

BOARD OF DIRECTORS' REPORT

Structure of the Board of Directors

The Board of Directors is elected by FPC's annual General Shareholders Meeting in accordance with the Company's Articles of Association and is composed of nine members.

In June 2017, Sergey Zemlyansky, Sergey Kust, and Dmitry Pegov were newly elected to FPC's Board of Directors by the annual General Shareholders Meeting.

The mandates of the following Directors were terminated: Mikhail Akulov, Kirill Yankov, and Andrey Sergeev.

The Board of Directors, therefore, now has 1/3 of new members.

In July 2017, Sergey Maltsev was elected Chairman of the Board of Directors, and Dmitry Pegov was elected Deputy Chairman of the Board by a unanimous vote of Directors.



Serġey Maltsev

Events after the reporting date

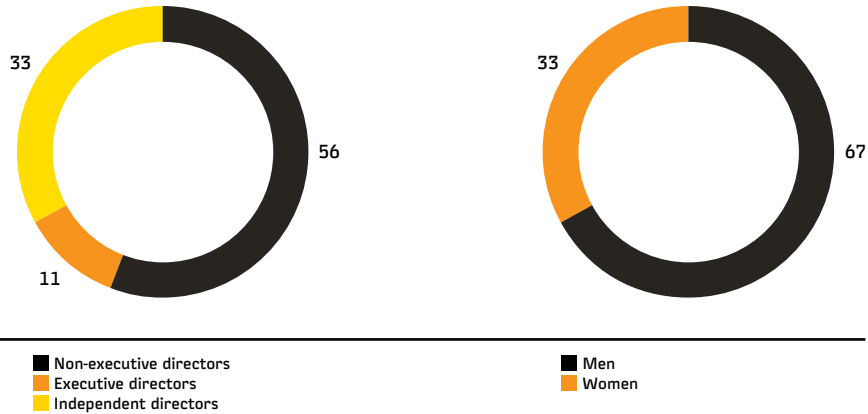
In February 2018, FPC's extraordinary General Shareholders Meeting resolved on early termination of the mandates of all the Directors and elected the new Board as follows: Pavel Burtsev, Vladimir Gaponko, Olga Gnedkova, Vera Evsegneeva, Sergey Zemlyansky, Petr Ivanov, Sergey Maltsev, Dmitry Pegov, Alla Saltykova.

Since 5 March 2018, Dmitry Pegov has acted as Chairman of the Board of Directors, and Vera Evsegneeva has acted as Deputy Chair of the Board of Directors.

Board of Directors' Membership in 2017

From 1 January 2017 to 30 June 2017	From 30 June 2017 to 31 December 2017
Mikhail Akulov	Dmitry Peġov
Olġa Gnedkova	Olġa Gnedkova
Irina Kostenets	Irina Kostenets
Serġey Maltsev	Serġey Maltsev
Petr Ivanov	Petr Ivanov
Maxim Shneider	Maxim Shneider
Andrey Serġeev	Serġey Zemlyansky
Kirill Yankov	Serġey Kust
Alla Saltykova	Alla Saltykova

Structure of the Board of Directors, %



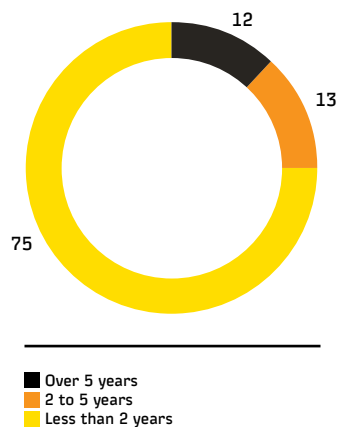
FPC’s Board of Directors performs efficiently due to a balanced composition of members in terms of their age and gender: the Board includes three women and six men from different age groups, allowing the Board members to have a deep insight into agenda items.

Independent directors play an important role in the Board, and their fresh insight helps improve the quality of management decisions. FPC meets the recommendations of the Corporate Governance Code as to members of the Board of Directors: the share of executive directors on the Board is less than 1/4, and the share of independent directors is 1/3.

To gain a prompt and efficient insight into FPC’s production, financial and business operations, the new independent director Sergey Zemlyansky has had an induction training course under the Induction Programme for Newly Elected Members of JSC FPC’s Board of Directors as approved by the Board in December 2015.

As part of the induction training, FPC organised office meetings with the General Director and Deputy General Directors and site visits to the Situation Centre and the Company’s facilities.

