directors (Minutes No. 241/2016 dated 31 May 2016). As a result, the Internal Control and Risk Management Department was established that is an independent unit responsible for the implementation, development and improvement of the Company’s unified framework to building internal control and risk management systems, as well as for methodological and organisational support for the implementation of preventive and current control in the Company.

In accordance with the Risk Management and Internal Control Policy, the Internal Control and Risk Management Department performs the following functions:

- Co-ordinates risk management and internal control processes
- Organises and conducts staff training in risk management and internal control
- Analyses the risk portfolio and develops proposals on response strategy and reallocation of resources in relation to risk management
- Generates risk reporting

- Exercises operational control over the process of risk management by business units
- Conducts control activities pertaining to the organisation and functioning of the RM&ICS
- Prepares and submits to the executive bodies information on the organisation, functioning and efficiency of the RM&ICS, as well as on other issues stipulated by the Risk Management and Internal Control Policy

Assessment of reliability and efficiency of the RM&ICS for 2023

The Internal Audit Department conducts an annual internal independent assessment of how effective the RM&ICS is.

The results of the RM&ICS efficiency assessment and recommendations designed to improve thereof are included in the internal auditor’s report submitted annually for consideration by the Company’s governance bodies.

The internal audit report on the assessment of the performance of the RM&ICS for 2023 was reviewed at the meeting of the Board of Directors (Minutes No. 552/2024 dated 24 April 2024). At year-end 2023, the maturity level of the RM&ICS is assessed as “optimal” (the average score for all criteria was 5.0 points).

The effectiveness of the RM&ICS for the reporting year was assessed in accordance with the updated Methodology for assessing the reliability and effectiveness of the risk management and internal control system; therefore, the RM&ICS maturity level compared to the previous year is not assessed.

5.0

points

maturity level of the Company’s RM&ICS (“optimal”)

Key measures to improve the IRM&ICS taken in 2023

With a view to developing and improving the RM&ICS, the Company’s ordered to approve the RM&ICS Development Programme of Rosseti Kuban, PJSC.

In the reporting year, the Company implemented the following key activities aimed at the improvement of the RM&ICS:

- The Risk Management and Internal Control Policy of the Company was approved (Minutes of the meeting of the Board of Directors of the Company No. 521/2023 dated 16 June 2023)
- The preferred risk (risk appetite) of the Company was updated (Minutes of the meeting of the Board of Directors of the Company No. 535/2023 dated 5 October 2023)
- Methodological framework of RM&ICS was developed/updated, including:
 - Glossary related to risk management and internal control
 - Risk appetite determination procedure
 - Procedure for organising risk management and internal control
- Procedure for organising risk management and internal control regarding the prevention of corruption and misconduct
- Typical list of risks and risk owners
- Risk assessment and monitoring methodology
- Guidelines for preparing a report on the organisation, operation and effectiveness of the risk management and internal control system

- Process regulations, including risk matrices and control procedures
- Current control of high-risk business processes was exercised through approval of documents for procurement procedures and participation of the

Risk Management and Internal Control Department in the Company’s collegial bodies

- Local regulations were approved that govern control procedures, including those intended for availability, efficiency and sufficiency of controls

- Control activities were undertaken to assess the adequacy, efficiency and effectiveness of the RM&ICS, involving comprehensive audits of the financial and economic activities of the Company’s branches and audits of subsidiaries
- Financial stability was subject to monthly monitoring, counterparty liquidation and bankruptcy proceedings were supervised

Changes in the RM&ICS indicators for 2021–2023

Indicators	2021	2022	2023	Change 2023/2022, % ¹
Number of control activities aimed at identifying and minimising risks	4	2	4	2x growth
Number of procurement materials (issues) reviewed	–	1,216	1,149	–5.5
Number of eliminated violations based on the results of inspections conducted by external control bodies	45	121	164	+35.5
Total amount of cancelled fines after appealing against the decision to impose administrative penalties, RUB mln	0	0	2,4	–
Total amount of funds received by the Company from counterparties in bankruptcy and liquidation proceedings, RUB mln	0	12.9	25.2	+95.3
Total amount of cash saved by the Company due to acquisition of its own debt to debtors under bankruptcy proceedings at auctions, RUB mln	0	0	0	0

Main activities for improvement of the RM&ICS for 2024

Main tasks for 2024 as to the improvement of the Company’s RM&ICS:

- To participate in internal audits, inspections, audits of financial and economic activities of subsidiaries, and internal reviews
- To conduct control activities in line with the risk-oriented approach: when reviewing materials submitted for approval

by collegial bodies; when analysing information on audits carried out by external control (supervision) bodies

- To apply the updated methodology in terms of risk management, including risk monitoring using key risk indicators
- To take part in risk management in liquidation and bankruptcy proceedings

- To promote risk awareness, to conduct training events on the organisation and operation of the RM&ICS

¹ If there is a significant deviation between the 2023 and 2022 indicators, the relevant section of the Report should include a justification of the reasons for such deviation.