

## **RISK MANAGEMENT POLICY of PJSC “ROSTELECOM” and ITS SUBSIDIARIES AND DEPENDENT COMPANIES**

### **I. GENERAL**

This Risk Management Policy (hereinafter *the “Policy”*) of Public Joint Stock Company “Rostelecom” (hereinafter the “Company”) and its subsidiaries and dependent companies shall be internal regulations identifying the Company handling of risks, determining general principles of risk management framework (the RMS), the RMS goals and tasks, allocation of responsibilities among the RMS entities and liaisons and interactions between the RMS entities.

This Policy shall be the basis for developing internal regulatory documents, regulating risk management practices, describing risk management methods, techniques and tools, including internal documents prescribing risk management to be applied for specific types of risk. Any internal document of the Company shall be consistent with this Policy to the extent such document relates to risk management.

This document shall be used for information purposes in subsidiaries and dependent companies.

### **II. RMS DEFINITION, OBJECTIVES AND GOALS**

The principle goal of the Risk Management System shall be to ensure effective measures to be undertaken by the Company Management under conditions of uncertainty and related risks and to make use of identified options in order to reach the Company objectives.

Pursuant to the goal, the key tasks of the RMS are as follows:

- Creation of the methodology basis for the RMS operation;
- Allocation of powers and responsibilities in terms of risk management across all levels in the Company;
- Risk identification, analysis and assessment;
- Development and implementation of measures to manage risks;
- Monitoring the status of risks and relevant measures undertaken to manage risks;
- Accounting for identified and realized risks;
- Determination and approval by the Board of Directors of the amount of risk that the Company considers as acceptable to it in the process of meeting its objectives (the risk appetite).

### **III. RMS OPERATION PRINCIPLES**

This Policy is based on the Corporate Governance Principles of the Organization for Economic Cooperation and Development, standards of the Institute of Internal Auditors, Standard 2 of the Public Company Accounting Oversight Board, applied in the course of audit of companies, and Recommendation of the Code of Corporate Governance (approved on 21.03.2014 by the Board of Directors of the Bank of Russia).

The following documents are used as a methodology foundation for creation of the Risk Management System in the Company:

- GOST R ISO 9001-2015 “Risk Management Systems. Requirements”
- GOST R 58771-2019 “National Russian Standard “Risk Management. Risk Assessment Technologies”

