

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is a consultative and advisory body of the Board of Directors, whose resolutions are of an advisory nature.



Alla Saltykova

The Committee's goals and objectives

Accounting (financial) statements



Monitor the completeness, accuracy, and integrity of FPC's accounting (financial) statements; review the material aspects of FPC's Accounting Policies; participate in reviewing material matters and judgements relating to FPC's accounting (financial) statements; approve the draft budget, investment programme, and relevant performance reports

Risk management and internal control



Monitor the risk management and internal control systems for reliability and effectiveness; review the effectiveness of risk management and internal control procedures; prepare proposals for their improvement; review and assess the implementation of the risk management and internal control policy

Internal and external audit



Monitor the performance of the system of alerting on potential fraud being committed by FPC's employees or third parties; oversee special investigations of potential fraud, misuse of insider or confidential information; monitor the implementation of measures taken by the Company in response to reports of suspected fraud or other violations

Combating malpractice by FPC's employees or third parties

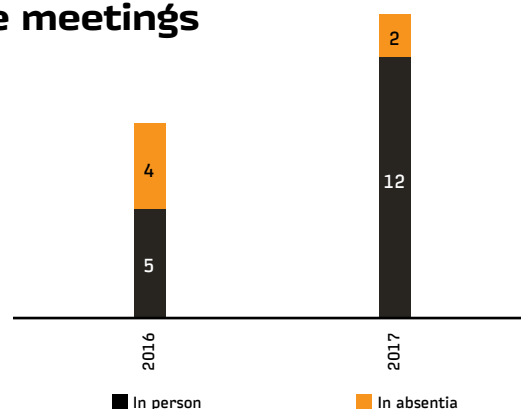


Ensure independent and unbiased approach of the internal audit function, and review its effectiveness; review the Company's internal audit policy and internal audit plan; assess nominees to the Company's auditors and make proposals on the auditor's remuneration; oversee external audits and assess audit quality and auditors' reports

Statistics on the Committee meetings

In 2017, the Committee held a total of 14 meetings: twelve meetings in person and two meetings in absentia.

In 2017, the Audit and Risk Committee discussed 76 agenda items.



Key items discussed by the Committee

On the Committee's initiative, the Board of Directors reviewed and supported the need to set up the internal audit function; appropriate re-organisational measures and tendering procedures to select the Head of the Internal Audit Unit were initiated and completed in 2017. In 2018, the Internal Audit Unit functionally reporting to the Board of Directors began its operation.

As instructed by the Committee, an external consultant assessed the status and maturity of the risk management system, and provided recommendations on its further enhancement. On the Committee's initiative, a number of measures were taken to set up reviewing and decision-making mechanisms within the risk management system, and the package of documents to enhance the risk management system was finalised.

The Committee reviewed regulatory changes and their impact on the Company, as well as amendments to JSC FPC's Accounting Policy for accounting under the Russian Accounting Standards, the International Financial Reporting Standards, and for tax purposes.

The Committee reviewed the audit results of FPC's accounting (financial) statements, FPC's consolidated financial statements for 2016, and interim statements for 6M 2017. The Committee held a number of meetings attended by the external auditor (to review the auditor's reports, audit planning matters, key risks, the external auditor's recommendations, as well as the implementation of the external auditor's recommendations).

The Committee reviewed forecasts and the draft budget, including investments, as well as JSC FPC's Budget adjustments for 2017.

The Committee reviewed plans and reports on the functioning of the system for combating malpractice by employees or third parties, including the results of the hotline complains handling.

On a quarterly basis, the Committee reviewed the reports on the operation of FPC's Internal Audit Centre (Control and Audit Centre) in relevant periods. The Committee provided recommendations on controls to ensure implementation of the Centre's recommendations.

