

Key Risks. Risk Assessment Methodology

The RM&ICS of the Company involves regular identification, assessment and monitoring of risks, as well as measures to reduce the probability and potential consequences of risk realisation, with informing shareholders and other stakeholders thereof.

In 2023, the risks on the Company's activities are assessed according to three levels of materiality, which are a generalised assessment of the risk probability and consequences:

Moderate (M), which does not have a significant negative impact on financial and economic performance, but requires

continuous monitoring for timely identification of possible increase in the level of risk materiality

Significant (S), where the risk once realised may lead to significant deviations in key performance indicators, short-term suspension of operations, downgrade of independent ratings, negative publicity of operations

Critical (C), when risk once realised may lead to failure to achieve the goals set by the governance bodies, long-term business interruptions, negative publicity of the Company's activities and a decrease in the market quotation of the Company's shares

Preferred risk (risk appetite) of the Company and its targets

Pursuant to the Risk Management and Internal Control Policy, the preferred risk (risk appetite) was updated in 2023 by the decision of the Company's Board of Directors (Minutes No. 535/2023 dated 5 October 2023).

The following risk appetite targets were established:

 Rosseti Kuban, PJSC ensures reliable and high-quality electricity supply	 Rosseti Kuban, PJSC ensures implementation of the obligations under the Occupational Health and Safety Policy, development and improvement of the occupational health and safety management system and safety culture
 Rosseti Kuban, PJSC supports development increase in availability of power grid infrastructure	 Rosseti Kuban, PJSC endeavours to reduce electricity losses during transmission and distribution
 Rosseti Kuban, PJSC aims to maintain a stable financial position	 Rosseti Kuban, PJSC strives to reduce (minimise) its negative environmental impact
 Rosseti Kuban, PJSC safeguards the rights of shareholders	 Rosseti Kuban, PJSC does not tolerate violations of the requirements established by the laws of the Russian Federation
 Rosseti Kuban, PJSC strives to ensure technological and innovative development by making and integrating scientific developments	 Rosseti Kuban, PJSC ensures the development of the power grid complex's human resources potential and maintains a consistently high staffing level

Operating within the specified risk appetite gives Rosseti Kuban a higher degree of confidence that its stated goals will be accomplished.

Company's key risk management

Based on the quarterly risk reassessment conducted during 2023, nine key risks were rated as critical and significant as at the end of the reporting period.

The Company creates methods to lessen and minimise the effects of key risks being realised for all functional hazards, and approves the Company's Risk Management Action Plan.

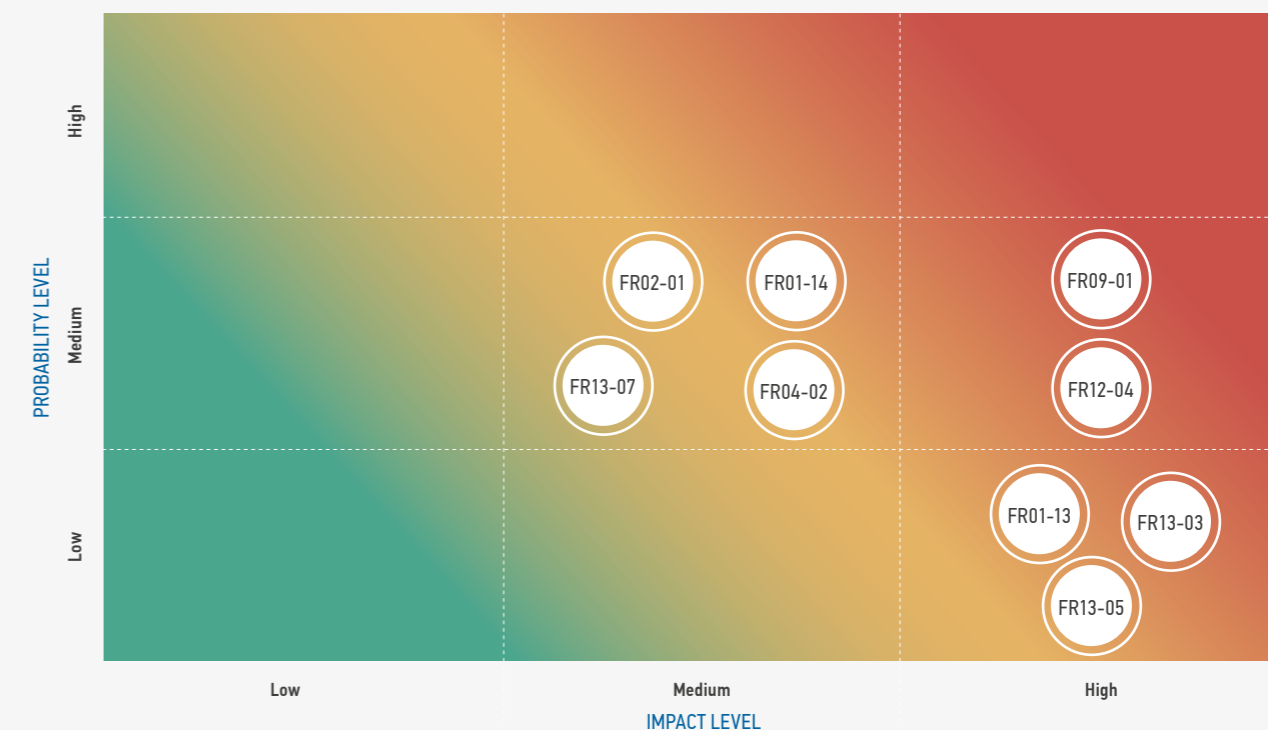
Below are the findings of the assessment of the level of materiality of the Company's key risks in 2022 and 2023, as well as the main measures aimed at mitigating and minimising their consequences.

