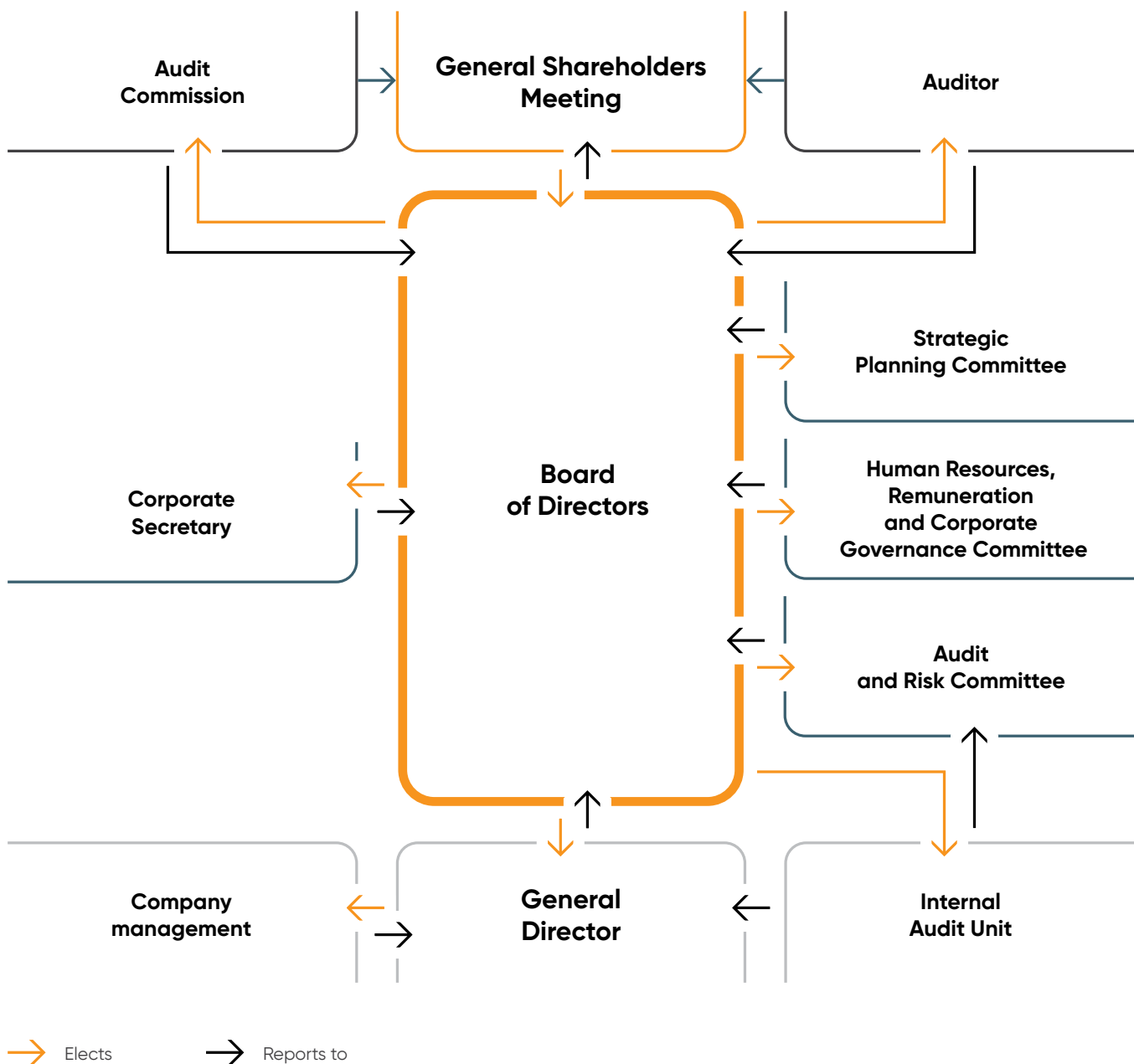


# Corporate governance model and practice

FPC's corporate governance model is built in line with Russian statutory requirements and is a multi-tier system of relationships between participants in the corporate governance process.

## The Company's corporate governance model



The Company's highest governance body is the General Shareholders Meeting, with the Board of Directors occupying a central position in the corporate governance system, and the management of the Company's day-to-day operations delegated to the General Director.

The General Director is accountable to the General Shareholders Meeting and the Board of Directors. The Board of Directors, in its turn, is accountable to FPC's General Shareholders Meeting.

The jurisdiction of all governance bodies is clearly defined and formalised in the Articles of Association.

The Company has adopted the Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC.

