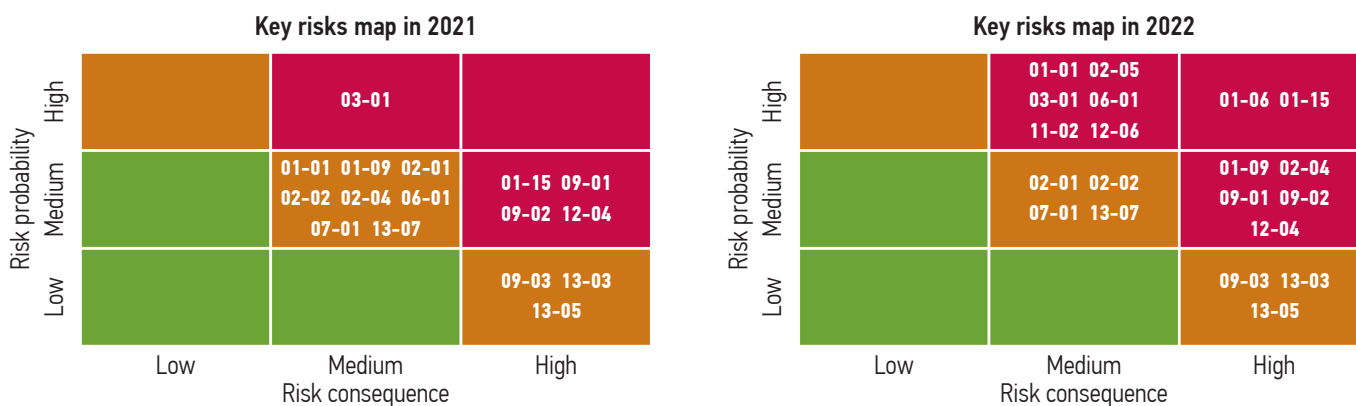


KEY RISKS

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 Board⁸ has adopted the list of risks for 2022 consisting of 35 functional risks. These are holistic risks of business processes and risks with material effect on Company's operations, incl. on KPIs of the sole executive body of the Company, and on the achievement of the goals related to the grid management and enforcement of strategic goals of the Rosseti Group through the KPIs.

To measure the impact of the risks on Company's operations, risk materiality is defined. Risks are classified into three materiality levels: moderate, important, crucial. Measures to minimize risks with "important" or "crucial" materiality are included into the 2022 risk management action plan.

Changes in evaluations of risk importance in 2022 in comparison to 2021



The list of the most significant risks impacting Company's operations as well as measures to minimize adverse impacts is presented below.

Management of the Company's important and crucial functional risks

Risk	Influence on performance	Risk materiality		Measures to manage the risks
		2021	2022	
FR01-01 Reduction of electricity transmission volumes for consumers connected to regional distribution networks	Achievement of consolidated operating profit (EBITDA)	Important	Crucial	<ul style="list-style-type: none"> Monitoring and forecasting of electricity consumption on a disaggregated basis by voltage levels, which determine differentiation of the transmission prices (tariffs), by consumer categories, as well as monitoring of physical parameters of electricity balance and capacity, activities related to the enhancement of accuracy and integrity of electricity and capacity demand planning. Interaction with consumers to approve planned transmission volumes, incl. requested capacity, to be included into electricity transmission contracts and filed with the tariff regulators.
FR01-06 Inflation increase	Achievement of consolidated operating profit (EBITDA)	Moderate	Crucial	<ul style="list-style-type: none"> Implementation of the Company's 2022-2026 Enhanced Operating Efficiency and Cost-cutting Program Analysis of planned scope of works and services, update of scopes to retain target costs.
FR01-09 Fines applied to GRR for failures to execute the investment program	Achievement of consolidated operating profit (EBITDA)	Important	Crucial	<ul style="list-style-type: none"> Weekly control over the execution of the key investment program parameters by branches and Company at large; Control over target financing of the investment program projects with funds from the transmission tariff.
FR01-15 Change of bad debt reserves (in compliance with the rules for maintaining accounting records)	Achievement of consolidated operating profit (EBITDA)	Crucial	Crucial	<ul style="list-style-type: none"> Implementation of measures to reduce overdue transmission receivables and settle disputes, stipulated by the Regulations on Handling of Transmission Receivables Carried on the Balance Sheet.

