

Risk management [102-30]

Internal Control and Risk Management System

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The System focuses on providing reasonable assurance that the Group will be able to attain its goals and objectives in the following categories:

- missions of RusHydro Group;
- strategic goals;
- operating targets related to the efficiency of RusHydro Group's financial and business operations and safeguarding of its assets;
- goals related to the Company's compliance with the applicable laws and internal regulations (by-laws) of the Company and its subsidiaries;

- goals related to the timely preparation of accurate financial and non-financial internal and/or external reports.

Key stakeholders of the Internal Control and Risk Management System

The roles of the Internal Control and Risk Management System stakeholders are differentiated based on their involvement in operating and implementing the System and monitoring its performance.

The Control and Risk Management Department is responsible for supervising and providing methodological support to the

System. The Department has the following objectives:

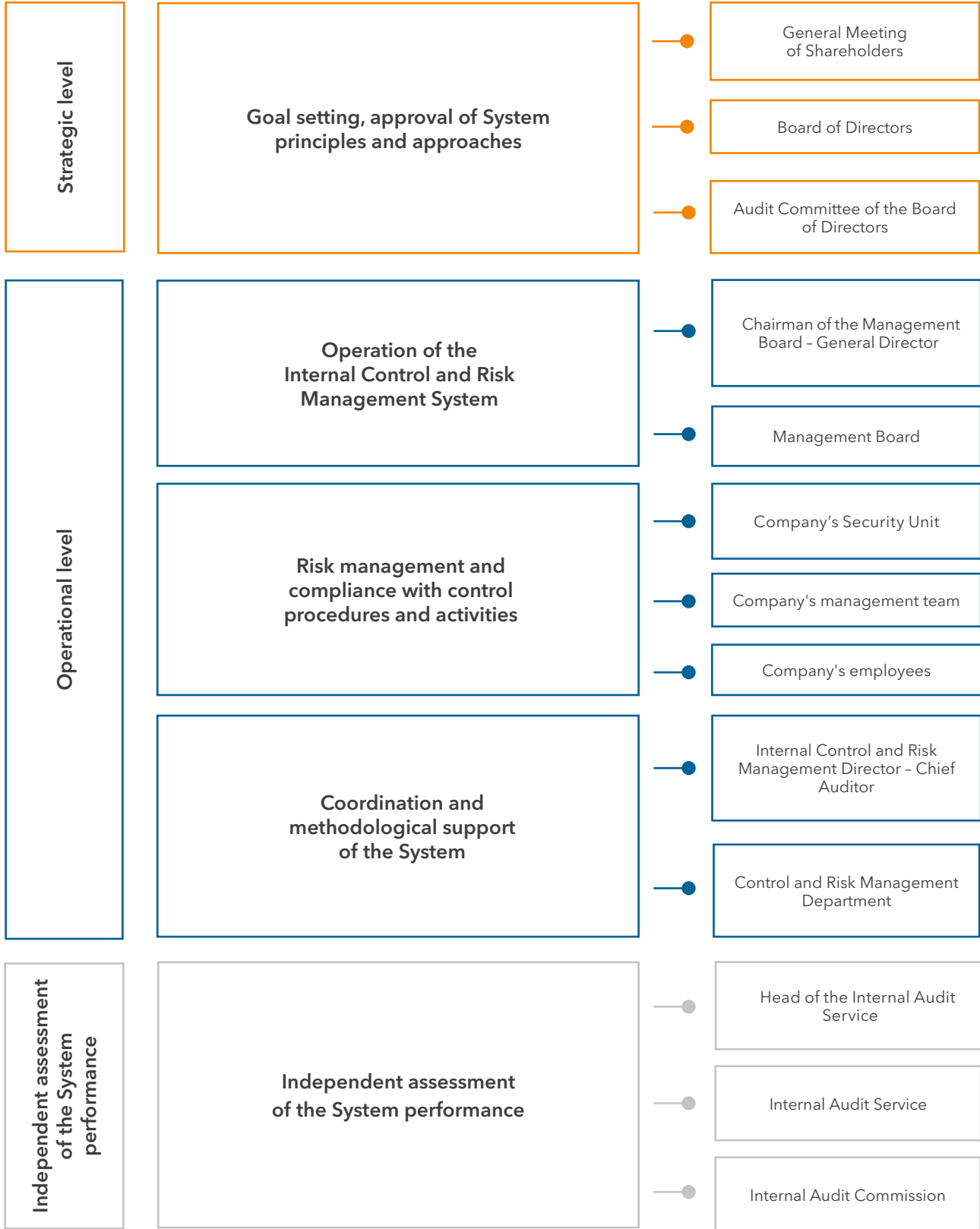
- ensure general coordination of internal control and risk management processes;
- develop guidelines on internal control and risk management processes;
- organize training in risk management for employees of the Company and its subsidiaries;
- analyze the risk portfolio of RusHydro Group and suggest potential responses and reallocation of resources to manage specific risks;
- draft consolidated risk management reports;
- exercise ongoing control over internal control and risk management processes across the business units of the Company and its subsidiaries as prescribed by the relevant procedure;
- provide training and brief the Board of Directors and executive bodies of the Company on risk management and internal controls.

