

The Company Revision Commission does not depend on officials of the managerial bodies of the Company when carrying out its activity.

The Company Revision Commission is liable to the General Shareholders Meeting for reliability and objectivity of results of checks performed.

Financial and economic activity of the Company is checked following results of Company activity during a year, as well as at any time on the initiative of the Company Revision Commission, by resolution of the General Shareholders Meeting of the Company, Company Board of Directors or at the request of a shareholder(s) holding minimum 10% of Company voting shares in the aggregate.

RISK MANAGEMENT SYSTEM

Risk Management System (hereinafter – RMS) is adopted in the Company. Purpose of this System is ensuring stable continuous functioning and development of the Company by timely identification, evaluation and efficient management of risks that threaten the efficiency of administrative activity and reputation of the Company, health of employees, environment and proprietary interests of shareholders and investors.

For the purpose of development of RMS in the Company, the Board of Directors approved the Risk Management Policy¹.

Main Participants of the Risk Management Process

Participant's name	Main functions in RMS
Board of Directors	Approves Company internal documents that determine organization and functioning of Company RSM; Considers reports of Company executive bodies on organization, functioning and efficiency of the risk management system, evaluates functioning of RMS and designs recommendations on its improvement.
Authorized Committee within the Board of Directors	Exercises control over efficiency of risk management procedures and estimates efficiency of measures on risk management and RMS improvement.
Executive bodies (Management Board, Director General)	Sets requirements to a form and completeness of information on Company risks; Forms directions and plans for development and improvement of RMS; Holds analysis of risk portfolio and designs measures for reaction strategy and redistribution of resources in relation to relevant risk management.
Risk Owners	Responsible for timely determination and evaluation of risks, selection of a risk management method, timely development and implementation of risk management events and regular risk monitoring.
Executors of risk management events	Responsible for timely detection and/or minimization of risks, implementation of events aimed at risk management, timely and in full.
Risk Management Subdivision	Implements functions for total coordination of risk management processes.
Internal Audit Subdivision	Performs internal independent evaluation of RMS efficiency and issues recommendations for upgrade of RMS efficiency and performance.

1. Minutes No. 182/16 dated 24.03.2016

Main Risk Factors Related to Company Activity

Importance of a risk is a combination of probability of its occurrence and scope of its consequences for the Company. Importance of a risk is evaluated according to the following scale.

Brief description of risks that can influence achievement of Company goals, including strategic goals, main events for risk management and dynamics of risk significance in comparison with 2017 and within 2018 are stated in Table 93 (↑ – increase of risk importance, ↓ – decrease of risk importance, no designation – no change in risk evaluation).

LEVEL OF RISK IMPORTANCE

- **Critical**
- **Significant**
- **Moderate**

EVALUATION OF RISK IMPORTANCE AND DYNAMICS

- ↑ **Increase of risk importance**
- ↓ **Decrease of risk importance**
- No designation - no change in risk evaluation**

