

CONTROL AND AUDIT

External auditor

LLC Ernst & Young LLC is the auditor of FPC's RAS and IFRS statements under Paid Services Agreement No.

FPK-20-115 dated 23 July 2020. The fee under the agreement is RUB 19,200,000.00, including 20% VAT of RUB 3,200,000.00.

Audit Commission

The Audit Commission is FPC's permanent internal control body responsible for regular control over financial and business activities of the Company, its branches and representative offices, officers of FPC's governance bodies and administrative units to ensure compliance with the laws of the Russian Federation, JSC FPC's Articles of Association and internal documents.

The Audit Commission acts in the best interests of FPC's shareholders and is accountable to the General Shareholders Meeting.

The Audit Commission is independent of officers of FPC's governance bodies and administrative units.

The Audit Commission is guided by applicable laws of the Russian Federation, JSC FPC's Articles of Association, the Regulations on the Audit Commission, and the Regulations on Remuneration and Reimbursement for Members of JSC FPC's Audit Commission.

The Audit Commission is composed of five members elected by the Board of Directors for a three-year term under the Articles of Association.

The Audit Commission as at the end of the reporting period was elected by resolution of FPC's Board of Directors in February 2020 (Minutes No. 12 dated 17 February 2020).

Composition of the Audit Commission

Name	Position ¹
Oksana Vinch	Deputy Head of a department at Zheldorkontrol Internal Control Centre, a business unit of Russian Railways
Virginia Kulikova	Chief Supervisor at Zheldorkontrol Internal Control Centre, a business unit of Russian Railways
Evgeniya Stepanyan	Acting Head of a department at Zheldorkontrol Internal Control Centre, a business unit of Russian Railways
Mark Terekhov	Head of the IFRS Consolidated Statements Department at Russian Railways
Yana Khlevetskaya	Deputy Head of Zheldorkontrol Internal Control Centre, a business unit of Russian Railways

¹ Positions as at the date of the election to JSC FPC's Audit Commission.

Yana Khlevetskaya was elected Chairwoman of the Audit Commission and Oksana Vinch was elected Secretary of the Audit Commission (Minutes No. 7 dated 22 September 2020).

Incentives for members of the Audit Commission are established by the Regulations on Remuneration and Reimbursement for Members of FPC's Audit Commission and imply the payment of remuneration for participation in every audit of the financial and business activities of the Company as well as additional remuneration.

The members of FPC's Audit Commission were paid RUB 200,145.00 for participation in the annual audit.

The resolution to pay additional remuneration to members of the Audit Commission is passed by FPC's Board of Directors in line with paragraph 15.1, subparagraph 24 of JSC FPC's Articles of Association.

According to resolution of the Board of Directors (Minutes No. 21 dated 26 May 2020), in 2020, members of the Audit Commission were paid additional remuneration totalling RUB 667,150.00.

The aggregate remuneration totalled RUB 867,295.00 in 2020.

Internal audit

FPC's Internal Audit Unit is responsible for the internal audit. The key objective of FPC's internal audit is to provide the Board of Directors and General Director with unbiased and independent information on the financial and business activities and the reliability and efficiency of risk management systems, internal controls and corporate governance practice to maintain financial stability, improve the efficiency and effectiveness of business processes, boost performance and achieve FPC's goals.

FPC's internal audit structure is aligned with the International Standards for the Professional Practice of Internal Auditing, the Bank of Russia's Corporate Governance Code and other Russian regulations.

In 2020, amid the pandemic, the Internal Audit department adapted its approaches to internal audit and revised the focus of audits, partially adjusting them to provide real-time assurance to governance bodies and thus enhance effective decision-making, as well as to look for cost optimisation opportunities.

A prompt response to external and internal changes made it possible to maintain the audit quality, improve competencies of the internal audit team and implement planned activities according to the Plan for Development of JSC FPC's Internal Audit Function.

In 2020, Elena Filatova was appointed Head of the Internal Audit Unit, bringing more than 10 years of experience in corporate finance and corporate governance at RZD Holding companies.