The Committee's plans for 2018



1. Review the General Director's report on FPC's financial and business performance in 2017
2. Review the audit reports on FPC's RAS accounting (financial) statements and IFRS consolidated financial statements for 2017
3. Review FPC's accounting statements for 2017, including the profit and loss statements, and provide opinion on whether and how FPC's net profit for 2017 can be distributed
4. Propose nominees for voting on the "Approval of FPC's Auditor" agenda item at the annual General Shareholders Meeting. Review nominees to the position of external auditor, and material terms of the relevant agreement and service fee
5. Review reports on risk management system performance at FPC, discuss recommendations on system enhancements
6. Review matters relating to the enhancement of the internal audit procedure at FPC

On 7 February 2017 (Minutes No. 15), the Board of Directors approved changes in the Committee membership – due to the termination of

employment at Russian Railways, Andrey Derin was removed from office before the expiration of his term, and Fyodor Kuzin was elected.

Changes in the Committee's membership in 2017¹

Members of the Audit Committee from January to 7 February 2017

Alla Saltykova, Chair of the Committee, Deputy Executive Director of the Forum Analytical Centre, independent director

Olga Gnedkova, Deputy CEO – Chairman of the Management Board, Russian Railways

Elena Chamortseva, Deputy Head of Zheldorkontrol Internal Control Centre, a business unit of Russian Railways

Sergey Milokhin, Head of the IFRS Consolidated Statements Department at the Accounting Service, Russian Railways

Andrey Derin, Deputy Head of the Subsidiaries and Affiliates Management Department, Russian Railways

Alexander Muslovets, Deputy General Director of FPC for Economics and Finance

Alexander Ananyev, Deputy Head of the Department of Economics, Russian Railways

Members of the Audit Committee from 7 February to 21 July 2017

Alla Saltykova, Chair of the Committee, Deputy Executive Director of the Forum Analytical Centre, independent director

Olga Gnedkova, Deputy CEO – Chairman of the Management Board, Russian Railways

Elena Chamortseva, Deputy Head of Zheldorkontrol Internal Control Centre, a business unit of Russian Railways

Sergey Milokhin, Head of the IFRS Consolidated Statements Department at the Accounting Service, Russian Railways

Fyodor Kuzin, Head of the Subsidiary Relations Unit at the Subsidiaries and Affiliates Management Department, Russian Railways

Alexander Muslovets, Deputy General Director of FPC for Economics and Finance

Alexander Ananyev, Deputy Head of the Department of Economics, Russian Railways

¹ Positions as at the date of election to the Committee.

On 21 July 2017 (Minutes No. 1), the Board of Directors resolved to elect a new Committee. On 19 September 2017 (Minutes No. 4), the Board of Directors resolved to change the name of the Audit Committee of FPC's Board of Directors to the Audit and Risk Committee of FPC's Board of Directors,

as well as to expand and approve the Committee's membership of eight members.

The Committee is led by Alla Saltykova as an independent director.

Changes in the Committee's membership in 2017

Membership of the Audit Committee 21 July – 19 September 2017	Membership of the Audit and Risk Committee 19 September – December 2017
Alla Saltykova, Chair of the Committee, Deputy Executive Director of the Forum Analytical Centre, independent director	Alla Saltykova, Chair of the Committee, Deputy Executive Director of the Forum Analytical Centre, independent director
Fyodor Kuzin, Head of the Subsidiary Relations Unit at the Subsidiaries and Affiliates Management Department, Russian Railways	Fyodor Kuzin, Head of the Subsidiary Relations Unit at the Subsidiaries and Affiliates Management Department, Russian Railways
Elena Chamortseva, Deputy Head of Zheldorkontrol Internal Control Centre, a business unit of Russian Railways	Elena Chamortseva, Deputy Head of Zheldorkontrol Internal Control Centre, a business unit of Russian Railways
Sergey Milokhin, Head of the IFRS Consolidated Statements Department at the Accounting Service, Russian Railways	Olesya Chernysheva, Head of the Accounting Department, Russian Railways
Elena Filatova, Advisor to the Economics and Finance Director, Russian Railways	Elena Filatova, Advisor to the Economics and Finance Director, Russian Railways
Alexander Muslovets, Deputy General Director of FPC for Economics and Finance	Alexander Muslovets, Deputy General Director of FPC for Economics and Finance
Alexander Ananyev, Deputy Head of the Department of Economics, Russian Railways	Alexander Ananyev, Deputy Head of the Department of Economics, Russian Railways
	Gleb Zaznov, Head of the Risk Management Development and Outsourcing Centre, a business unit of Russian Railways

The Audit Committee acting from January to 7 February 2017 held one meeting in person.