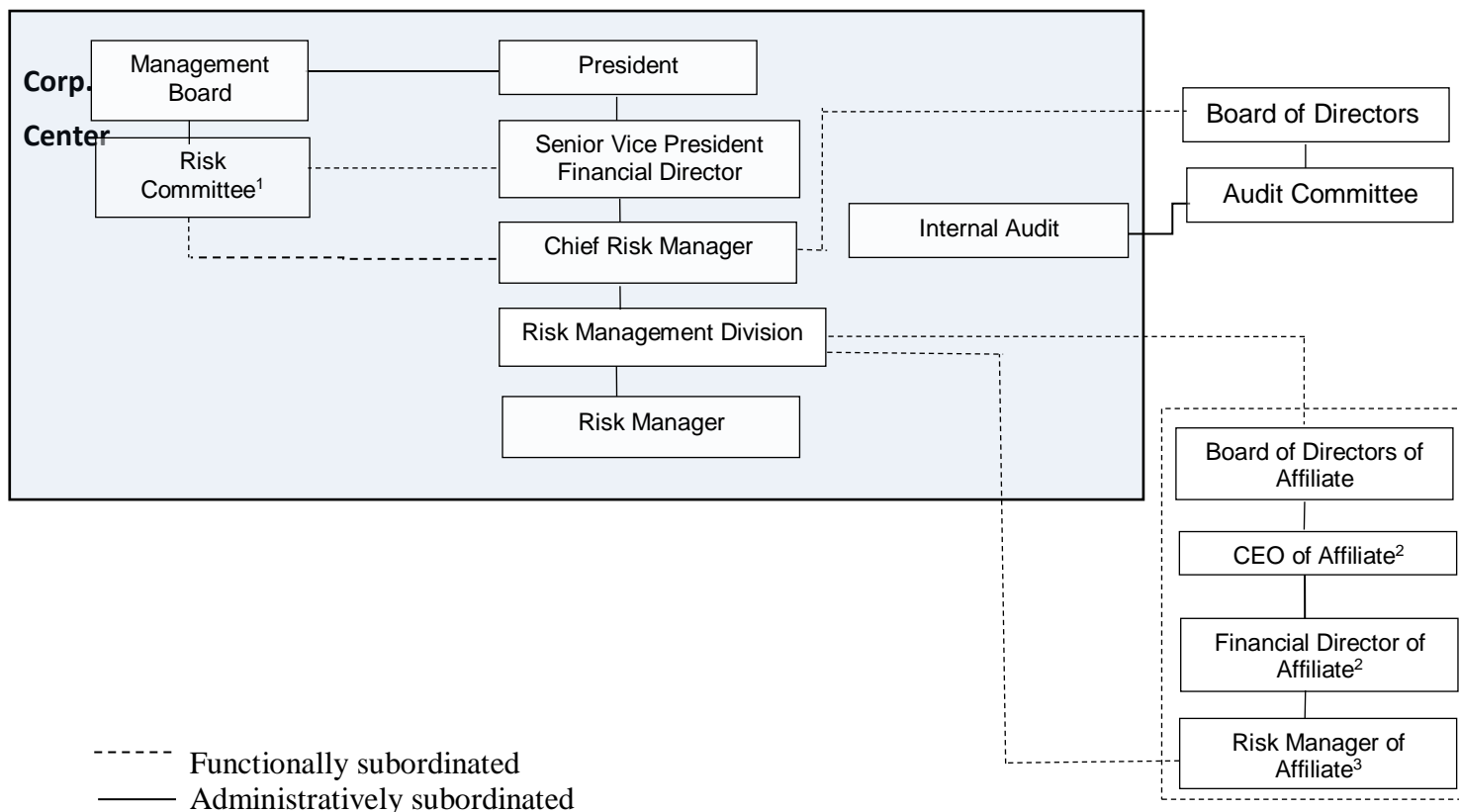
- GOST R ISO 31000-2019 “National Russian Standard “Risk Management. Principles and Guidelines”
- GOST R ISO/MEC 31010-2011 “Risk Management. Risk Assessment Techniques”
- GOST R 51897-2011 “Risk Management. Terms and Definitions”
- International Standard ISO 31000-2018 “Risk Management – Guidelines”
- Code of Corporate Governance (letter of the Bank of Russia No 06-52/2463 of 10 April 2014 “On the Code of Corporate Governance”
- General instructions for development of risk management system, issued by Federal Agency for State Property Management
- Letter for information from the Bank of Russia No IN-06-28/143 Recommendations for risk management organization, internal control, internal audit, activities of the audit committees of boards of directors (supervisory boards) in public joint-stock companies.

### **RISK MANAGEMENT PROCESS PARTICIPANTS AND THEIR ROLES; LIAISON BETWEEN THEM WITHIN THE RMS FRAMEWORK**

The Board of Directors, Management, units and employees of the Company are participants in the risk management process. Their relevant responsibilities shall be allocated as follows:

- *The Board of Directors* shall be responsible for general monitoring of the effectiveness of the risk management process;
- *The Board of Directors’ Audit Committee* shall be responsible for drafting recommendations to the Board of Directors based on regular reviews and discussions with the Company Management of procedures established in the Company regarding risk assessment and management, including discussions of the major risks of the Company and measures being undertaken by the Company Management in order to monitor and control such risks. For the purpose of the review of the Risk Management Report the Board of Directors’ Audit Committee shall meet quarterly but at least twice a year in the form of personal attendance of its members.
- *The Company Management* shall be responsible for management of the Company most significant risks and regular monitoring of the Risk Management System performance;
- *The Internal Audit* shall undertake assessment and develop applicable recommendations following the evaluation of the Risk Management System performance in terms of: existing risk identification and detection of a possibility of new risk types emergence; accurate risk assessment; effectiveness of measures being undertaken to manage risks; reporting on the major risk status and status of measures undertaken to control such risks.
- *Units and employees of the Company* shall be responsible for risk management activities according to their assigned roles and duties;
- *Chief Risk Manager* shall ensure creation, implementation, performance monitoring of and maintaining in working order the risk management process in the Company. Risk Management Division is designated as the structural unit of the Company within the risk management functions. This Division shall administratively and functionally report to Chief Risk Manager.
- *The Company structural unit exercising internal control functions* shall ensure coordination of activities aimed at creation and maintaining the required performance of the internal control system. The setup of the internal control system in the Company shall be based on the risk-oriented approach.

Liaisons between participants in the Risk Management System in PJSC “Rostelecom” are shown in the picture below (Fig. 1).



**Fig. 1 Diagram of liaisons between participants in the Risk Management System in PJSC "Rostelecom"**

#### **IV. THE COMPANY STATEMENT REGARDING RISK MANAGEMENT**

The Company, recognizing that risks are inevitable in its financial and business activities has undertaken obligations regarding risk management in order to provide a reasonable guarantee that the objectives set by the Company shareholders, the Board of Directors and the Company Management will be met by the Company.

The Company pursues implementation and improvements of the Risk Management System that cover all the levels of the Company corporate management and all organizational units of the Company. Such system is an integral part of the corporate governance in the Company that is based on the principles identified in the Code of Corporate Governance of Rostelecom.

#### **V. STAGES OF THE RISK MANAGEMENT PROCESS**

Risk management process in the Company includes the following stages:

- Risk identification;
- Risk assessment;
- Identification of possible measures of response to risks;
- Development of measures to respond to risks;
- Monitoring the implementation status of measures of response to risks.

<sup>1</sup> The Company Management shall be involved in the activities of the Risk Committee as risk owners and owners of risk mitigation measures. The Committee membership includes 11 members of Risk Management Committee (President, Senior VPs, VPs). Rostelecom President is the Risk Management Committee's Chairperson.

<sup>2</sup> Subject to changes depending on the organizational structure of specific Affiliate.

<sup>3</sup> If applicable.

Detailed descriptions of procedures to be followed on each stage, and techniques of identification, assessment and management of specific risks shall be regulated in the Company pursuant to Regulations on the Integrated Risk Management System.

## **VI. PREFERRED RISK (RISK APPETITE)**

The Company risk appetite shall identify the risk level acceptable to the Company. The risk appetite amount shall be subject to approval by the Board of Directors at least once a year on the annual basis. Chief Risk Manager shall be responsible for the development of the methodology of risk appetite determination in the Company.

## **VII. RMS PERFORMANCE EVALUATION**

Internal independent evaluation of the RMS performance in the Company shall be undertaken by the internal audit unit at least once a year. Results of the RMS evaluation in the Company shall be approved by the Company Board of Directors upon their endorsement by the Audit Committee of the Board of Directors.

## **VIII. BASIC LIMITATIONS OF THE RMS**

The Risk Management System is aimed at ensuring a reasonable but not absolute guarantee that c objectives will be met. This limitation is attributed to the following:

- Risk identification and assessment cannot be absolutely precise and accurate as risks refer to the future which is always uncertain to some degree;
- Decision to undertake risk response measures are made taking into account the sufficiency and practicability of spending the Company resources;
- Some risks are beyond influence on the Company part.

## **IX. FINAL PROVISION**

The Company Risk Management Policy and amendments to and modifications of it shall be subject to approval by the Board of Directors after their endorsement by the Audit Committee of the Board of Directors.