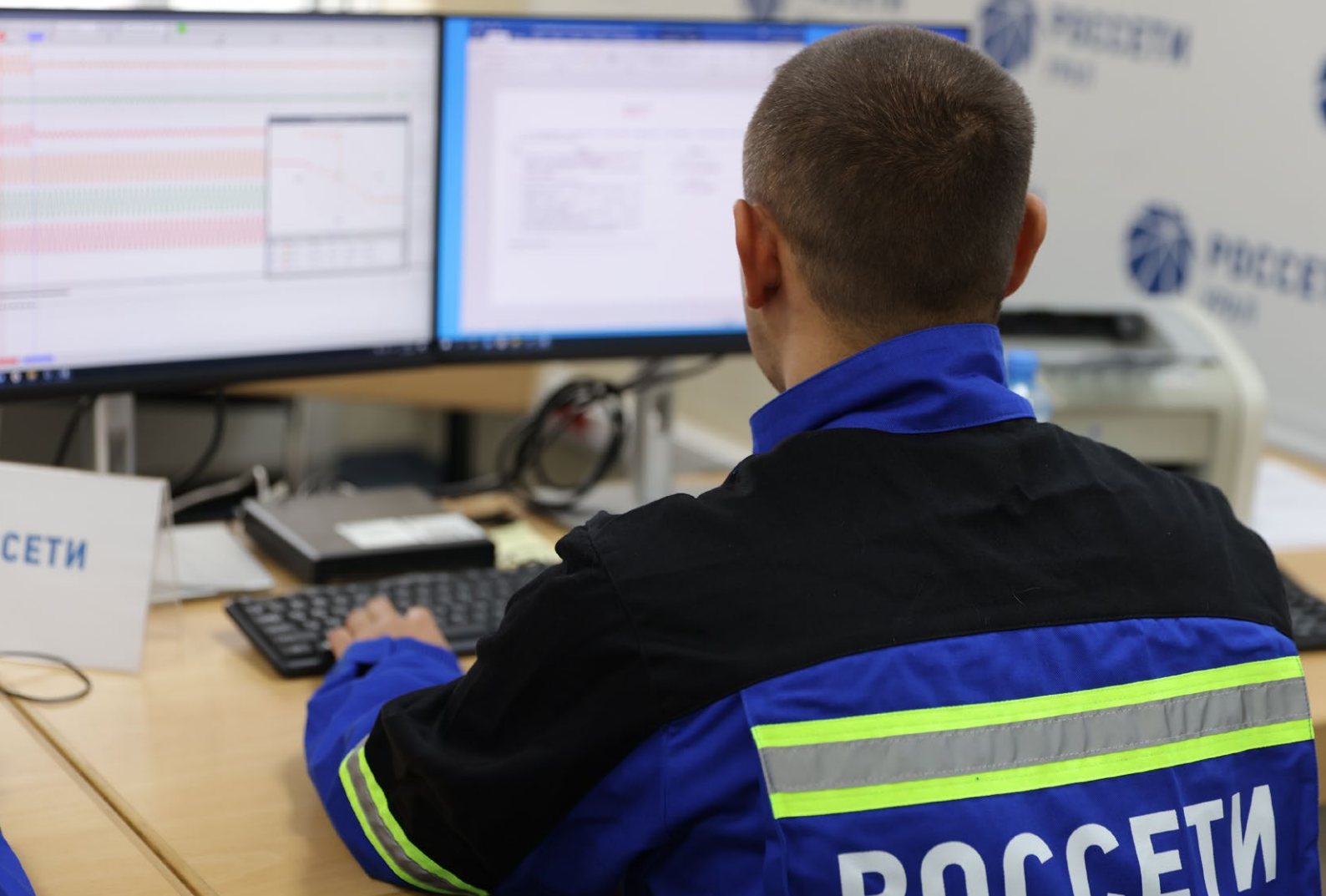
FR02-01 Increase of funding of the investment program and/or standalone projects (in comparison to the set limits)	Achievement of consolidated Net Debt / EBITDA	Important	Important	<ul style="list-style-type: none"> · Control over inclusion of requests into the procurement plan in compliance with the investment program at the request approval stage. Approval of revision of the current period's procurement plan for the next period's needs. Approval of the procurement plan for the next period's needs.
FR02-02 Implementation of standalone investment projects that are beyond the investment program	Achievement of consolidated Net Debt / EBITDA	Important	Important	<ul style="list-style-type: none"> · Control over inclusion of requests into the procurement plan in compliance with the investment program at the request approval stage. Approval of revision of the current period's procurement plan for the next period's needs. Approval of the procurement plan for the next period's needs.
FR02-04 Deviation of DEBT/EBITDA ratio	Achievement of consolidated Net Debt / EBITDA	Important	Crucial	<ul style="list-style-type: none"> · Formation of forecast cash flows for a short-term period (quarter), calculation of net cash flow. · Control over implementation of investment projects in terms of value. · Cost management, dependent on expected revenues (factoring in mandatory requirements to reliability and security). · Control over the execution of debt restructuring agreements. · Obtainment of economically viable tariffs.
FR02-05 Increased losses from general-fee connection contracts (for filers requesting 150+ kW)	Achievement of consolidated Net Debt / EBITDA		Crucial	<ul style="list-style-type: none"> · Re-identified risk (added to the risk register). · Filing of documents to compensate shortfall in incomes related to increased construction scopes vs approved technical specifications. · Control over inclusion of a request for procurement procedures on connected facilities in the ACSPA in terms of compliance of value from requests with key parameters of the investment program. · Verification of ceiling (initial) price calculation justification.
FR03-01 Contractors' failures to pay for electricity transmission services within the contractual terms and/or Contractors' underpayments	Achievement of target level of electricity transmission receivables	Crucial	Crucial	<ul style="list-style-type: none"> · Claim administration to reduce receivables, control over timeliness of procedures. · Cooperation with the Federal Bailiff Service in aid of execution, signing of cooperation contracts with the Federal Bailiff Service, control over debt repayment through enforcement proceedings on judicial decisions related to collection of overdue debt.
FR06-01 Failure to follow contractual connection schedules	Compliance with connection terms	Important	Crucial	<ul style="list-style-type: none"> · Registration of "ready-for-connection" notices from applicants in the ACS on connection; · Filing of "approaching connection deadline" notices with applicants; · Control over target and actual execution of connection contracts according to the execution rate calculation format.
FR07-01 Contractors' failure to follow the schedules of designing, supply, construction, commissioning	Compliance with the facility launch schedule, %	Important	Important	<ul style="list-style-type: none"> · Control over achievement of milestones envisaged by high-priority schedules. · Control over achievement of milestones envisaged by pre-construction schedules.