As at December 31, 2019, the Department's headcount was 35 employees.



RusHydro Group stands by the principles of highest transparency in communication with external stakeholders - shareholders, investors, governmental supervisory agencies, external auditors, banking and insurance organizations, complying with the applicable laws and internal regulations of the Company and its subsidiaries.

Key stakeholders of the Internal Control and Risk Management System



Internal regulations

The key regulation defining the goals, objectives and principles of the corporate system of internal control and risk management is RusHydro's Internal Control and Risk Management Policy (the "Policy")¹.

The Policy promotes compliance with the principles of the Internal Control and Risk Management System and harmonization of internal control and risk management approaches across RusHydro Group, while also reflecting the latest recommendations of international professional organizations on internal control and risk management and relevant best practices of Russian companies.

In 2019, the Board of Directors approved the Guidelines on

RusHydro Group's Risk Appetite aiming to further improve the efficiency of internal controls and risk management in the Company.

In the reporting year, the Board of Directors also approved the Regulations on the Internal Control System of RusHydro Group (the "Regulations"), which set out applicable internal control guidelines. The document provides a detailed description of the internal control system and its elements, and sets forth requirements on key internal control procedures, types of monitoring to be used,

coordination of efforts between the stakeholders of the RusHydro Group's Internal Control and Risk Management System, and reports on the internal control system status and improvements.

In addition, the Control and Risk Management Department joined forces with risk owners to produce a comprehensive classifier of risks to facilitate identification of risks and the development of a typical risk database for RusHydro Group. The document was reviewed by the Audit Committee of RusHydro's Board of Directors.



RusHydro Internal Control and Risk Management Policy:
www.eng.rushydro.ru/



For more details on relevant regulations, see the Company's website at: www.eng.rushydro.ru

Risk management: methods and approaches

The Internal Control and Risk Management Policy of RusHydro specifies the following set of risk management methods and approaches:

- risk management is an integral part of all organizational processes: it is not segregated from the Company's key business activities and processes;
- risk management is an integral part of decision-making: it helps the

decision makers to make informed choices, prioritize initiatives and find the best solutions among alternatives;

- risk management is essential to the continuous improvement of the Company and its subsidiaries: RusHydro Group keeps refining and enhancing its system of internal control and risk management to achieve greater risk management maturity;

- RusHydro is in the process of developing unified corporate classification of risks, a database of typical risks, risk categories and other tools required to improve efficiency;
- RusHydro Group fosters a risk-focused organizational culture.

Elements of a risk-focused culture

Approval of the Code of Corporate Ethics, anti-corruption and other policies, and procedures to identify misconduct and wrongdoing

Establishment of a center responsible for risk management

Active involvement of the Company's managers in the risk management process

¹ In June 2019, the Audit Committee and the Board of Directors of RusHydro approved a new version of the Internal Control and Risk Management Policy (Minutes No. 291 of the Company's Board of Directors dated June 21, 2019).

The key document governing the planning of strategic risk management initiatives for 2019 was the Strategic Management Regulations of RusHydro Group.