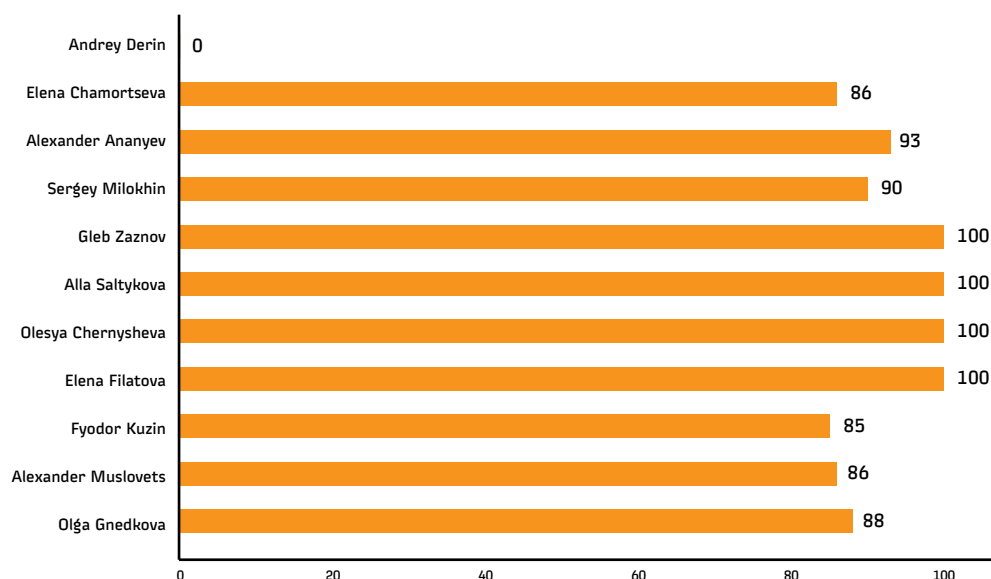
No in-absentia meetings were held.

The Audit Committee acting from 7 February to 21 July 2017 held six meetings in person and one meeting in absentia.

The Audit Committee acting from 21 July to 19 September 2017 held two meetings in person. No in-absentia meetings were held.

The Audit and Risk Committee acting from 19 September to December 2017 held three meetings in person and one meeting in absentia.

Statistics on individual attendance of the Committee meetings in 2017, %



In 2017, the remuneration (including annual remuneration) paid to members of the Committee totalled RUB 5,496,982.

Events after the reporting date

On 5 March 2018, FPC's Board of Directors:

- determined the membership of the Audit and Risk Committee of FPC's Board of Directors at nine members
- resolved to elect the following persons to the Audit and Risk Committee of FPC's Board of Directors:
 - Alla Saltykova, Independent Director, FPC
 - Alexander Ananyev, Deputy Head of the Department of Economics, Russian Railways
 - Mikhail Beskhmel'nitsyn, Head of the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways
 - Fyodor Kuzin, Head of Unit at the Subsidiaries and Affiliates Management Department, Russian Railways
 - Gleb Zaznov, Head of the Risk Management Development and Outsourcing Centre, a business unit of Russian Railways
 - Elena Filatova, Advisor to the Economics and Finance Director, Russian Railways
 - Elena Chamortseva, Deputy Head of Zheldorkontrol Internal Control Centre, a business unit of Russian Railways
 - Olesya Chernysheva, Head of the Accounting Department, Russian Railways
 - Alexander Muslovets, Deputy General Director, FPC
- unanimously elected Alla Saltykova, FPC's Independent Director, the Chair of the Audit and Risk Committee of FPC's Board of Directors.



Sergey Zemlyansky

REPORT OF THE HUMAN RESOURCES, REMUNERATION, AND CORPORATE GOVERNANCE COMMITTEE

The Human Resources, Remuneration, and Corporate Governance Committee is a consultative and advisory body of the Board of Directors, whose resolutions are of an advisory nature. The Committee's main goal – to assist the Board of Directors' efficient operation in developing corporate governance, efficient HR planning, and effective and transparent remuneration practice in the Company – is achieved through addressing the following tasks.