FR09-01 Casualties through the fault of the personnel	Zero increase of casualties among the employees	Crucial	Crucial	<ul style="list-style-type: none"> · Execution of the activities from the Company's 2021-2023 Reduction of Personnel Injuries Risks Program. · Enforcement of execution of the Personnel Administration Rules in terms of personnel safety training, knowledge checks, OHS briefings and subsequent knowledge tests, etc. · Provision of safe working environment by acquiring certified, high-quality and compliant with requirements protective gear, rinsing and deactivating PPE, serviceable tools and equipment, control over correctness of their usage, accounting, storage, testing, etc. · Control over the execution of organizational and regulatory documents, programs, containing labor safety requirements.
FR09-02 Casualties through the fault of outsiders	Zero increase of casualties among the employees	Crucial	Crucial	<ul style="list-style-type: none"> · Execution of the target program related to the equipment of special-purpose vehicles and transport, used for operations and personnel transportation, with advanced safety technologies by upgrading or re-equipment. · Training of Company's drivers (professionalizing programs, defensive driving). · Control over the execution of activities related to inspection of compliance of equipment with standard process documentation (examination of proper functionality of fences and doors of substations, examination of presence of warning signs and locks, detection of possible intrusion places in constructions and fences of grid facilities).
FR09-03 Casualties and occupational deceases resulting from production factors	Zero increase of casualties among the employees	Important	Important	<ul style="list-style-type: none"> · Arrangement of special evaluation of working environment and laboratory and production control. · Provision of safe working environment by acquiring certified, high-quality and compliant with requirements protective gear, rinsing and deactivating PPE, serviceable tools and equipment, control over correctness of their usage, accounting, storage, testing, etc.
FR11-02 Rise in prices of materials, equipment, construction due to external factors (climate, geographical factors, inflation, crisis, etc.), left out at the approval of the Company's investment program	Reduction of per-unit investment costs	Moderate	Crucial	<ul style="list-style-type: none"> · Control over prices in line with the Procedures for forming initial (ceiling) price for design and survey, construction and assembly works (incl. "turnkey" contracts), incl. equipment and materials delivery, on procurements from into the Procurement Plan and unscheduled procurements.
FR12-04 Involvement of the Company / Company's employees in corruption	Compliance with laws, incl. laws preventing and combating corruption and antimonopoly laws	Crucial	Crucial	<ul style="list-style-type: none"> · Implementation of measures from the corruption-combating plans for a correspondent year. · Conduct of annual declaration campaigns.
FR12-06 Imposition of fines by the Federal Antimonopoly Service	Compliance with laws, incl. laws preventing and combating corruption and antimonopoly laws		Crucial	<ul style="list-style-type: none"> · Re-identified risk (added to the risk register). · Regulation of business processes and interaction procedures for Company's structural units related to operations, subject to antimonopoly regulation, control over compliance with antimonopoly legislation.