Pursuant to these Regulations, the Group maintains a strategic risk register, which identifies risk owners and is reviewed annually by the Management Board. Strategic risks that are deemed critical or material are addressed in the risk mitigation plan, which identifies action owners, deadlines and deliverables and is approved by the Management Board. Performance against the risk mitigation plan is measured when determining employees' bonus awards. The implementation of the risk mitigation plan and progress under it are monitored and overseen by the Company's risk managers.

Risk managers maintain an ongoing dialogue with the Audit Committee of the Board of Directors as the body overseeing RusHydro's risk management system in line with the Guidelines on Audit Committees

Strategic risk management cycle



of the Boards of Directors of Joint-Stock Companies with a Stake Owned by the Russian Federation.

Reports on actual progress against the strategic risk mitigation plan are drafted by the Control and Risk Management Department at the end of each reporting period

and submitted for approval by the Chairman of the Management Board.



For more details on RusHydro's risk management cycles and methods, see the Company's website at: www.eng.rushydro.ru

Risk appetite (EC)

In 2019, RusHydro's Board of Directors approved the Group's risk appetite framework. [\[102-33\]](#) [EC]

Risk categories	Target	Risk appetite limit (risk level) indicator
Major accident risk	Reliable and safe operation of RusHydro Group's facilities	Number of major accidents
Risks affecting operational efficiency	Operational efficiency	Return on equity (ROE), labour productivity (revenue, RUB '000/man-hours)
Risk of losing investment appeal	Investment appeal	EBITDA
Investment risks	Investment activities	Adherence to the capacity commissioning schedule, progress against funding and spending targets
Corruption risk	Zero tolerance towards corruption	Number of actions lodged for illegal gratification offered on behalf of legal entities
Reputational risk	Good corporate reputation	Share of negative news in total media coverage

Independent assessment of the Company's Internal Control and Risk Management System

External assessment of the Company's Internal Control and Risk Management System

The Audit Committee of the Board of Directors or the Chairman of the Management Board - General Director may seek an external independent assessment of the Company's Internal Control and Risk Management System by independent third-party experts.

In 2019, no external independent assessment was performed.

Internal assessment of the Company's Internal Control and Risk Management System

The internal assessment of the corporate system of internal control and risk management is performed annually by the Company's Internal Audit Service to provide the Company's Board of Directors and the Group's executive bodies with independent and objective information about the system's current state and to identify areas for its improvement.

In 2019, the Internal Audit Service assessed the Company's internal control and risk management. The assessment relied on the methodology agreed with the Audit Committee of the Board

of Directors and designed to analyze the system's current state against the target.

The report revealed that the Company's corporate system of internal control and risk management had a moderate level of maturity, with its elements generally in line with the target state set by the assessment methodology. The results were reviewed by the Company's Board of Directors at an in-person meeting and approved by its resolution of June 21, 2019.

Following the independent internal assessment, the Company drafted an Internal Control and Risk Management System Improvement Plan listing the development opportunities for 2019-2020.

Improving the Internal Control and Risk Management System ^[EC]

The Internal Control and Risk Management System is continuously developed and improved to ensure prompt

response to external and internal changes, improve operational efficiency and attain corporate goals. The Company updates and

approves the Internal Control and Risk Management System Improvement (Development) Plan on an annual basis.

Key 2019 initiatives to improve the Internal Control and Risk Management System

Areas	Initiatives
Coordination and methodological support	<ul style="list-style-type: none"> → The implementation of improvements in internal control over RusHydro's key business processes was monitored on a systematic basis, with more proposals developed for introducing new or strengthening the existing business process controls → The development of risk mitigation plans for 2019-2020 by subsidiaries was subject to regular reviews and approvals, and progress against the risk mitigation plans was monitored on an ongoing basis
Development of internal regulations and training of employees	<ul style="list-style-type: none"> → The Internal Control and Risk Management Policy of RusHydro Group was developed and approved; → The Regulations on the Internal Control System of RusHydro Group were developed and approved; → The Guidelines on RusHydro Group's Risk Appetite were developed and approved; → The risk classifier (typical risk database) was developed and reviewed by the Audit Committee of RusHydro's Board of Directors¹
Development of the risk management and internal control process in the Company	<ul style="list-style-type: none"> → The strategic and business process risk registers and rankings were updated on an annual basis, with the implementation of risk management initiatives monitored and the materialized risk database kept up to date; → Business process controls were developed, implemented and harmonized, including as a follow-up to the self-assessment exercise.
Automation of the risk management and internal control process	<ul style="list-style-type: none"> → A pilot project to automate the risk management process and introduce an automated risk management system (ARMS) was implemented to support decision-making and develop a database of RusHydro Group's risks. The first ARMS module (FX and Interest Risk Management) was also tested in 2019

