

SETTLEMENT OF COMPETING INTERESTS

As the Regulations on the Board of Directors* state, once a director encountered a potential conflict of interest, incl. interest in a Company's transaction, such director shall be obliged to inform the Board of Directors on that immediately and always put interests of the Company before personal interests. The announcement shall always be made prior to the discussion of the item with a director's conflict of interest.

Besides, within two months after they have or should have come to know of circumstances by virtue of which they may be acknowledged as interested in Company's transactions, Board members shall notify the Company of:

- legal entities in which they, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled firms, are controlling entities or entitled to instruct;
- legal entities in which governing bodies are occupied by them, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled entities;
- implemented or future transactions, known to them, in which they may be acknowledged as interested entities.

Should this information change, the Board members shall notify the Company of the changes within 14 days since they have or should have come to know of the changes.

The Company also strives to prevent and minimize any consequences of possible conflicts of interest among its executives. The Company has a comprehensive system of dealing with conflicts of interest among executives that is aimed at preventing any potential conflicts of interest and minimizing their negative consequences to the interests of PAO Rosseti Ural.



* Visit the official web-site of the Company to read the Regulations (Section Incorporating Documents and Bylaws (Main/About us/ Incorporating Documents and Bylaws)).

The Regulations on the Executive Board* state that the Executive Board members shall:

- Within 2 (Two) months after they have or should have come to know of circumstances by virtue of which they may be identified as interested in Company's transactions, the members shall notify the Company of:
 - a) legal entities in which they, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled firms, are controlling entities or entitled to instruct;
 - b) legal entities in which governing bodies are occupied by them, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled firms;
 - c) implemented or future transactions, known to them, in which they may be identified as interested entities.
- Should this information, already filed with the Company, change, the members shall notify the Company of the changes within 14 (Fourteen) days after they have or should have come to know of the changes.

In addition, simultaneous service of EB members on the management bodies or other paid positions in other companies shall be possible only if approved by the Board of Directors.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The Company has the risk management and internal control system aimed at provisioning a reasonable assurance in achieving goals and strategy of the Rosseti Group's development, incl. reliable, high-quality and easy-access electricity supply as well as operational goals of financial and economic operations. The RM&ICS develops and functions using unified principles that are accepted and complied with by management bodies and employees of the Company at all management levels: consistency and complexity; goal orientation; integration into management; methodological unity; reasonable assurance; agility; responsiveness; records creation; dynamism; quality of information; prioritization; responsibility; division of powers and liabilities; cross-functional interaction; constant improvement.

The primary documents regulating the RM&ICS are the Risk Management and Internal Control Policy⁶⁴, Arrangement of Risk Management and Internal Control Procedures⁶⁵ and Determination of Risk Appetite Procedures⁶⁶.

To guarantee the RM&ICS efficiency and compliance with changing requirements and conditions, the Company's internal auditor evaluates the RMS efficiency whether it complies with the target status and maturity level. The Board of Directors has adopted the action plan to develop the RM&IC system⁶⁷.



During the reported period, the Company implemented the following key measures to improve the RM&ICS:

- The Board of Directors has adopted the Risk Management and Internal Control Policy and updated the risk appetite
- RM&ICS Methodology base has been developed / updated
- RM&IC Glossary and Typical list of risks have been approved
- The action plan on the risk culture has been approved
- Process related to revision of matrices of risks and control procedures of business processes / lines of business has been arranged
- Integration of the existing anti-corruption compliance system into the overall RM&IC system is in progress: participation in anti-corruption control of procurements; expertise of bylaws in terms of their compliance with internal control requirements
- Trainings for C-level executives and employees on the roll-out and functioning of the RM&ICS have been conducted

In 2024, we plan to implement the following measures to improve the RM&ICS:

- Improvement of the methodology on corruption risk management
- Improvement of the mechanism for the control of financial stability, support of contractors' liquidation and bankruptcy procedures
- Development of the risk awareness culture, conduct of trainings on RM&ICS roll-out and functioning

Indicator	2021	2022	2023	2023/2022, %
Number of conducted control activities focused on risk exposure and mitigation, pcs	455	302	410	35.8 %
Number of examined procurement-related materials (items), pcs	3,462	2,179	4,177	91.7 %
Number of eliminated violations following the inspections conducted by external watchdogs, pcs (%)	74.6	86.0	72.4%	-13.6 %
Total sum of annulled fines after appeals against decisions to impose administrative sanctions, RUB million	9.6	7.6	19.5	61.1 %
Total funds received by the Company from contractors under liquidation and bankruptcy procedures, RUB million	18,985	200	144,465	-27.77 %

The Internal Audit Department is a unit, liable for internal audit. The Internal Audit Department is responsible to the Company's Board of Directors (via the Audit Committee). This means that the Board of Directors oversees and administers the unit (namely, adoption of the unit's action plan, progress report, its budget as well as assignment, dismissal and remuneration of the unit head).

