

## Risk management system

DTEK Group conducts continuous development and improvement of the risk management system, which allows timely identification and response to changes, while maintaining efficiency and effectiveness of operations.

Since 2007, DTEK Group has been operating a risk management system using a three lines of defense model, which is integrated into the business processes of the Corporate Center and operating holdings companies. In 2018, a decision was made to switch to a centralized risk management system and consolidate the coordination of risk management processes, internal controls and insurance in the Directorate of Corporate Governance, Risk Management and Compliance. The main goal was to create a single center that will help integrate the risk management system into the corporate culture, enhancing efficiency in all key processes.

### Basic principles of risk management:

- timely detection;
- prevention of risks and mitigation of consequences at an acceptable level;
- key risk management based on regular analysis and impact assessment;
- monitoring of the efficiency of risk management measures;
- continuous improvement of the internal control and risk management system in accordance with the business environment.

In order to switch to a centralized risk management system, a new model of functional interaction for all participants of this system was approved, a program of key initiatives and projects was developed and successfully implemented, and the implementation of regulatory and procedural documents on the analysis of certain significant risks continues. In addition, business planning processes and approaches to managing business process models, financial controlling and reporting are being updated, new tools for risk analysis and management are being introduced. The methodological basis of integrated risk management is also expanding, including recommendations on business planning and business process risks, on assessing financial risks, as well as methodologies for monitoring and testing internal controls.

The Directorate of Corporate Internal Audit regularly assesses the efficiency of the risk management and internal control system, and also monitors the implementation of decisions to ensure and improve its efficiency. This kind of multi-level management system enhances operational security, contributing to transparency and improving communications.

## Centralized risk management model of the DTEK Group

A unified classification and a unified register of risks are used to analyze and flexibly manage the identified or implemented changes. An owner is appointed for each category of risk, and the terms and tasks of risk analysis are determined taking into account the characteristics and requirements of each business process. This approach allows for the development of areas of responsibility and monitoring risks at all levels of management, as well as to develop targeted response plans.



## Compliance and corporate ethics

DTEK Group conducts its business in full compliance with the regulatory requirements of the jurisdictions where its enterprises and companies operate. DTEK Group takes a zero-tolerance approach to corruption in all its forms and manifestations. Each employee must adhere to the Group's ethical business practices.

Since 2010, a special unit called the Compliance Service has been operating across DTEK Group under the supervision of the Compliance Officer. Its activities are constantly updated to reflect changes in the external operating environment. Today, its main responsibility is implementing a system of internal controls to minimize corruption risk, as well as the risk of economic sanctions and dissemination of insider information. Decisions and recommendations made by the Compliance Service are mandatory for all employees of DTEK Group.

The Service is overseen by the Director of Corporate Governance, Risk Management and Compliance, which is directly subordinate to the CEO of DTEK. The Director is a member of the Management Board at DTEK and reports to the Supervisory Boards of operating holdings companies.

Key mechanisms of DTEK Group's compliance system include active support from the Supervisory Boards and leadership from the holding companies. In addition, the Compliance Service has proposed initiatives to strengthen DTEK Group's compliance culture.

- Approval of policies and procedures. The level of rules and procedures provides for the participation of the Compliance Officer in the processes of coordination of regulatory documents of companies: regulations, policies and procedures.
- Assessment and management of compliance risks. The methodology for identifying and evaluating compliance risks is in place, for the management of which standard activities are identified and the risk appetite is regularly reviewed.
- Monitoring and testing of compliance controls. To assess the efficiency and adequacy of compliance controls, audits of corporate internal audit and of compliance services are carried out on the regular basis. Audit results are used to review compliance programs, as well as update regulations, policies and procedures.
- Relationships with contractors and intermediaries. Identification and risk assessment is carried out on the basis of risk appetite and assessment matrices of business partners for reliability, exposure to sanctions and corruption risks. All contracts with contractors include anti-corruption and anti-sanction

provisions, which is common practice in international companies, but so far is not popular among domestic businesses. The provision reflects changes in risk assessment and is designed taking into account the recommendations of national legislation, international principles and legislation, best foreign practices and experience in the enforcement of sanctions.

- Negotiating contracts that could potentially carry an increased corruption risk. There is a mandatory approval by the Compliance Officer of gratuitous transactions in the field of sustainability, charity, donation, representation of the interests of DTEK Group to third parties, mergers and acquisitions.
- Risk assessment of employees' conflicts of interest. Conflicts of interest are identified when employees are hired and promoted to another position or enterprise of DTEK Group. In addition, since 2011 at the disposal of employees there is an automated system to self-declare situations of potential conflict of interest. A annual declaration of conflict of interest is held, aimed at minimizing the risks of such situations.
- Reconciliation of business gifts and business hospitality. There is a system of accounting and coordination of business gifts and business hospitality, which has been automated since 2016. The Code of Ethics and Business Conduct, the Anti-Corruption Program, and internal rules set limits on the delivery and acceptance of business gifts and hospitality.
- Abuse reports and corporate investigations. DTEK Group employees and any third parties have the opportunity, including doing so anonymously, to report violations of the Code of Ethics and Business Conduct to the SCM trust line, which includes DTEK Group. The Compliance Service participates in corporate investigations for various categories of applications (as part of an investigation team or as an expert).
- Training of employees in ethical and anti-corruption standards, the basics of sanctions compliance. Since 2017, these areas are included in the training program for all employees. An appropriate e-course has been developed for distance learning. In addition, trainings are conducted monthly for managers and employees exposed to high compliance risk.