¹ Minutes No. 147/3 of the Audit Committee of RusHydro's Board of Directors dated December 30, 2019.

Risk management in 2019

Risks and opportunities are prioritized according to their impact on key financial, environmental and social aspects of the Company's operations, with the strategic targets, development priorities and the Company's mission factored in.

In 2019, RusHydro Group's strategic risk register consisted of 15 risks,

with no changes taking place throughout the year.

The Management Board adopted a resolution to approve RusHydro's Strategic Risk Mitigation Plan for 2018–2019 (the "Plan")¹. The document provides an overview of strategic risk materialization scenarios and key risk drivers, while

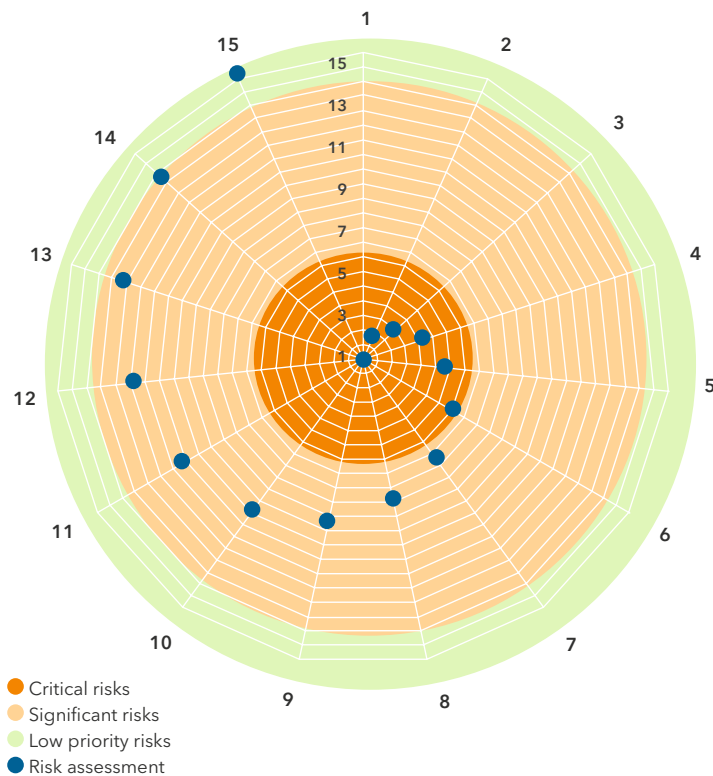
also specifying the sources of data used in estimating risk indicators. The digitalization of risk indicators is currently underway to enable the identification of materialized risks, estimate deviations and compare the damage from risk materialization.

Strategic risk monitoring in 2019 [102-29][EC]