The goal of internal audit is to assist the Board of Directors and executive bodies of the Company in enhancing efficacy of governance and improving its financial and economic performance, by enforcing systematic and coherent approaches to analysis and evaluation of the systems of risk management, internal control and corporate governance as tools of reasonable assurance in Company's goal achievement. Goals and objectives, principles of IA rollout and functioning, functions and authorities of the internal audit are stipulated by the Internal Audit Policy⁶⁸. In 2023, 8 employees performed internal audit functions.

The Company has adopted the following principal documents regulating internal audit performance:

- Internal Audit Policy and Internal Auditor Ethics Code⁶⁹
- Regulations on the Internal Audit Department⁷⁰
- Guarantee and Enhanced Quality of Internal Audit Program⁷¹
- Internal audit standards and standards of practical application, developed in compliance with the International Professional Internal Audit Standards

Pursuant to the Regulations on the Board of Directors' Audit Committee⁵² arrangement, efficiency evaluation and enforcement of independency and neutrality of internal audit fall within the remit of the Board of Directors' Audit Committee. The Audit Committee's feedback is delivered to the head of the internal audit unit through the head's interaction with the Committee, incl. analysis of resolutions/recommendations of the Committee on matters falling under the competence of the internal audit unit and questionnaire survey of the Committee members. Satisfaction of the Audit Committee with the performance of the internal audit unit (average weighted total points from the questionnaires / quantity of votes of the Committee members) in 2023 corresponds with "full compliance" estimation value in line with the Guarantee and Enhanced Quality of Internal Audit Program.

Pursuant to the Guarantee and Enhanced Quality of Internal Audit Program, the quality of the Company's internal audit is evaluated by independent external expert at least once in 5 years. External independent evaluation of the IA's performance was carried out by AO KPMG in 2019. After the evaluation, AO KPMG presented a report, certifying general compliance of the Company's internal audit performance with the International Professional Internal Audit Standards, Ethics Code, Internal Audit Policy, and issued recommendations regarding improvements of internal audit practices. Using feedback from the Audit Committee's questionnaires regarding areas of improvement and recommendations from the external independent expert, the Company has prepared and enforces the action plan on the development and improvement of the Company's internal audit performance⁷². Pursuant to the action plan on the development and improvement of the Company's internal audit performance we prepared the action plan on professional development of internal auditors for 2021-2024⁷³.

BOARD OF INTERNAL AUDITORS

Financial and economic performance of the Company is overseen by the Board of Internal Auditors, as stated by the Charter⁷⁴. The competence of the Board, as envisaged by the Charter⁷⁵ includes:

- Validation of data presented in the Company's annual report, annual financial statements, profit and loss account
- Analysis of Company's financial position, detection of reserves to improve Company's financial position and preparation of recommendations to Company's management bodies
- Arrangement and conduct of the audit, namely
 - Audit of financial, accounting, payment and other documents with regard to Company's financial and economic operations to evaluate compliance with laws of Russia, Company's charter, bylaws and other documents
 - Oversight whether property, plant and equipment are protected and used in a proper manner
 - Oversight whether bad debt writing-offs comply with the established procedure
 - Oversight whether Company's monetary resources are spent in a manner compliant with the approved business plan and budget of the Company
 - Oversight how Company's reserve fund and other funds are generated and used
 - Oversight whether dividends, bond interest, yield on other securities are calculated and paid in a proper manner
 - Oversight whether orders, issued earlier to eliminate exposed violations and problems, are executed
 - Other audit-related activities

Pursuant the Regulations on the Board of Internal Auditors⁷⁶ the Board's functionality is:

- Oversight of financial and economic performance of the Company
- Independent evaluation of authenticity of data presented in the Company's annual report and annual financial statements
- Approval of authenticity of data presented in the Company's report on related-party transactions

As stated by the Charter, the Board of Internal Auditors consists of 5 members. There were 2 compositions of the Board of Internal Auditors during 2023.