The Committee's goals and objectives

Effective and transparent remuneration practice



Develop and regularly review the Company's policy on remuneration of members of the Board of Directors and executive bodies, and other key managers; make recommendations on the levels of remuneration and reimbursement for members of the Boards of Directors and Audit Commissions of FPC and its subsidiaries and affiliates; define material terms of contracts with FPC's executive officers; authorise FPC's General Director to serve in governing bodies or hold other paid positions in other companies; oversee the disclosure of information on remuneration levels, policy and practice, and on shareholdings in the Company by members of the Board of Directors and members of collective executive bodies in the Annual Report and on FPC's website

HR planning



Develop an induction programme for newly elected members of the Company's Board of Directors and oversee its implementation; develop a training and development programme for members of the Board of Directors and oversee its implementation; analyse the current and anticipated needs of the Company regarding the professional qualifications of members of its executive bodies and other key managers, and ensure succession planning for these positions; discuss, review, and make recommendations to the Company's Board of Directors as to appointments of, the Company's representatives to supreme governing bodies of its subsidiaries and affiliates, and nominate candidates to the Boards of Directors and Audit Commissions of the Company's subsidiaries and affiliates; approve candidates to positions of the Company's executive officers and to certain positions in the Company's administration as determined by FPC's Board of Directors

Development and improvement of the corporate governance practice

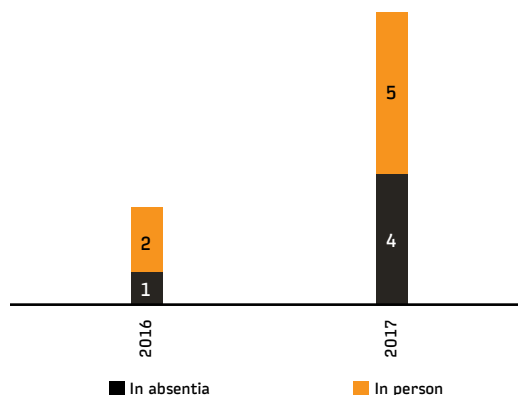


Monitor compliance with the Company's information policy; monitor reliability and effectiveness of the corporate governance system; review the effectiveness of the corporate governance practice and make proposals for its improvement; monitor procedures which ensure FPC's compliance with Russian laws on corporate governance; define the conflict of interest management policy and review and assess its implementation

Statistics on the Committee meetings

In 2017, the Committee held nine meetings: five meetings in person and four meetings in absentia.

During the period, the Committee discussed 33 agenda items.



Key items discussed by the Committee

Approved nominee heads of FPC's branches.

Approved the Regulations on the Corporate Secretary of JSC FPC.

Approved the amendments to the terms of the employment contract with FPC's General Director.

Reviewed FPC's proposals on aggregating FPC's branches.

Reviewed proposed changes to the organisational structure of the Company's administration.

Provided recommendations on the incentives for FPC's General Director.

Reviewed FPC's General Director's quarterly reports on the Company's social and HR policy and the implementation of the resolutions of FPC's Board of Directors.

The Committee's plans for 2018

The following items are planned to be reviewed in 2018:



1. Review the General Director's report on FPC's performance in 2017 and Q1 2018
2. Provide recommendations on the amount of FPC's General Director's bonus
3. Determine the levels of remuneration for members of FPC's Audit Commission and Board of Directors
4. Review the report on the Committee's performance in the corporate year 2017/2018

The Committee was set up by resolution of FPC's Board of Directors to assist the Board's efficient operation in:

- developing and improving the corporate governance system and practice
- managing relationships between the Company's shareholders, the Board of Directors, and executive bodies
- interaction with the Company's subsidiaries
- HR planning professional composition and efficiency of the Board of Directors
- establishing effective and transparent remuneration practice in the Company.

Members of the Committee are appointed by resolution of the Company's Board of Directors based on the Directors' proposals.