Matters reserved to the General Shareholders Meeting include:

- amendments and addenda to JSC FPC's Articles of Association and approval of a new version of the document
- reorganisation of the Company
- liquidation of the Company, appointment of a liquidation committee, and approval of interim and final liquidation balance sheets
- determination of the number, par value, and type (class) of authorised shares and rights attach to these shares
- resolution on the placement of bonds convertible into shares, and other issue-grade securities convertible into shares
- election of the Board of Directors and early termination of directors' powers
- approval of annual accounting (financial) statements
- distribution of the Company's profit (including payout (declaration) of dividends, except for the payout (declaration) of dividends for the first quarter, the first six months, and the first nine months of the reporting year) and loss in the reporting year
- payout (declaration) of dividends for the first quarter, the first six months, and the first nine months of the reporting year
- approval of interested party transactions or passing resolutions on their subsequent approval if the number of disinterested members of the Company's Board of Directors is less than half of the elected directors
- approval of major transactions or passing resolutions on their subsequent approval in cases stipulated by Article 79 of Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995
- approval of internal documents governing the activities of FPC's bodies
- resolution on the payment of remuneration and/or compensation to members of the Board of Directors
- resolution on filing an application to the Bank of Russia asking for an exemption from the obligation to disclose or provide information according to the Russian laws on securities.

The Board of Directors occupies a key position in FPC's corporate governance system. Its activities are governed by the Regulations on the Board of Directors of JSC FPC approved by the General Shareholders Meeting. Information on the activities of the Board of Directors is disclosed in the Annual Report and made available to shareholders.

The duties of the Board of Directors are to:

- determine FPC's priorities: design and approve the Company's development strategy and long-term development programme, as well as amendments and addenda thereto; review reports on their implementation
- approve FPC's budget and investment programme and amendments thereto; review the General Director's report on the Company's performance in the reporting period, including information on budget and investment programme performance; implement resolutions passed by the General Shareholders Meeting and the Board of Directors
- elect members of the Audit Commission and approve early termination of their powers
- approve the Company's Auditor and determine the relevant fee
- approve annual reports
- convene Annual and Extraordinary General Shareholders Meetings; approve the agenda of General Shareholders Meetings; determine the record date; and address other matters relating to the preparation and holding of General Shareholders Meetings
- approve the activity plan of the internal audit function and relevant annual performance reports; appoint and remove the head of internal audit
- determine FPC's policy on remuneration due to, and/or reimbursement (compensation) of costs incurred by, members of the Board of Directors
- review the results of performance evaluation of the Board of Directors and its members and committees, as well as of the Company's sole executive body
- determine the key performance indicators (KPIs) for FPC and its sole executive body and review KPI performance reports; approve a list of the Company's key managers and compile a list of their corporate KPIs
- determine the principles of, and approaches to, organising the risk management and internal control system at FPC
- establish acceptable risk levels (risk appetite, preferred risks).

For the full list of powers of the Board of Directors, see JSC FPC's Articles of Association.

Election of the General Director and the Corporate Secretary and appointment of members to the Board of Directors' committees are also reserved to the Board of Directors.

Three committees of the Board of Directors have been set up to preview the most important matters referred to the Board of Directors:

- Strategic Planning Committee
- Audit and Risk Committee
- Human Resources, Remuneration and Corporate Governance Committee

The committees' activities are governed by relevant regulations. The committees submit reports on their activities to the Board of Directors on an annual basis.

The Corporate Secretary ensures effective ongoing interaction with shareholders, coordinates the Company's efforts to protect shareholder rights and interests, and supports the activities of the Board of Directors. The Corporate Secretary is accountable to the Board of Directors. The Corporate Secretary's activities are governed by the Regulations on the Corporate Secretary approved by FPC's Board of Directors.

FPC has the standing Audit Commission and appoints its Auditor on an annual basis to provide shareholders with reliable and complete information on its financial and business activities.

The Company has its internal audit function – the Internal Audit Unit. The Regulations on JSC FPC's Internal Audit Organisation, Regulations on JSC FPC's Internal Audit Unit, and the unit's activity plan are approved by the Board of Directors. The Internal Audit Unit is accountable to the Board of Directors.

## Assessment of corporate governance quality

### Internal assessment of corporate governance quality

In 2020, the Internal Audit Unit assessed the Company's regulations and practices for compliance with regulatory requirements, including recommendations of the Bank of Russia's Corporate Governance Code, as well as compliance with FPC's internal documents.

Regulatory requirements for corporate governance practices were assessed in accordance with the Internal Audit Practice Guidelines No. PR.004-2018, Assessment of Corporate Governance Practices, in the following aspects:

- Shareholder rights protection, activities of the Board of Directors, and interaction of governance bodies
- Activities of the executive management team, including procedures for setting goals, monitoring and controlling their achievement
- Disclosure by the Company of information about its operations
- Corporate social responsibility and business ethics

The final result of the corporate governance practice assessment was 97% of the maximum overall score, which shows that the Company's corporate governance practice is mostly compliant with established regulatory requirements.

### The following findings/conclusions were drawn from the internal audit:

- FPC's current corporate governance regulations comply with the key recommendations of the Bank of Russia's Corporate Governance Code and do not contradict the Federal Law On Joint Stock Companies
- The Company complies with the information disclosure requirements established by the Federal Law On Joint Stock Companies and Regulations on Information Disclosure by Issuers of Issue-Grade Securities No. 454-P dated 30 December 2014
- To ensure the efficiency of corporate governance, the Company applies a systemic approach to the interconnection of all corporate governance elements. The Company has in place a KPI system linked to the remuneration system of FPC's General Director
- Timely disclosure of complete and reliable information about the Company increases transparency and enhances stakeholders' trust

The Internal Audit Unit provided recommendations on further enhancing the efficiency of corporate governance at FPC.