Evaluation of Risk Importance

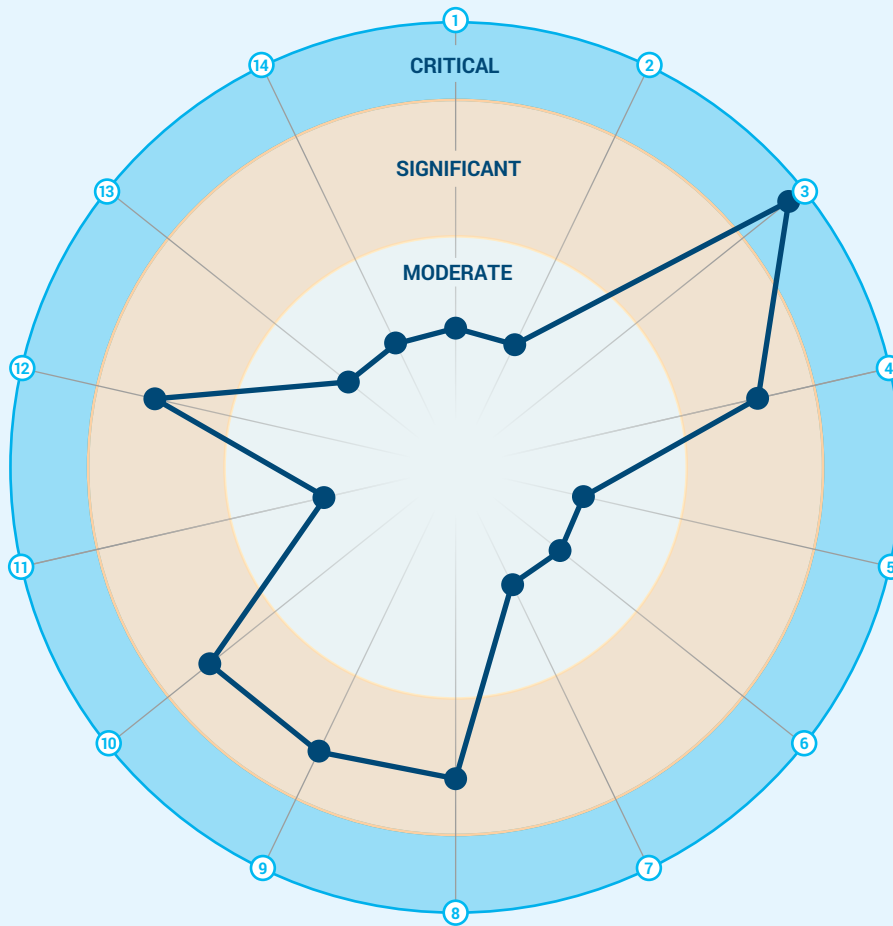
No	Risk name	Risk description	Activities on minimization of risk consequences	Evaluation of risk importance and dynamics
Industry risks:				
1	Tariff risks	1. Reduction of Company potential proceeds in a result of approval of the required gross proceeds by the regulator at a level not covering economically justified expenses of the Company.	1. Filing applications to judicial and regulatory authorities for consideration of disputes related to tariff and balance decisions. 2. Development of offers on optimization of the legislation in the sphere of tariff making. 3. Preparation and filing to regulatory authorities of materials on justification of inclusion of fallout revenues into tariffs of the next regulation period.	● ↓
2	Technological connection risks	1. Reduction in a volume of technological connection services due to changes in a composition of initially declared applicants. 2. Bringing the Company to responsibility for violation of antitrust law when performing technological connection (TC) to electric grids.	1. Control over the receipt of applications and making and performance of agreements on TC. 2. Holding claim-related work in respect of applicants who are in breach of the terms of implementing actions defined in the agreements. 3. Control over the execution of agreements on TC of a privileged category of consumers.	●
3	Risks of overdue and uncollectible indebtedness growth	Growth of overdue debtor indebtedness in a result of nonpayment by major contractors (guarantee suppliers) can lead to: <ul style="list-style-type: none"> • change in a volume of raised borrowed resources and an amount of expenses for their service; • change in an amount of bad debt provision; • reduction of Company net profit. 	1. Filing claims regarding indebtedness collection. 2. Control over collection of debts according to enforcement orders. 3. Control over the order of overdue debt payment included in the register of creditor requests within the frames of bankruptcy proceedings.	●

