

## Risks associated with the actions of unfriendly countries

Risk description	Risk mitigation measures
<b>Country and regional risks</b>	
<b>Risks related to the political and economic situation</b>	
<p>The Russian power industry is under pressure from a number of factors arising due to sanctions imposed by unfriendly countries on certain sectors of the Russian Federation. Such factors include:</p> <ul style="list-style-type: none"> <li>Inflation rate (increase in the cost of borrowings, equipment and technologies for construction of facilities)</li> <li>Possible deterioration in the repayment discipline of consumers</li> <li>Restriction of access to certain information technologies</li> <li>Risk of cessation of supplies of foreign-made electrical equipment</li> </ul> <p>These circumstances may lead to a reduction in the Company's revenues from electricity transmission services and grid connection of generating sources, as well as to an increase in capital expenditures while reducing the Company's investment opportunities.</p>	<p>According to the Company's assessment, the impact of these factors on its operations will be limited due to the specific nature of the Company's business and its resilience to the external environment.</p> <p>The Company keeps up its efforts to guarantee consumers in Russia have access to a dependable, high-quality and affordable power supply as well as grid connection. At the same time, actions are taken to optimise operating and investment expenses, and pursue a balanced liquidity management policy.</p> <p>The Company pursues a corporate plan for import substitution and intensified measures to ensure information security and protection of power grid infrastructure facilities.</p>
<b>Risks related to possible military conflicts</b>	
<p>The Company manages the unified national power grid, ensures reliable power supply to consumers and has a distributed network of structural subdivisions with production assets located throughout most of Russia.</p> <p>There is still a high risk of sabotage and terrorist acts in certain regions of the country.</p> <p>The territories of the Republic of Crimea, the Krasnodar Territory, as well as the Belgorod, Bryansk, Voronezh, Kursk and Rostov Regions are under medium level of response, which implies increased security and a special operating regime for power grid facilities.</p>	<p>The Company pursues its anti-terrorist policy in accordance with the requirements of the relevant regulatory legal acts<sup>1</sup>.</p> <p>Steps were made to strengthen the facility's defences against terrorism and sabotage, while also improving overall security, given the operational environment. New models of threats to power grid facilities are taken into account with measures developed to minimise negative consequences from their materialisation, which allows the Company's facilities to remain adequately protected from acts of unlawful interference.</p>
<b>Strategic risks</b>	
<p>The fuel and energy complex, as well as the global economy, are evolving quickly, in part due to geopolitical pressure.</p> <p>Forecasts for the development of the national economy and its individual sectors are undergoing revision. The Minenergo of Russia is working on updating the Energy Strategy of Russia until 2050.</p>	<p>Due to the current aggravation of the political and economic situation associated with the growing sanctions pressure on the Russian Federation, the Company is taking measures to assess the impact of the current conditions on its operations and to limit their negative impact.</p> <p>If necessary, the Company's strategic plans may be adjusted accordingly.</p>
<b>Industry risks and risks related to the Company's operations</b>	
<b>Risks related to possible changes in prices for the main types of raw materials and services used by the Company, their impact on the Company's operations and fulfilment of obligations on securities</b>	
<p>Changes in the geopolitical situation led to disruption of logistics chains and the need to replace imported software and power grid equipment. Increase in prices for equipment, raw materials and supplies led to an increase in operating and investment expenses.</p>	<p>To minimise risks, the Company:</p> <ul style="list-style-type: none"> <li>Creates a competitive environment in procurement, optimises costs</li> <li>Implements the Corporate Import Substitution Plan</li> <li>Revises priorities and timing of the Investment Programme</li> <li>Optimises the debt portfolio</li> <li>Hedges risks</li> </ul>