In July 2017, FPC's Board of Directors resolved to form the Committee of six members.

The Committee is led by Sergey Zemlyansky as an independent director.

Changes in the Committee's membership in 2017

Members of the Committee in January – June 2017

Maxim Shneider, Deputy Head of the Passenger Services Management Department, Russian Railways; Chairman of the Committee

Lyudmila Paristaya, Deputy General Director, FPC; Deputy Chairman of the Committee

Nikolay Zakharov, First Deputy Head of the Personnel Management Department, Russian Railways

Andrey Tikhomirov, First Deputy Head of the Employment, Remuneration, and Motivation Department, Russian Railways

Sergey Kust, Head of the Subsidiaries and Affiliates Management Department, Russian Railways

Andrey Sergeev, Independent Director

Members of the Committee in July – December 2017

Sergey Zemlyansky, Independent Director, FPC; Chairman of the Committee

Lyudmila Paristaya, Deputy General Director, FPC; Deputy Chairman of the Committee

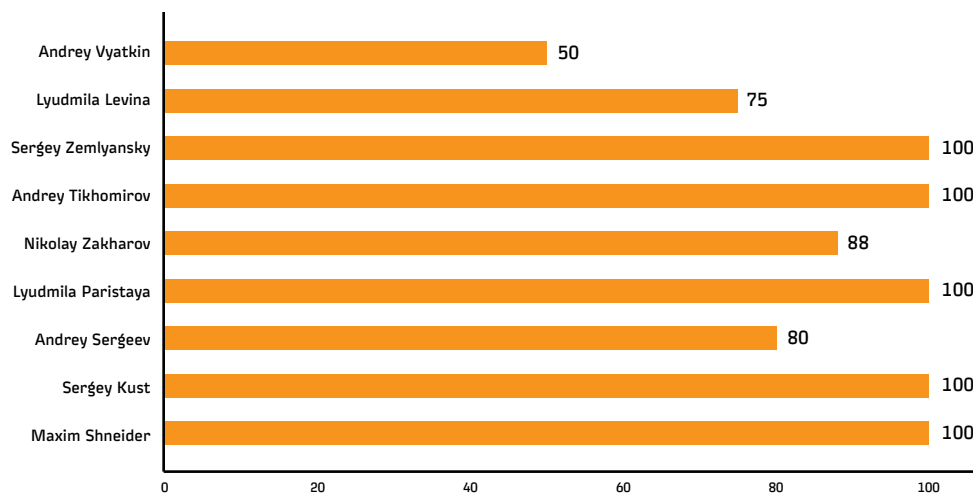
Nikolay Zakharov, First Deputy Head of the Personnel Management Department, Russian Railways

Andrey Tikhomirov, First Deputy Head of the Employment, Remuneration, and Motivation Department, Russian Railways

Lyudmila Levina, Head of Unit at the Subsidiaries and Affiliates Management Department, Russian Railways

Andrey Vyatkin, Advisor to the General Director of VEB-leasing

Statistics on individual attendance of the Committee meetings in 2017, %



In 2017, the remuneration (including annual remuneration) paid to the members of the Committee totalled RUB 3,187,276.

Events after the reporting date

On 5 March 2018, FPC's Board of Directors:

- determined the membership of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors at six members

- resolved to elect the following persons to the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors:

- Sergey Zemlyansky, Independent Director, FPC
- Nikolay Zakharov, First Deputy Head of the Personnel Management Department, Russian Railways
- Lyudmila Levina, Head of the Unit for Relations with Subsidiaries' and Affiliates' Governing and

Control Bodies at the Subsidiaries and Affiliates Management Department, Russian Railways

- Andrey Tikhomirov, First Deputy Head of the Employment, Remuneration, and Motivation Department, Russian Railways
 - Vladimir Gaponko, Head of the Economics Department, Russian Railways
 - Lyudmila Paristaya, Deputy General Director, FPC
- elected Sergey Zemlyansky, FPC's Independent Director, the Chairman of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors.



REPORT OF THE STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee is a consultative and advisory body of the Board of Directors, set up to enable the Board of Directors to increase the Company's long-term performance, whose resolutions are of an advisory nature.