No	Risk name	Risk description	Activities on minimization of risk consequences	Evaluation of risk importance and dynamics
Country and regional risks:				
4	Risks related to political and economic situation in the country and region	<ol style="list-style-type: none"> 1. Decrease of general business activity in a result of world financial crisis influence. 2. Growth of interest rates on credits and loans. 	<ol style="list-style-type: none"> 1. Implementation of actions aimed at optimization of a share of borrowings in total structure of the capital. 2. Enhancement of efficiency of operational and investment expenses. 	●
5	Risks related to geographical characteristics of the country or region, including increased risk of natural disasters and possible termination of transport communication	Systematic violations of working efficiency and efficiency of electric grid functioning, as well as failures of power supply to consumers due to emergency situations, natural disasters (hurricanes, rain storms and ice storms, high waters and floods, snowdrifts etc.).	<ol style="list-style-type: none"> 1. Expansion of a park of reserve electricity capabilities and automatic equipment for emergency and recovery works. 2. Modernization of electric grid assets. 3. Improvement of a system for data collection and transfer. 	●
Financial risks:				
6	Risks related to monetary policy of the Central Bank of the Russian Federation	Growth of interest rates on credits and loans that lead to the growth of the relevant Company expenses.	<ol style="list-style-type: none"> 1. Monitoring of measures on implementation of monetary policy of the Central Bank of the Russian Federation. 2. Preparation of proposals and formation of a complex of measures on ensuring financial stability of the Company. 3. Making credit agreements with the biggest banks possessing considerable credit resources at relatively low interest rates. 	●
7	Risks related to changes in exchange rates	Instability of exchange rates. Appreciation of products, equipment, accessories and services being procured.	Making agreements with suppliers on a long-term basis with fixed prices and amounts pursuant to conduct of competitive procurements.	●
8	Risks related to inflation	<ol style="list-style-type: none"> 1. Decrease of real cost of receivables in the conditions of significant delay or default in payment. 2. Growth of operating expenses. 	Control and timely work with receivables and operational efficiency.	●
Legal risks:				
9	Legal risks	<ol style="list-style-type: none"> 1. Making contracts based on conditions encroaching on Company financial interests and resulting in growth of other expenses. 2. Risk of infringement of the law by the Company in a result of variations of interpretation of regulatory acts and changes in the application practice. 3. Execution of judicial acts against the Company. 	<ol style="list-style-type: none"> 1. Control over contract work in the Company. 2. Analysis of practice for application of norms of the Russian legislation. 3. Coordination of actions with the CO in a part of provision of justifying materials and execution of orders. 4. Improvement of personnel qualification. 	●
Tax risks:				
10	Tax risks	Risks of bringing the Company to tax responsibility in case of changes in state fiscal policy in relation to separate taxes and levies, as well as change (not for a taxpayer's benefit) of judicial practice for separate categories of tax cases.	<ol style="list-style-type: none"> 1. Timely monitoring of tax legislation. 2. Personnel training. 3. Control over compliance with legal requirements in the field of taxes. 4. Survey and generalization of judicial practice on the issues of RF Tax Law. 	●

No	Risk name	Risk description	Activities on minimization of risk consequences	Evaluation of risk importance and dynamics
Risk of loss of goodwill:				
11	Reputation risk	Negative informational messages, biased and incompetent coverage of problems in a distribution grid complex on the part of mass media.	1. Preparation of press releases about various aspects of IDGC of Siberia activity, distribution of press releases in mass media. 2. Interaction with mass media, formation of positive image.	○
Risks related to Company activity:				
12	Operation and technological risk	Systemic interruptions of power supply to service consumers.	1. Renovation of the grid and target programs on the increase in reliability aimed at the improvement of a technical condition of the grid. Analysis of reasons for technological violations. 2. Qualitative planning of repairs and timely monitoring and control over a condition of equipment at substations and HV line elements. 3. Modernization of electric grid assets, commutation equipment and teleautomation systems.	●
13	Investment risk	1. Violation of planned terms for capital investment assimilation. 2. Low profitability of socially important investment projects.	1. Planning of investment programs with respect to the key efficiency criteria: <ul style="list-style-type: none"> • increase of grid infrastructure availability, • reduction of depreciation and modernization of electric grid facilities, • achieving a high load of capacities commissioned. 2. Performance of import-substituting activities. 3. Control over performance of obligations by contractors.	○
14	Environmental risk	Negative impact on the environment.	1. Protection of atmospheric air. 2. Protection and rational use of water and land resources. 3. Protection of fauna. 4. Industrial environmental control.	○

Positive impact on tariff risk reduction was produced by agreements on socio-economic cooperation made between the Company and administrations of presence regions.