Category	Risk	2019 monitoring results
Investment risks	<ul style="list-style-type: none"> — Delayed commissioning of new capacities — Cost overruns for investment projects 	<p>In 2019, these risks remained most critical for key construction projects, including Nizhne-Bureyskaya HPP, Sakhalinskaya GRES-2, Zaramagskaya HPP and a CHPP in Sovetskaya Gavan.</p> <p>Delays in commissioning and project cost overruns were caused by the need to update and amend the design and cost estimate documents coupled with reduced financial stability, poor qualification of contractors, contractor employees' operating errors and gaps in synchronization of third-party efforts.</p> <p>In 2019, measures were taken to reduce these risks to an acceptable level, but due to the synergistic effect of construction delays accumulated over the previous project stages some of the construction projects were not completed on time.</p>
Financial risks	<ul style="list-style-type: none"> — Revenue shortfalls from the sale of electricity (capacity) and heat against the business plan — Lack of funds, including those sourced externally (financial risks) — Risk of non-delivery / efficiency losses associated with production programs — Increase in receivables for electricity (capacity) and heat supplied and for transmission services rendered — Failure to achieve project targets by engineering companies (project companies, institutes, repair companies) 	<p>In 2019, financial risks were within the target range.</p>
Non-financial risks	<ul style="list-style-type: none"> — Industrial disasters and accidents — Terrorism and cyber terrorism — Damage caused by natural and industrial disasters outside RusHydro Group's facilities — Adverse changes / breaches of the law (legal risks) — Reputational risks — Corruption risk — Management system deficiencies and errors — Inefficient integration of companies making part of RusHydro Group 	<p>In 2019, none of these risks materialized. The assessment of risk materialization was based on relevant risk indicators and applicable scenarios.</p> <p>ESG (Environmental, Social and Governance) risks have not been split into a separate risk group, but are reviewed (in terms of risk driver management) as part of the existing strategic risk register.</p>

¹ Minutes No. 1133pr of the Management Board meeting dated October 9, 2018.

RusHydro Group's strategic risk radar for 2019



1. Delayed commissioning of new capacities
2. Cost overruns for investment projects
3. Revenue shortfalls from the sale of electricity (capacity) and heat against the business plan
4. Adverse changes / breaches of the law
5. Industrial disasters and accidents
6. Lack of funds, including those sourced externally
7. Risk of non-delivery / efficiency losses associated with production programs
8. Terrorism and cyber terrorism (EC)
9. Failure to achieve project targets by engineering companies (project companies, institutes, repair companies)
10. Management system deficiencies and errors
11. Reputational risks
12. Damage caused by natural and industrial disasters outside RusHydro Group's facilities
13. Corruption risk
14. Increase in receivables for electricity (capacity) and heat supplied and for transmission services rendered
15. Inefficient integration of companies merged into RusHydro Group

Strategic risk management report for 2019 [102-33]

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Delayed commissioning of new capacities	Unit of Capital Construction, Deputy General Director for Capital Construction	↑	Design errors	<ol style="list-style-type: none"> 1. Having design and construction documents reviewed by experts. 2. Exercising control over the work quality, timing and costs: <ul style="list-style-type: none"> - improving project scheduling techniques and monitoring deadline management on an ongoing basis; - controlling compliance with the quality and timing requirements imposed on developers of design specifications, estimates and construction documents; - ensuring customer supervision over construction sites; - developing a quality control system for the supplied equipment (including its production and shipment/delivery); - monitoring the progress of building grid infrastructure; - monitoring the contractors' compliance with the terms of contracts; - managing complaints and claims to/from contractors; 3. Insuring construction and installation risks (reducing the risk of project cost overruns due to facility damage or loss caused by design or construction deficiencies or external impact).
Cost overruns for investment projects			Failure to meet quality requirements imposed on developers of design and construction documents	
	Late delivery of design specifications, estimates and construction documents, frequent changes to construction documents			
	Low financial stability and bankruptcies of contractors and suppliers; failure of contractors and suppliers to meet their contractual obligations			
	Lengthy contracting procedures to sign construction and installation, front-end engineering and design contracts			
	Poor qualification/reduced capacity of contractors			
	Acceptance of incomplete or partially completed works from contractors			
	Low quality of equipment and materials (reduced technical capacity of manufacturers)			
	Substandard grid infrastructure. Lack of connection capacity for completed and commissioned construction projects			
	Unfavorable weather conditions affecting construction and installation works			