FR13-03 Malfunction and (or) breakdown of information and telecom infrastructure of grid facilities	Provision of integrated safety and security of Company's operations	Important	Important	<ul style="list-style-type: none"> · Implementation of activities from the Company's Build-Up of Integrated Information Security System Program. Engineering of security systems for important facilities of crucial information infrastructure of OAO IDGC of Urals.
FR13-05 Undue influence on grid facilities and their information and telecom infrastructure (acts of terrorism, sabotage, crimes, etc.), incl. IT attacks	Provision of integrated safety and security of Company's operations	Important	Important	<ul style="list-style-type: none"> · Introduction of proposals on equipping Company's facilities with security equipment into the investment and other programs. · Arrangement of guarding and physical protection of grid facilities. · Inspection of grid facilities in terms of their compliance with security requirements.
FR13-07 Wilful misconduct of corporates, individuals and employees bringing economic losses and harming business reputation	Provision of integrated safety and security of Company's operations	Important	Important	<ul style="list-style-type: none"> · Cooperation with the Federal Bailiff Service in aid of execution, signing of cooperation contracts with the Federal Bailiff Service, control over debt repayment through enforcement proceedings on judicial decisions related to collection of overdue debt. · Inspections (investigations) related to identification of signs of unlawful actions by corporates, individuals and employees. · Timely protection of the Company's interests involving law enforcements (if necessary).

Key functional risks occurred in 2022

Risk title	Occurrence of risks and risk consequences	Measures to minimize the consequences of the risk occurrence
FR09 Workplace accidents	3 workplace accidents (4 employees injured: 3 fatal accidents and 1 severe injuries accident).	<ul style="list-style-type: none"> · Implementation and usage of technologies ensuring safe works performance and labor conditions. · Video-recording of preparation and execution of works. · Implementation of the Integral Reduction of Injury Risk Among Employees Program. · Training of employees, incl. practical training on methods of safe works performance on power equipment and prevention of dangers at training grounds. · Conduct of off-schedule trainings for employees. · Control over execution of measures, stipulated by accident investigation acts.