Evaluation of risk importance



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|--|------------------------------------|
| ① Tariff risks | ⑧ Risks related to inflation |
| ② Technological connection risks | ⑨ Legal risks |
| ③ Risks of overdue and uncollectible indebtedness growth | ⑩ Tax risks |
| ④ Risks related to political and economic situation in the country or region | ⑪ Reputational risk |
| ⑤ Risks related to geographical characteristics of the country or region | ⑫ Operation and technological risk |
| ⑥ Risks related to monetary policy of the Central Bank of the Russian Federation | ⑬ Investment risk |
| ⑦ Risks related to changes in exchange rates | ⑭ Environmental risks |

Main Directions of Improvement of Activity in the Sphere of Risk Management

The Company organizes training for its employees following the recent changes in the sphere of risk management. Various tools for identification, evaluation, documenting, subsequent evaluation and management of risks are used. Risks are constantly monitored and reviewed.

Registers of key operational risks, operational risks of main and other business processes, significant environmental aspects, risks of occupational health and safety are formed and updated. The action plan for risk management for 2018 is implemented in full.

In order to improve activity in the sphere of risk management, the Company:

- Develops and implements key risk indicators and risk appetite
- Continues activity on automation of control procedures in the fields of activity

ANTICORRUPTION POLICY

System of Anticorruption Policy Implementation in the Company (local regulatory acts adopted in the reporting period within the frames of implementation of requirements of the federal anticorruption law)

Subject to Art.13.3 of Federal Law No. 273-FZ dated 25.12.2008 "Concerning Anticorruption", PJSC IDGC of Siberia has the responsibility to develop and take measures on prevention and control of corruption.

In the progress on implementation of Anticorruption Policy in 2018, events aimed at improvement of legal control over Company anticorruption policy were implemented, several local regulatory acts were passed (3 orders and 4 decrees; 5 standards were updated twice; 2 methodologies were developed).

Main Directions of Anticorruption Policy

Events aimed at detection and settlements of conflicts of interests

One of the fundamental issues of anticorruption policy implementation is the management of a conflict of interests. Main tools for the settlement of a conflict of interests are initial and annual declaration of a conflict of interests and declaration of information on incomes.

At the stage of initial declaration, 750 declarations (2017 – 1,001; 2016 – 372) submitted by candidates for vacant positions were checked. For 2 candidates features of a conflict of interests were revealed; the relevant heads were familiarized with the reports.

Events for inspection of information on income generated by heads for 2017 – 64 (2017 – 61; 2016 – 62) were held. 294 statements (2017 – 285; 2016 – 291) on income and proprietary liabilities of declarants and their relatives were checked. In the progress of inspection characteristics of affiliation, conflicts of interests, pre-conflict situations and other abusive acts connected with positions taken were not detected.

A complex of measures on annual declaration of a conflict of interests in PJSC IDGC of Siberia was implemented. Average headcount of the Company subject to declaration (as of 31.12.2017) amounted to 5,205 people. 5,151 employees of PJSC IDGC of Siberia (2017 – 5,129; 2016 – 2,547) submitted their declarations. These are reasonable excuses for non-submission of declarations: dismissal in 2018, maternity/paternity leave, change of a place of residence. Specific weight of employees who successfully passed declaration, inclusive of those dismissed, amounted to 99.78%.

Activity of branch commissions on the issues of annual declaration campaign and control over execution of decisions was coordinated. 14 meetings (2017 – 12; 2016 – 10) were held and 66 pre-conflict situations (2017 – 15; 2016 – 13) were revealed.