↑ Risk significance increase → Unchanged ↓ Risk significance decrease

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Revenue shortfalls from the sale of electricity (capacity) and heat against the business plan	<p>Unit of Sales, Economic Planning and Investments, First Deputy General Director</p> <p>Unit of Production Activity, First Deputy General Director-Chief Engineer (as regards equipment wear and tear, and failure to meet dispatch schedules)</p>	→	<p>Decrease in electricity (capacity) and heat generation</p> <hr/> <p>Decline in electricity (capacity) sold by the Group's retail subsidiaries in retail markets, including as a result of:</p> <ul style="list-style-type: none"> - large customers shifting to the WECM; - large customers shifting to retail competitors; - consumers resorting to own generation; - grid companies reducing their energy losses. <hr/> <p>Regulated prices (tariffs) fixed below targets set by RusHydro Group companies</p>	<ol style="list-style-type: none"> 1. Automating generation of water level scenarios and refining the process methodology. 2. Taking part in shaping the Water Use Rules as part of the interagency working groups for setting HPP operation modes. 3. Liaising with federal government authorities and the Market Council Non-Profit Partnership on matters of tariff regulation and price setting. 4. Enhancing transparency of the economic dispatching business process. 5. Liaising with federal and regional government authorities on matters of tariff regulation with a view to eliminating the cost-tariff gap in the Russian Far East.
Adverse changes / breaches of the law	Unit of Financial and Corporate Law Management; First Deputy General Director	→	<p>Adverse changes in laws and regulations governing the operation of the wholesale and retail electricity (capacity) markets</p> <hr/> <p>Failure to comply with legal requirements imposed on:</p> <ul style="list-style-type: none"> - operation and maintenance of equipment, buildings, and facilities of the Company's power plants; - implementation of investment projects to build new facilities; - compliance with environmental and nature conservation laws <hr/> <p>Sharper focus of environmental and nature conservation organizations on the Company's operations</p> <hr/> <p>Violation of the following requirements by retail companies of RusHydro Group:</p> <ul style="list-style-type: none"> - wholesale market rules, with non-compliance resulting in exclusion from the list of wholesale market participants; - key provisions governing the operation of retail markets, with non-compliance resulting in exclusion from the list of guaranteed suppliers 	<ol style="list-style-type: none"> 1. Drafting proposals on amending laws and regulations governing the electricity and heating power sector as well as related laws and regulations. 2. Maintaining ongoing monitoring of initiated and discussed legislative amendments that may affect RusHydro Group's operations. 3. Monitoring and revising the existing technical oversight standards and regulations. 4. Participating in major legislative change initiatives put forward by legislative, executive and judicial authorities, non-government associations, professional legal unions and associations. 5. Conducting regular environmental audits and implementing relevant recommendations. 6. Participating in the working groups of the Russian Ministry of Energy on technical regulation. 7. Managing complaints and claims to protect the Company's interests.

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Industrial disasters and accidents	Unit of Production Activity, First Deputy General Director - Chief Engineer	→	<p>Design and/or construction errors</p> <p>Low quality of equipment, materials and repairs (reduced technical capacity of manufacturers)</p> <p>Deterioration of the technical condition of equipment, buildings and facilities</p> <p>Non-compliance with laws, internal regulations and guidelines</p> <p>Failures of subsystems of the upper-level automated process control systems and computer software</p> <p>Deficiencies in the system for physical protection of the Company's facilities</p> <p>Major industrial disasters/accidents/injuries</p>	<ol style="list-style-type: none"> 1. Implementing the full scope of the Company's production program initiatives, including rehabilitation and modernization. 2. Ensuring quality control of supplied equipment, including its production and shipment/delivery, construction, installation, commissioning and repairs. 3. Monitoring compliance of the Company's employees and contractors with industrial and technical safety requirements; certification of personnel in industrial safety. 4. Insuring production facilities. 5. Using advanced diagnostics methods eliminating equipment shutdowns and harnessing modern production asset management technologies, including IT (as required). 6. Implementing a comprehensive energy facility protection system at the Company's power plants.
Lack of funds, including those sourced externally	Unit of Sales, Economic Planning and Investments, First Deputy General Director	→	<p>Increase in borrowing costs</p> <p>Loss of liquidity from delays in or lack of planned cash flows:</p> <ul style="list-style-type: none"> - delayed capacity commissioning; - reduced purchasing power of customers/consumers; - shortfalls in VAT refund for capital construction projects; - shortfalls in subsidies to compensate for the loss of revenue caused by the adjustment of electricity (capacity) prices (tariffs) to the base level <p>Excess of actual cash flows (payments) vs planned, driven by growing prices of fuel for heat generation facilities and increased investment costs</p>	<ol style="list-style-type: none"> 1. Maintaining sufficient cash levels and securing access to liquidity through credit facilities. 2. Maintaining a well-balanced model of working capital financing from both short-term and long-term sources. 3. Overseeing compliance with the terms of loan agreements to exclude any breach of financial covenants by the Company. 4. Using short-term financial instruments (bank deposits) to invest idle cash balances. 5. Refraining from high-risk investments with a 10+% return. 6. Divesting from non-core assets.
Risk of non-delivery / efficiency losses associated with production programs	Unit of Production Activity, First Deputy General Director - Chief Engineer	→	<p>Gaps in/violations of production program planning guidelines</p> <p>Inadequate system of monitoring progress under the repair, rehabilitation and modernization projects, including the supervision of contractor works</p>	<ol style="list-style-type: none"> 1. Processing complaints and claims associated with the poor quality of repairs, delivery of substandard equipment and violation of delivery deadlines in a quick and efficient manner. 2. Maintaining control over the implementation of rehabilitation and modernization projects in compliance with the Company's standards, including using recommendations of the analytical center.