Cybersecurity 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 following steps were made in 2022:

1. Cybersecurity units were restructured, with Cybersecurity Directorate incorporated as a part of the HQ's Security and Anti-Corruption Policy Department;
2. Exploitation of centralized IT incident monitoring system by all branches and AO EESK.
3. Ongoing 24/7 monitoring of IT incidents and connection to the Rosseti Group's incident monitoring center (PAO Rosseti Tsyfra).
4. Arrangement of interaction with the National Coordination Center on Computer Incidents for collaboration in detection, prevention and liquidation of consequences of computer attacks.
5. Construction documents on technical solutions related to security of important facilities of crucial IT infrastructure were prepared.
6. Replacement of imported means of information protection, used at most crucial sections, for domestic ones.

Sustainable Development Risks

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
Development of employees and Company, creation of decent and safe labor conditions			
Good health and well-being	Provision of healthy life-style and facilitation of general well-being at all ages	Stable, qualified and high-performance workforce. High staffing level due to: · staff turnover; · implementation of measures focused on development of personnel potential; · improvement of labor conditions and safety; · reduction of professional risks.	· Risk of workplace accidents. · Risks of personnel incapacity caused by epidemiological diseases.
Creation of top-quality and accessible services for consumers			
Affordable and clean energy	Provision of general access to affordable, reliable, sustainable and modern energy	The Company, ensuring reliable, top-quality and affordable electricity supply, simplifying interaction with consumers by development of e-services, enhances energy efficiency and quality of service, increases its market share on the service area.	· Risk of reduced reliability of power supply · Failure to achieve QoS targets. · Disruption of operations of crucial IT infrastructure facilities.
Improvement of operations and creation of value			
Industry, innovation and infrastructure	Build-up of resilient infrastructure, promotion of sustainable industrialization and fostering of innovation	· Build-up of reliable digital infrastructure without adverse impact on the regional environment. · Possibilities for streamlining proposals from employees. · Possibilities obtained through implementing streamlining, technical, organizational and managerial proposals from employees, focused on the improvement of key production metrics and creation of conditions for implementation of the state-of-the-art technologies.	· 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.
Responsible consumption and production	Provision of transition to sustainable consumption and production patterns	The grid complex is not a carbon-intensive industry. During its operations the Company have no significant emissions of greenhouse gas, but, despite this, it strives to minimize its impact on the environment and contribute to carbon neutrality, primarily by: · reducing losses in the course of electricity transmission and distribution; · reduction of resources for own needs; · recultivation of land and reforestation; · enhancing reliability of supply; · promoting energy saving and energy-saving life-style; · implementing measures to save energy and enhance energy efficiency.	· Lack of meters, their physical and moral wearing-out. · Detection of non-contracted consumption. · Risk of reduced reliability of power supply.
Sustainable cities and communities	Making cities safe, resilient and sustainable	A possible mass implementation of meters in the service area will reduce electricity losses and enhance energy efficiency of grid infrastructure.	· 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.

Climate action	Urgent action on climate change and its consequences	<ul style="list-style-type: none"> · Possibilities related to geographical specificities of the country or service areas. · Possibilities resulted from severely continental climate of the service areas with distinct long cold winters and short daylight hours in autumn-winter periods. · Regions, where the Company operates, due to their climate specificities, are characterized by high volume of resource consumption for heating and lighting during autumn-winter periods. 	<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	Enhanced efficiency of works and achievement of goals in large-scale and sophisticated projects by cooperating with state and municipal authorities, contractors and public institutions.	<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.



Description and evaluation of materiality of physical and transitional climate risks as well as disclosure of their materiality for the Company.

Key geographical and climate specificities of the Urals, in the service areas, is remoteness from seas and oceans, continental climate. The region is characterized by sudden temperature changes, even around the clock, due to changes of warm and cold air streams, therefore, the weather is unpredictable and may change in a day, not even in a week. These specificities convey the danger of accidents with equipment due to adverse acts of nature (hurricane wind, heavy snowfall, glaze ice, accumulation of wet snow on wires, low temperatures, etc.). To minimize the risks the Company designs grid facilities with due consideration to climate and geographical specificities and implements the insurance coverage program to protect the facilities from the acts of nature. The Company also manages inventories of raw materials and fuel, required for core operations in case of a deficit or risk of problems with transport connectivity.

Information on risks of losses from interaction with suppliers and contractors and on management and smoothening of the risks.

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.