Length of service on the Board



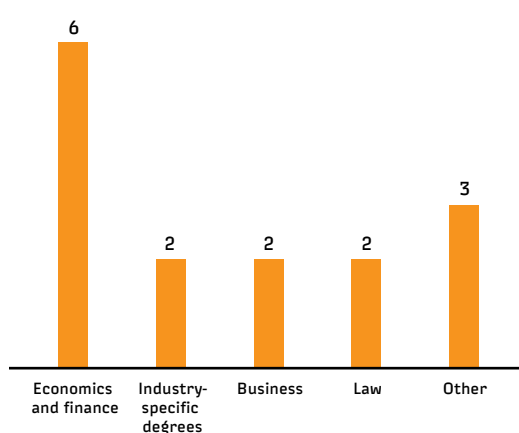
Director Olga Gnedkova has been a continuous Board member since first elected by the founders’ meeting in 2009.

Director Irina Kostenets has over four years’ experience on FPC’s Board of Directors.

Educational background, skills, and experience of the Board members

Members of FPC’s Board of Directors have an impeccable business and personal reputation and an extensive track-record in the rail transport and related industries, which ensures effective decision-making within the jurisdiction of the Board.

Educational background¹

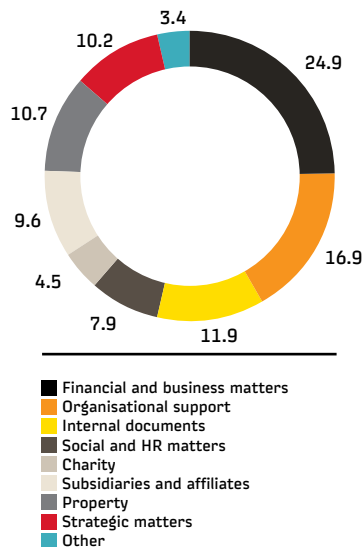
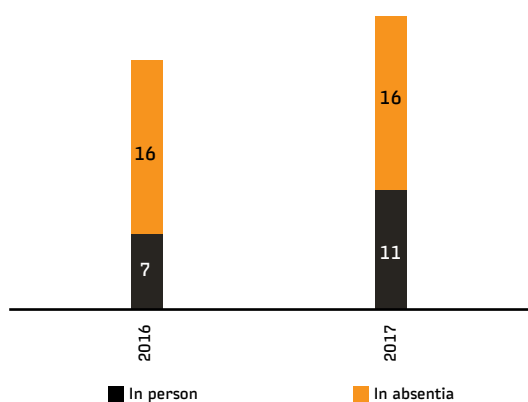


¹ Directors Petr Ivanov, Irina Kostenets, Alla Saltykova, Sergey Kust, and Sergey Zemlyansky each have two or more higher education degrees. Director Olga Gnedkova has an academic degree.

Meetings of the Board of Directors

In 2017, 27 meetings of FPC’s Board of Directors were held, including 16 meetings in absentia and 11 meetings in person. The Board reviewed 177 matters during 2017.

Statistics of the matters reviewed by the Board of Directors in 2017, %



Key Resolutions of the Board of Directors in 2017

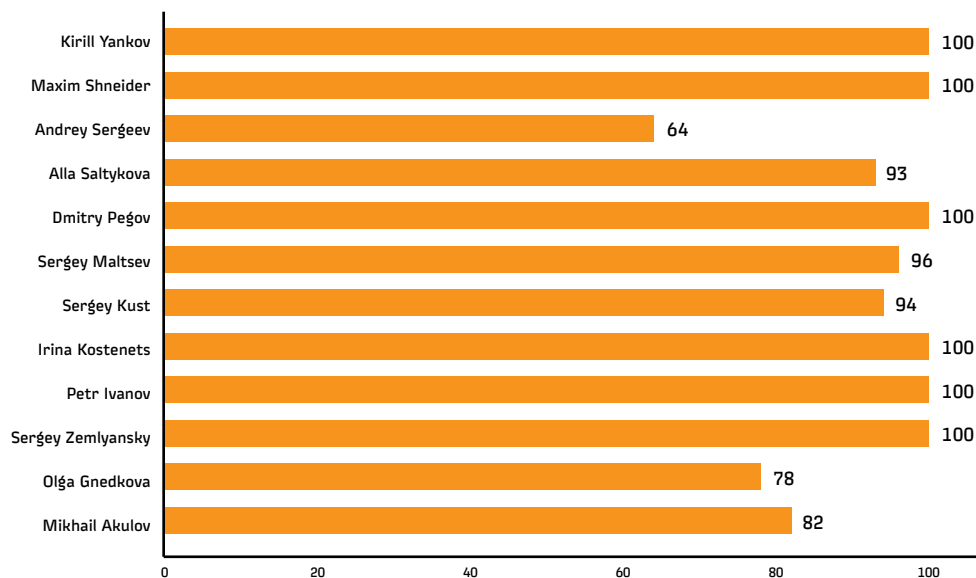
1. Approved the Procedure for Planning, Reviewing, and Monitoring the Implementation of, Initiatives to Enhance the Reliability of Technical Means and Reduce Technical Failures at JSC FPC
2. Approved the new version of the Procedure for Budgeting and Budget Performance Monitoring at JSC FPC
3. Approved the 001R Exchange-Traded Bonds Programme and the Exchange-Traded Bond Prospectus for the bonds placed thereunder
4. Approved JSC FPC's Budget for 2017
5. Approved JSC FPC's IT Programme for 2017
6. Approved the Procedure for Determining Nominees to the Position of JSC FPC's Auditor
7. Adopted the Traffic Safety Policy of RZD Holding
8. Approved the Regulations on JSC FPC's Debt Policy
9. Approved the new version of the Standard Payment Terms for contracts signed with counterparties on behalf of FPC, in which FPC is the payer
10. Approved the Regulations on JSC FPC's Corporate Secretary
11. Approved the draft version of JSC FPC's 2030 Development Strategy
12. Approved the Programme for Disposal of JSC FPC's Non-Core Assets
13. Approved JSC FPC's Cost Optimisation Programme for 2017
14. Approved JSC FPC's Insurance Coverage Programme for 2018
15. Approved the Resolution on the Issuance of Additional Shares of JSC FPC
16. Approved JSC FPC's Budget adjustments for 2017
17. Approved candidate Deputy General Directors and Heads of FPC's Branches; approved changes to FPC's organisational structure