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Terrorism and cyber terrorism [EC]	Security Unit	→	<p>Growing threat of international terrorism as a result of deteriorating international relations and growing political instability in some developing countries driven by the economic crisis and the activity of radical organizations</p> <p>Growing share of industrial terrorism in proportion to overall terrorist activities</p> <p>Low security level of third party facilities which are inherently connected to power plants or located close to them (bridges, roads)</p> <p>The threat of hidden functionality and hardware/software implants in foreign network and server equipment being used to disable computer networks and disrupt production</p> <p>Insufficient security of own facilities in terms of potential hacker attacks against information systems of the Company and external communication channels, including with the System Operator</p>	<ol style="list-style-type: none"> Improving armed protection of the Company's facilities by engaging private security units of the National Guard of Russia (Rosgvardia), Guard Federal State Unitary Enterprise of Rosgvardia, and Departmental Protection Federal State Unitary Enterprise of the Russian Ministry of Energy. Amending and maintaining up-to-date plans for the interaction with law enforcement agencies to protect the Company's facilities in case of threatened or attempted terrorist attacks. Identifying the most probable threats and developing response plans to remedy acts of unlawful interference against the Company's facilities in cooperation with the local bodies of the Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters in the regions of the Company's operations. Setting up and controlling access to information about on-site engineering and technical means of protection and their condition. Insuring RusHydro Group's property against terrorism and sabotage risks. Increasing the share of equipment certified by the Federal Service for Technical and Export Control, and the share of domestically manufactured equipment; Conducting information security audits. Setting up and controlling access to the hardware and software of management and information systems. Protecting remote access to the Company's information systems and ensuring information security of virtual, mobile and cloud services. Categorization of RusHydro's critical information infrastructure.
Failure to achieve project targets by engineering companies (project companies, institutes, repair companies)	Unit of Capital Construction, Deputy General Director for Capital Construction	↓	<p>Shortage of qualified personnel in engineering companies</p> <p>Inefficient management of engineering companies</p> <p>Failure to use advanced design approaches</p>	<ol style="list-style-type: none"> Implementing a development program for engineering companies. Developing standard repair scope sheets for equipment and hydraulic structures. Creating and maintaining a database of advanced and innovative technologies Streamlining business processes related to the management of engineering companies