Dmitry Pečov

The Committee's goals and objectives



Determine strategic goals of FPC's activities; participate in the development of the Company's Strategy, and monitor its implementation; make recommendations to the Board of Directors on adjustments to the Company's existing Strategy



Determine the Company's business priorities



Preview, and make recommendations to the Board of Directors on, the following:

- The Company's dividend policy
- The Company's investment policy, including the establishment of key principles for the development of the investment policy
- The Company's membership in other entities (including direct or indirect acquisition and disposal

- of interests in the share capitals of such entities and imposing a charge on shares or interests)
- Approval of, and adjustments to, the Company's annual budget and investment programme, and approval of the relevant performance report
- Determining the amount of dividend on shares
- Approval of the Company's material transactions



Assess the Company's long-term performance



Assess voluntary and mandatory offers for the Company's securities



Review the Company's financial model and a model for valuation of its business and business segments



Consider reorganisation or liquidation of the Company and its controlled entities



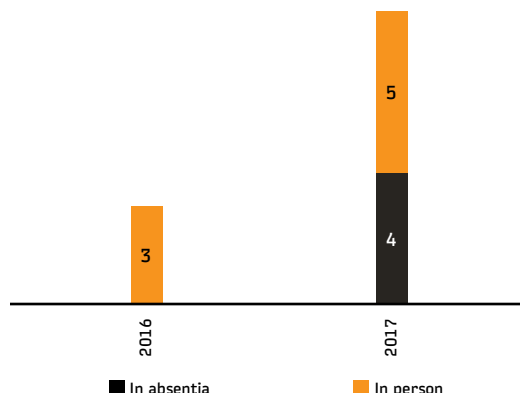
Consider changes to the organisational structure of the Company and its controlled entities



Consider reorganisation of business processes in the Company and its controlled entities

Statistics on the Committee meetings

In 2017, the Committee held nine meetings: five meetings in person and four meetings in absentia, and discussed 24 agenda items.



Key items discussed by the Committee

Reviewed JSC FPC's 2030 Development Strategy and the Company's development priorities.

Reviewed the Stabilisation and Development Plan for JSC FPC-Logistics for 2017–2018.

Reviewed the Progress Report on FPC's Strategy implementation in 2016 and 1H 2017.

Reviewed the Company's proposals on aggregating FPC's branches.

Reviewed FPC's Annual Report for 2016 and proposals on the payout (declaration) of the full year dividend for 2016.

The Committee's plans for 2018



1. Review JSC FPC's Budget for 2018–2020 and JSC FPC's Investment Programme for 2018–2020 as part of JSC FPC's Budget for 2018–2020
2. Review JSC FPC's 2030 Development Strategy
3. Review FPC's draft Annual Report for 2017
4. Consider payment of the full year dividend for 2017

The Committee's membership in 2017

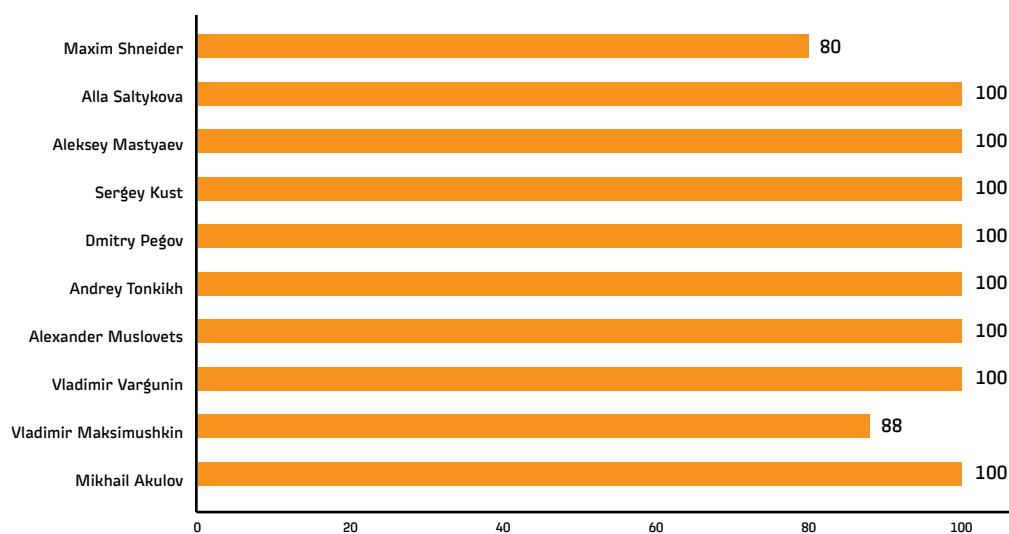
In July 2017, FPC's Board of Directors determined the membership of the Strategic Planning