● Significant level of risk ● Critical level of risk

Risk ID	Description and designation	Risk materiality level as at 31.12.2022	Risk materiality level at 31.12.2023	Risk management
FR01-13	Bankruptcy and liquidation of counterparties	●	●	<ol style="list-style-type: none"> Timely submission of applications to the court for inclusion of the Company's claims in the register of creditors. Preparation of documents by the responsible business units (financial responsibility centre (FRC), initiator of litigation) confirming the actual discharge of obligations, services and costs incurred by the Company, including substantiating materials, inconsistencies between business units, etc.
FR01-14	Court rulings (dispute resolution) on recovery of debts for electricity transmission services against the Company	●	●	<ol style="list-style-type: none"> Submission of FRC documents to the legal department for enforcement work. Preparation of documents by the responsible business units (financial responsibility centre (FRC), initiator of litigation) confirming the actual discharge of obligations, services and costs incurred by the Company, including substantiating materials, inconsistencies between business units, etc.
FR02-01	Increased funding for the investment programme as a whole and/or for individual titles (in relation to the limits established)	●	●	<ol style="list-style-type: none"> Oversight that the actual unit cost of construction (renovation) of facilities is not exceeded, based on the results of the work for the year. Monitoring of the implementation of investment projects in terms of cost and deadlines. Application of the methodology for planning the cost of investment projects in the process of preparation of the Company's investment programme (during planning, bidding and at the implementation stage of the investment programme).
FR04-02	Increase in interest rates on loans and borrowings	●	●	<ol style="list-style-type: none"> Negotiations with creditor banks, sending letters about considering the possibility of reducing interest rates on loans. Procurement procedures to select financial institutions in order to reduce the cost of borrowing during the competition of participating banks. Maintenance of debt and liquidity ratios.
FR09-01	Work-related injuries in the Company	●	●	<ol style="list-style-type: none"> Provision of a safe working environment Timely and quality work with personnel (briefings, internships, shadowing, etc.). Preliminary and periodic medical examinations of employees. Video recording of the preparation and execution of work at facilities. Arrangement for psychophysiological support of the professional reliability.

Risk ID	Description and designation	Risk materiality level as at 31.12.2022	Risk materiality level at 31.12.2023	Risk management
FR12-04	Involvement of the Company / Company employees in corrupt practices	●	●	Implementation of the Anti-Corruption Plan in Rosseti Kuban in 2023, including: <ol style="list-style-type: none"> 1. Conduct of supervisory checks on employees' compliance with the principles of the Company's Anti-Corruption Policy. 2. Conduct of internal audits and investigations into violations of the Company's Anti-Corruption Policy. 3. Identification and clearing of conflict of interests. 4. Review and verification of reports of corruption and sundry abuses. 5. Training, counselling and education to help employees become law-abiding citizens.
FR13-03	Disruption and (or) cessation of operation of information infrastructure facilities and telecommunications systems of power grid facilities	●	●	<ol style="list-style-type: none"> 1. Inclusion of information security requirements in technical specifications for the design of information infrastructure facilities and telecommunications systems of power grid facilities. 2. Implementation of information protection means at information infrastructure facilities as specified in the relevant technical design specifications. 3. Monitoring of the actions of the Company's employees through information security systems. 4. Monitoring and analysis of external information security events. 5. Use of certified information security means.
FR13-05	Undue influence on power grid facilities and their information and telecommunication systems (of a terrorist, subversive, criminal or other nature), including through the use of information technologies	●	●	<ol style="list-style-type: none"> 1. Installation of technical security equipment, video surveillance systems, access control system and security alarm system. 2. Refurbishment of security engineering equipment at fuel and energy facilities. 3. Physical security of the most critical fuel and energy facilities of the Company. 4. Inclusion of information security requirements in technical specifications for the design of information infrastructure facilities and telecommunications systems of power grid facilities. 5. Implementation of information protection means at information infrastructure facilities as specified in the relevant technical design specifications.
FR13-07	Deliberate illegal acts by both legal entities and individuals and Company's employees, causing economic damage and harm to business reputation	●	●	<ol style="list-style-type: none"> 1. Checks of financial and economic activities. 2. Detection of economic misconduct by employees and third-party entities or individuals. 3. Submission and follow-up of the application materials to law enforcement agencies.

Map of key risks of the Company



Based on the updated assessment results, the risk materiality level remained unchanged during 2023.

Realisation of key risks

In 2023, there are two key risks realised:

- Work-related injuries assessed as "critical"
- Excess of the investment programme financing over the planned indicators

Risk ID	Risk	Risk realisation with consequences thereof	Measures to minimise the risk consequences
FR09-01	Work-related injuries in the Company	One group accident with 1 employee fatality, one minor injury case	<ol style="list-style-type: none"> 1. Conducting an unscheduled briefing: <ul style="list-style-type: none"> • To heads of production business units and operating personnel • To personnel who organise and perform work in electrical installations 2. Working through the Comments on the execution of work permits and work orders for work in electrical installations with persons authorised to issue such permits and orders 3. Conducting unscheduled testing of knowledge on the requirements of labour safety rules and regulations, industry acts and instructional and technical documents 4. Conducting an unscheduled special assessment of labour conditions at workplaces
FR02-01	Increased funding for the investment programme as a whole and/or for individual titles (in relation to the limits established)	The funding of investment programme facilities exceeded by 10% the targets set in the investment programme for 2023. Overrun of the planned parameters is driven by the implementation of investment activities under the terms and conditions of grid connection contracts.	<ol style="list-style-type: none"> 1. Adjustment of the investment programme of Rosseti Kuban, PJSC for 2023–2027 2. Control over compliance with the level of debt load in the parameters of the business plan