

The tasks of the Corporate Secretary are to:

- ensure that the governing bodies and the Company's employees comply with applicable laws, the Company's Articles of Association and internal documents ensuring the exercise of rights and legitimate interests of shareholders
- ensure the Company's shareholder relations and protection of shareholders' rights and property interests
- provide organisational support to the Company's Board of Directors
- develop the Company's corporate governance practice.



**Alexander Andryushin**  
Corporate Secretary

Year of birth: 1975  
Nationality: Russian Federation.

### Education:

He graduated from St Petersburg State University with a degree in Law. Currently is studying at the Financial University under the Government of the Russian Federation majoring in Financial Management.

### Experience:

From April 2003, he worked in the Legal Division of the Ministry of Railways of the Russian Federation, and from October 2003, he worked in the Legal Department at Russian Railways.

From September 2015, he worked in units of the Passenger Services Management Department at Russian Railways.

Since June 2017, he has served as Corporate Secretary at Russian Railways.

While working at Russian Railways, he was a member of the Board of Directors of the Russian-Finnish Company Oy Karelian Trains operating the Allegro project, and the Chairman of the Board of Directors at High-Speed Lines

## EXTERNAL AUDITOR

To audit and verify the Company's annual financial statements, the General Shareholders Meeting approves an external auditor on an annual basis.

In 2017, the General Shareholders Meeting approved LLC Ernst&Young as the Company's Auditor for 2017 to audit FPC's financial statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS), and the Group's IFRS consolidated financial statements.

## 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, officers of

governing bodies and administrative units to ensure compliance with the laws of the Russian Federation, the Company's Articles of Association and internal documents.

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

The Audit Commission is independent of officers of the Company's governing bodies and administrative units. FPC's Audit Commission is guided by applicable laws of the Russian Federation, FPC's Articles of Association, the Regulations on the Audit Commission, and the Regulations on Remuneration and Reimbursement for Members of FPC's Audit Commission.

The Audit Commission is composed of five members elected annually by the annual General Shareholders Meeting in accordance with the Articles of Association. FPC's employees are not elected to the Audit Commission.

In June 2017, the annual General Shareholders Meeting of FPC elected members of the Audit Commission as follows:

- Fyodor Kuzin
- Olga Mazhuolite
- Virginia Kulikova
- Elena Chamortseva
- Elena Yudina.

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 payment of remuneration for participation in every audit of the financial and business activities of the Company as well as annual remuneration.

Payment of annual remuneration to the Audit Commission members is decided by FPC's annual General Shareholders Meeting as proposed by the Board of Directors.

Annual remuneration paid to a member of the Audit Commission may not exceed an amount equivalent to twenty times the minimum wage at Russian Railways for each completed audit.

Pursuant to a decision of the annual General Shareholders Meeting, in 2017, members of the Audit Commission were paid remuneration totalling RUB 461,285.

## EXTERNAL EVALUATION OF CORPORATE GOVERNANCE



Since 2013, FPC has engaged an independent expert to conduct external qualitative assessment of its corporate governance.

In 2017, RAEX (Expert RA) affirmed the Company's 2016 rating "A+.gq" Very High Level of Management Quality. The management quality system greatly contributes to the promotion and protection of stakeholders' rights.

The positive factors highlighted by the agency include:

- highly organised system for control over financial and business activities of the Company, as well as risk management and corporate social responsibility systems
- high ownership concentration, high level of owners' rights protection
- highly organised activities of the Board of Directors and its Committees, high level of cooperation among the Company's governing bodies
- moderately high level of organisation of executive bodies' activities
- high credit ratings (the Company has high credit ratings assigned by foreign rating agencies)
- high level of disclosure
- strong financial performance
- ISO 9001 certificates (the certificate was granted by the Russian Register Certification Association (accredited by IAF).

## INTERNAL QUALITATIVE ASSESSMENT OF CORPORATE GOVERNANCE

Pursuant to the recommendations of the Corporate Governance Code, FPC annually conducts qualitative self-assessment of its corporate governance.

The Internal Audit Unit has scheduled the next independent qualitative assessment of corporate governance for 1H 2018.

Currently, the Company conducts phased implementation of the corporate governance

principles recommended by the Corporate Governance Code.

To enhance the efficiency of its corporate governance practice, FPC has developed and expects the Board of Directors to approve JSC FPC's Action Plan to Achieve the Target State of the Corporate Governance System by 1 January 2019.

## REPORT ON COMPLIANCE WITH THE BANK OF RUSSIA'S CORPORATE GOVERNANCE CODE

In 2017, the following measures were taken to bring the Company's corporate governance practice into compliance with the recommendations of the Corporate Governance Code:

- The Company complied with the Code's recommendations as to the membership 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; the Chairman of the Board of Directors is an independent director. Independent directors head the Human Resources, Remuneration, and Corporate Governance Committee of the Board of Directors and the Audit and Risk Committee of the Board of Directors
- The Company's Articles of Association have been amended so that the members of the Board of Directors are entitled to access documents and make requests on the Company and its controlled entities, while executive bodies of the Company should furnish all relevant information and documents
- The Company's Articles of Association have been amended to include a list of the most important matters related to the Company's activities, and the quorum required for the Board of Directors to approve such resolutions has determined – a majority of all elected directors.