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<b>Risks related to payments for electricity transmission charges</b>	
<p>Economic and financial sanctions imposed by foreign countries may affect the level of payments for electricity transmission services provided by service consumers with unstable financial position or high share of products sold in foreign sales markets.</p> <p>Despite this, the level of cash collection for electricity transmission services at the end of 2023 across the Rosseti Group was 100.9% (a 2.1 p.p. increase compared to 2022).</p>	<p>To minimise the risk of non-payment, the Rosseti Group put the regulations on work with receivables<sup>1</sup> in place, and makes sure that the S&amp;As implement the measures stipulated by the regulations: on a quarterly basis, the Boards of Directors of S&amp;As approve action plans to reduce overdue debt and review progress reports.</p> <p>The Company's representatives are actively involved in the collegial working bodies of NPP Market Council Association, which considers, among other things, issues related to the calculation of and changes in arrears for electricity transmission services.</p>
<b>Grid connection risks</b>	
<p>The restrictive measures (sanctions) imposed against the Russian Federation increase the probability of untimely fulfilment of contractual obligations under grid connection agreements, first of all, on the part of service consumers with unstable financial position.</p>	<p>The Company strives to increase the efficiency of grid connection and transformer capacity utilisation. These efforts include measures aimed at initiating changes in the legislation of the Russian Federation, as well as organisational measures. Organisational measures contribute to increasing the efficiency of the Company's rendering the grid connection services, even with the less number of tariff sources of financing.</p>
<b>Financial risks</b>	
<b>Currency risks</b>	
<p>Currency risks are mainly presented by expenses under the electricity transit contract denominated in Kazakhstani tenge (KZT) (though the share in the structure of total annual operating expenses of the Company is minimal).</p> <p>Changes in exchange rates indirectly affect the cost of imported high-tech equipment.</p> <p>At the same time, the Group's debt portfolio is fully denominated in roubles, which excludes a significant impact of currency risks on the Group's financial position.</p>	<p>To manage currency risk, the Company's Board of Directors sets a limit on transactions that may give rise to foreign currency denominated liabilities (the current limit is 2.5% of annual revenue).</p> <p>At the end of the reporting period, there were no trends or events that could have a material adverse effect on the operations of the Group's companies as a result of changes in the exchange rate.</p>
<b>Legal risks</b>	
<b>Risks of changes in currency regulation</b>	
<p>The introduction of restrictive measures against the Russian Federation may cause blocking of foreign currency funds held in the Company's accounts, as well as restrict foreign currency transfers from unfriendly countries to non-resident counterparties.</p>	<p>The volume of the Company's liabilities denominated in foreign currency is insignificant, and payments are made mainly in the currency of the Russian Federation, so the impact of the risks related to changes in currency regulation on the Company is not material.</p>
<b>Risks related to changes in customs control regulations and customs duties</b>	
<b>Domestic market</b>	
<p>The Investment Programme of the Company involves acquisition of foreign-made equipment. Since the equipment is purchased by contractors, most of these risks, should they occur, affect the cost of construction of the Company's facilities.</p>	<p>Given that the majority of the products in the equipment nomenclature have comparable domestic alternatives available, the risk of changes to customs laws can be deemed negligible.</p>
<b>External market</b>	
<p>Due to the current sanctions imposed on the Russian Federation by a number of countries, there is still a possibility that foreign manufacturers may stop supplying electrical products or their components, which may lead to a risk of failure to deliver to the Company's facilities electrical equipment and/or components required for the implementation of the investment programme and maintenance and repair programme (M&amp;R).</p>	<p>In accordance with the Corporate Import Substitution Plan, the Company is working to reduce the use of imported products in its core business and boost the localisation of production of electrical products, as well as to reduce dependence on the most critical types of imported components.</p>

<sup>1</sup> Federal Law No. 256-FZ dated 21 July 2011 "On the Safety of Fuel and Energy Complex Facilities", Russian Government Resolution No. 993 dated 19 September 2015 "On Approval of Requirements for Ensuring the Safety of Linear Facilities of the Fuel and Energy Complex".

<sup>1</sup> The regulations on work with receivables for electricity transmission services at the Rosseti Group and the regulations on work with receivables for electricity supplied at the Rosseti Group.