Committee of FPC's Board of Directors at seven members.

Changes in the Committee's membership in 2017

Members of the Committee in January – June 2017	Members of the Committee in July – December 2017
Mikhail Akulov, Advisor to the President of Russian Railways, member of FPC's Board of Directors; Chairman of the Committee	Dmitry Pečov, Passenger Transportation Director, Russian Railway; Chairman of the Committee
Alexander Muslovets, Deputy General Director, FPC	Sergey Kust, member of FPC's Board of Directors; Deputy Chairman of the Committee
Vladimir Varğunin, Head of the Department of Tariff Methodology, Expertise, Analysis, and Application of Tariffs in Freight and Passenger Transport, Russian Railways	Vladimir Maksimushkin, First Deputy Head of the Economic Environment and Strategic Development Department, Russian Railways
Vladimir Maksimushkin, First Deputy Head of the Economic Environment and Strategic Development Department, Russian Railways; Deputy Chairman of the Committee	Aleksey Mastyaev, Referent of the Department for the State Regulation of Tariffs, Infrastructure Reforms, and Energy Efficiency of the Ministry of Economic Development of the Russian Federation
Andrey Tonkikh, Head of the Department of Business Project Management, Russian Railways	Alexander Muslovets, Deputy General Director, FPC
	Alla Saltykova, Independent Director, FPC
	Maxim Shneider, member of FPC's Board of Directors

Statistics on individual attendance of the Committee meetings in 2017, %



In 2017, the remuneration (including annual remuneration) paid to the members of the Committee totalled RUB 2,597,039.

Events after the reporting date

On 5 March 2018, FPC's Board of Directors:

- determined the membership of the Strategic Planning Committee of FPC's Board of Directors at eight members
- resolved to elect the following persons to the Strategic Planning Committee of FPC's Board of Directors:
 - Dmitry Pegov, Passenger Transportation Director, Russian Railway
 - Pavel Burtsev, Head of the Passenger Services Management Department, Russian Railways
 - Vladimir Gaponko, Head of the Economics Department, Russian Railways
 - Vladimir Maksimushkin, First Deputy Head of the Economic Environment and Strategic Development Department, Russian Railways
 - Elena Vilchinskaya – Advisor to the Head of Moscow Metro on Legal Matters
 - Petr Ivanov, General Director, FPC
- Unanimously elected Dmitry Pegov, Passenger Transportation Director at Russian Railways, the Chairman of the Strategic Planning Committee of FPC's Board of Directors.

GENERAL DIRECTOR

The management of FPC's day-to-day operations is delegated to the General Director as the sole executive body.

The General Director acts as Chairman of the Company's Science and Technology Board, and also Chairman of the Board of the Heads of the Company's Branches.

The General Director is accountable to FPC's shareholders and the Board of Directors and submits quarterly reports to the Board on the Company's performance (budget performance, contract work performance, HR policy, credit policy, social programmes, insurance coverage, implementation of the Board's resolutions).

The Board of Directors resolves on the election of the Company's General Director, termination of his/her powers, and approves the terms of his employment contract, including remuneration and termination.

The General Director is responsible for timely and quality budgeting and budget performance at the Company, preparing budget performance reports, and organising activities at the Company's branches.

On 25 January 2016, Petr Ivanov was elected FPC's General Director for a three-year term by resolution of the Board of Directors.



Petr Ivanov