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Management system deficiencies and errors	Unit of Financial and Corporate Law Management; First Deputy General Director	→	<p>Slow process of managerial decision review and approval</p> <p>Underregulated business processes and procedures</p> <p>Low level of comprehensive IT implementation</p>	<ol style="list-style-type: none"> 1. Insuring civil liability of the Company's officers and members of its governing bodies towards third parties and the Company. 2. Implementing a business process optimization project across the Company. 3. Implementing the Company's IT strategy and road map.
Reputational risks	<p>Unit of Corporate Communications (PR and GR)</p> <p>Strategy and Innovation Unit (IR)</p>	→	<p>Dissemination of inaccurate and deliberately false information about RusHydro Group</p> <p>Dissemination of negative (compromising) information about RusHydro Group</p>	<ol style="list-style-type: none"> 1. Monitoring compliance with the Company's regulations governing information activities, participation in public events and information disclosure. 2. Engaging with stakeholders across the Company's core operations, including through joint public events. 3. Distributing regular press releases to share the Company's official position on its operations. 4. Holding press tours and special media events
Damage caused by natural and industrial disasters outside RusHydro Group's facilities	Unit of Production Activity, First Deputy General Director - Chief Engineer	→	<p>Inadequate protection of RusHydro Group's production assets against natural disasters</p> <p>Climate changes</p>	<ol style="list-style-type: none"> 1. Upgrading centralized automatic emergency response systems to the latest standards. 2. Implementing civil defense and emergency prevention initiatives; 3. Carrying out research and development in the field of remote monitoring of HPP facilities condition and operating modes. 4. Monitoring compliance with the Russian industrial safety laws and maintaining a production control system based on such laws. 5. Insuring the property of RusHydro Group
Corruption risk	Security Unit	→	<p>Appropriation of corporate opportunities for personal benefit:</p> <ul style="list-style-type: none"> • lobbying the interests of affiliated counterparties; • abuse of office; • misusing insider information and manipulating the market of RusHydro's shares <p>Unauthorised access to and disclosure of RusHydro Group's confidential information</p>	<ol style="list-style-type: none"> 1. Supervising the compliance anti-corruption activities pursued by RusHydro and its subsidiaries with the applicable laws. 2. Implementing procedures to prevent conflicts of interest in the workplace. 3. Monitoring information on income, expenditures, property and property-related liabilities of the Company's officers with exposure to corruption risks. 4. Maintaining anti-corruption hotline, checking allegations of wrongdoing. 5. Conducting internal investigations of alleged wrongdoings involving the Company's employees. Developing and implementing measures to eliminate identified violations/gaps. 6. Monitoring procurement activities. 7. Screening counterparties for conflicts of interest

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Increase in receivables for electricity (capacity) and heat supplied and for transmission services rendered	Unit of Sales, Economic Planning and Investments, First Deputy General Director	→	Low solvency of consumers (customers) and territorial grid operators Cheating by consumers (customers) and territorial grid operators	<ol style="list-style-type: none"> 1. Monitoring data on supplier and contractor financial health to prevent the risk of counterparty bankruptcy. 2. Planning counterparty settlements, negotiations with counterparties on payments, debt restructuring and non-cash settlements. 3. Handling complaints and claims against non-paying consumers
Inefficient integration of companies merged into RusHydro Group	Unit of Financial and Corporate Law Management; First Deputy General Director	→	Impact of financial performance of merged companies on consolidated financial results of the Group	<ol style="list-style-type: none"> 1. Overseeing the operations of RusHydro Group companies: introducing common management policies and corporate procedures. 2. Structuring the assets of RusHydro Group companies. 3. Streamlining the organizational structure of RusHydro Group

Impact of events after the reporting date beyond the Group's control

In late 2019, China first reported a novel coronavirus disease (COVID-19). The World Health Organization received information on a cluster of cases of unknown aetiology. In the first months of 2020, the virus spread worldwide, with its devastating impact gaining momentum.

Although on the date of publishing this report the situation around the virus has not yet stabilized, we expect it to damage both the global economy and RusHydro

Group operations, in particular. The virus repercussions included rouble depreciation, plunging oil prices and a stock market crash.

Up to now, the Group's sales and supply chain have not taken a substantial hit, with future effects of the epidemic impossible to predict. The Company management is closely monitoring the related potential risks and is ready to unleash a comprehensive set of measures to mitigate the consequences.

While engaged in continuous electricity and heat generation, transfer and sales to all groups

of customer, RusHydro is also taking steps to prevent the infection from spreading among its employees.

To that end, we are educating our people on how to avoid contagion and supplying personal protective equipment. We have also arranged for more than 80% of our white-collar staff to work remotely.

Additionally, we reorganized the operation of our facilities. In regions where RusHydro Group companies render services to retail and corporate customers, all communications are handled distantly, by phone or online.