Attendance at meetings of FPC's Board of Directors by members of the Board of Directors in 2017

Name	In-person Board meeting ¹	In-absentia Board meeting
Mikhail Akulov	5(1)/6	4/5
Olga Gnedkova	7(2)/11	14/16
Petr Ivanov	11/11	16/16
Irina Kostenets	11(7)/11	16/16
Sergey Maltsev	10/11	16/16
Alla Saltykova	11(1)/11	14/16
Andrey Sergeev	2(2)/6	5/5
Maxim Shneider	11(2)/11	16/16
Kirill Yankov	6(1)/6	5/5
Sergey Zemlyansky	5(1)/5	11/11
Sergey Kust	4/5	11/11
Dmitry Pegov	5(1)/5	11/11

¹ The format "5(1)/7" in the table means that the concerned Director personally attended five of seven meetings, and participated in one in-person meeting by submitting a written opinion.

Attendance at Board meetings by individual members in 2017



The annual General Shareholders Meeting (Resolution No. 33 dated 30 June 2017) elected Sergey Zemlyansky, Sergey Kust, and Dmitry Pegov to the Board of Directors.

Directors do not hold the Company's shares; no claims were filed in 2017 against members of the Board of Directors in relation to their performance of duties as Directors.

The mandates of Directors Mikhail Akulov, Andrey Sergeev and Kirill Yankov were terminated.

FPC did not extend any loans to members of the Board of Directors.

No conflicts of interest were identified at the Board level.

Members of the Board of Directors provided timely information to the Board about the circumstances that could potentially lead to a conflict of interest,

including information about interests related to any given transaction.

To avoid any conflict of interest, members of the Board of Directors did not vote on transactions in which they had an interest.

Remuneration of members of the Board of Directors

The principles regarding motivation for members of FPC's Board of Directors, as well as payment of compensation / reimbursement of expenses to members of the Board of Directors are set out in the Regulations on Remuneration and Reimbursement for Members of FPC's Board of Directors.

A Director's remuneration consists of two parts: remuneration for involvement in the activities of the Board of Directors and annual remuneration.

A Director's remuneration for attendance at the Board meetings (irrespective of the form) equals three times the minimum wage at Russian Railways.

Aggregate Director's remuneration for attendance at the Board meetings may not exceed the limit set out in the Regulations on Remuneration and Reimbursement for Members of the Board of Directors of JSC FPC.

This remuneration is not payable if the Company has losses above an anticipated level as at the last reporting date preceding the date when the Board meeting is held.

The level of a Director's annual remuneration depends on his/her personal attendance at the Board meetings and personal contribution to the Company's results.

The Regulations also provide for the payment of an extra 50% and 25% to Chairman and Deputy Chairman of the Board of Directors, respectively, for performing their roles.

Members of FPC's Board of Directors are reimbursed for expenses incurred when travelling to the venue of the Board meetings or making other trips as part of their duties as members of FPC's Board of Directors.

Non-executive and independent directors are not eligible for pension contributions, insurance programmes, investment programmes, or other benefits and privileges.

In 2017, the remuneration (including annual remuneration) paid to members of the Board of Directors totalled RUB 15,292,075.