The Board of Directors approved the organisational structure as per which the role of Corporate Secretary was introduced and the office of the Corporate Secretary was set up. The Corporate Secretary's activities are guided by JSC FPC's order to allocate responsibilities among Deputy General Directors of the Company.

Furthermore, in August 2017, the Board of Directors approved the Regulations on the Corporate Secretary which take effect after JSC FPC's Articles of Association are amended to introduce the role of the Corporate Secretary.

The Company's Corporate Secretary is the Secretary of the Board of Directors who is elected / removed from office pursuant to a resolution of the Board of Directors; the risk management, internal control, and internal audit system was further developed.

To perform the internal audit function, the Internal Audit Unit has been set up (administratively reporting to FPC's General Director and functionally reporting to the Board of Directors).

Risk management functions are assigned to the stand-alone Risk Management Unit (administratively reporting to the Deputy General Director leading the Safety and Security Section). The activities of the above units are guided by the relevant Regulations.

## Statistics of compliance with the principles and recommendations of the Corporate Governance Code in 2017<sup>1</sup>

Sections	Corporate Governance principles recommended by the Code	Compliance with corporate governance principle					
		Full		Partial		None	
		2017	2016	2017	2016	2017	2016
Shareholder Rights	13	8	6	3	5	2	2
Board of Directors	36	15	9	14	18	7	9
Corporate Secretary	2	–	1	2	1	–	–
Compensation System	10	6	7	1	–	3	3
Risk Management System	6	5	5	1	1	–	–
Information Disclosure	7	2	1	4	4	1	2
Material Corporate Actions	5	2	1	2	2	1	2
<b>Total</b>	<b>79</b>	<b>38</b>	<b>30</b>	<b>27</b>	<b>31</b>	<b>14</b>	<b>18</b>

<sup>1</sup> In line with Letter of the Bank of Russia dated 17 February 2016 No. IN-06-52/8 On Reporting on Compliance with the Corporate Governance Code by Public Joint-Stock Companies.

More details on the Company's compliance with the Corporate Governance Code are available

in the Corporate Governance Code Compliance Report annexed hereto.

## CONFLICT OF INTEREST RESOLUTION AND CORRUPTION PREVENTION

FPC, the procedure for preventing, identifying, and resolving conflicts of interest is formalised in the Company's internal documents: the Regulations on the Board of Directors of JSC FPC, JSC FPC's Code of Ethics and Anti-Corruption Policy, and the Regulations on Conflict of Interest Resolution at JSC FPC.

The Board of Directors plays a key role in preventing, identifying, and resolving internal conflicts between members of FPC's Board of Directors.

According to the Regulations on the Board of Directors of JSC FPC approved by the extraordinary General Shareholders Meeting of FPC on 9 February 2016, a member of the Board of Directors shall avoid, or refrain from, any actions that will or can potentially provide conditions for, or lead to, a conflict of interest between the said member of the Board of Directors and the Company.

Furthermore, a member of the Board of Directors must inform the Company about the facts that may potentially lead, or have already led, to a conflict of interest, including relevant information on related or affiliated organisations, individuals serving in those organisations' governing bodies, members of an executive body, other key executives, and the relevant conflict of interest (including information about interests related to any given transaction).

The Regulations also stipulate that Directors shall notify the Board of Directors of any conflict of interest they may have in respect of any item on the agenda of the Board meeting prior to the discussion of this agenda item, and refrain from voting on any agenda item in respect of which they have a conflict of interest.

To identify transactions leading to a conflict of interest, FPC regularly requests information from members of the Board of Directors:

- on entities in which they hold 20 or more percent of voting shares (interests or stakes) on their own or with affiliates
- on entities in which they serve in a governing body
- on FPC's performed or proposed transactions known to them, in which they may be recognised as interested parties.

In 2017, no conflict-of-interest situations were identified at the Board level.

## Anti-Corruption Committee

FPC has in place the Anti-Corruption Committee.

The Corporate Security Department is a unit responsible for preventing corruption

FPC's administration and all branches place anti-corruption information on dedicated information boards, including the "safety hotline" number and e-mail for reporting on corruption offences, as well as contact details of anti-corruption officials.

FPC also consistently interacts with law enforcement bodies to identify breaches of anti-corruption laws.

In 2017, 11 FPC's employees were held criminally liable for corruption-related crimes.

FPC's Board of Directors approved JSC FPC's Code of Ethics, JSC FPC's Anti-Corruption Policy, and the Regulations on Conflict of Interest Resolution at JSC FPC.

These regulatory documents define the procedure for identifying and resolving conflicts of interest that emerge between FPC's employees when they perform their duties, and establish the procedure for informing the employer on the emergence of a conflict of interest.

In 2017, the list of FPC's positions exposed to corruption risks was prepared and approved, along with the Procedure for Providing Information on Income, Expenses, Property, and Property Obligations at JSC FPC.

Furthermore, the following officials were appointed in 2017:

- the official responsible for handling reports on accepting gifts, transferring, evaluating, and disposing of (purchasing) gifts, and crediting the resulting proceeds from disposal
- the official responsible for handling reports on attempts to lead employees into corrupt practices.