

# CONTROL AND AUDIT

## EXTERNAL AUDITOR

To audit and verify FPC's 2019 financial statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS), the General Shareholders Meeting approved LLC Ernst&Young, the winner of a limited bid

among pre-qualified participants, as the Company's Auditor. The Auditor's fee totalled RUB 17.6 million (including VAT).

## 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 FPC's shareholders and is accountable to the General Shareholders Meeting.

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

FPC's 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 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. Members of the Audit Commission are not allowed to simultaneously serve on FPC's Board of Directors or hold any posts in other governing bodies.

In June 2018, the annual General Shareholders Meeting of FPC (minutes dated 3 July 2018) elected members of the Audit Commission as follows:

- Oksana Vinch
- Mark Terekhov
- Virgínia Kulikova
- Elena Chamortseva
- Elena Yudina.

## EVENTS AFTER THE REPORTING DATE

By resolution of FPC's Board of Directors (minutes dated 17 February 2020), a new Audit Commission was elected as follows:

- Yana Khlevetskaya
- Oksana Vinch
- Evgeniya Stepanyan
- Mark Terekhov
- Virgínia Kulikova.

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.

In 2019, FPC's Audit Commission audited the Company's financial and business activities twice. The members of the Audit Commission were paid RUB 236,880 for participation in the audits.

The resolution to pay additional remuneration to members of the Audit Commission is passed by FPC's 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.

According to a resolution of the Board of Directors (minutes dated 27 May 2019), in 2019, members of the Audit Commission were paid additional remuneration totalling RUB 620,400. The aggregate remuneration totalled RUB 857,280 in 2019.

The Audit Commission's tasks:

- Control the Company's financial and business activities
- Ensure compliance of the Company's financial and business operations with Russian laws and the Company's Articles of Association
- Carry out an independent assessment of the information on the Company's financial position.

## INTERNAL AUDIT

FPC's Internal Audit Unit is responsible for the internal audit. The principal objective of FPC's internal audit is to provide the Board of Directors and the General Director with unbiased and independent information on the financial and business activities, and the reliability and efficiency of the risk management system, 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.

The Internal Audit Unit is guided by Russian laws, regulations of Russian Railways and FPC, the concepts of professional practice introduced by the Institute of Internal Auditors, and other documents.

Following the audits of FPC's financial and business operations in 2019, the Audit Commission issued a report confirming the accuracy and reliability of data included in the Company's Annual Report, annual accounting statements and other reports, as well as other financial documents.

An internal evaluation of the Internal Audit Unit's performance in 2019 was carried out. Its findings helped define focus areas for improving the Unit's performance and developing its employees, and outline further development of the Company's internal audit function.

In the reporting year, the Internal Audit Unit conducted several audits, including an assessment of the reliability and efficiency of the risk management and internal control system as well as corporate governance practice.