

CORPORATE GOVERNANCE

OVERVIEW OF THE CORPORATE GOVERNANCE MODEL AND PRACTICE

CORPORATE GOVERNANCE PRINCIPLES

Protecting shareholder interests and rights

The Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC provide for the corporate governance rights of shareholders¹.

Protection of the interests and rights of FPC's shareholders is ensured through a reliable method for recording their rights to shares – the share register is maintained by an independent entity, Company STATUS.

As part of the preparation for the General Shareholders Meeting, shareholders are provided with supplementary information in addition to the mandatory information required by law.

Equal treatment of all shareholders

Shareholders have equal and fair rights to share FPC's profits by receiving dividends. The Regulations on JSC FPC's Dividend Policy establish a mechanism for determining the amount of dividends and their payment¹.

All shareholders are provided with materials required for the General Shareholders Meetings and have equal access to all required information at the offices of the Company.

Timely disclosure of information

FPC ensures timely disclosure of information on its website and in the news feed of SKRIN information agency, which is authorised to disclose information about securities and other financial instruments.

Mutual trust and respect for all stakeholders

Relationships between FPC's shareholders, members of the Board of Directors, and management are based on integrity, trust, mutual respect for legitimate interests, and all parties performing their obligations in good faith.

Company Profile

Development Strategy

Performance Overview

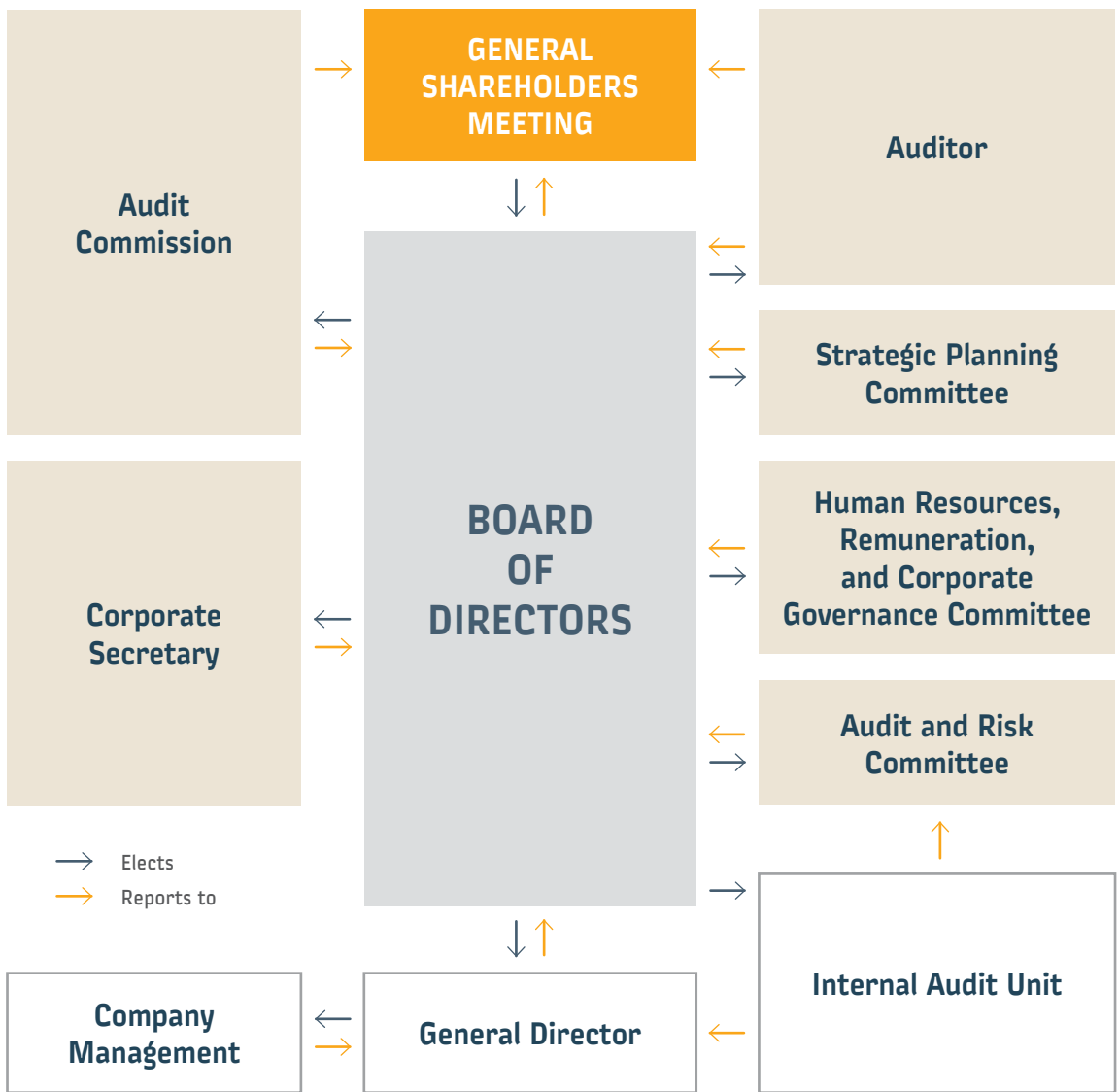
Corporate Governance

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Appendices

¹ The Regulations are available on the FPC website at: https://fpc.ru/static/public/ru?STRUCTURE_ID=155.

THE COMPANY'S CORPORATE GOVERNANCE MODEL²



² Takes into account the new version of JSC FPC's Articles of Association approved by the General Shareholders Meeting on 29 June 2018.

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 supreme governing body is the General Shareholders Meeting, with the Board of Directors occupying a central place 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, reports to FPC's General Shareholders Meeting.

The jurisdiction of all governing 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 additional authorised shares and rights carried by these shares
- decisions on 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' mandates
- approval of annual accounting (financial) statements
- distribution of the Company's profit (including payout (declaration) of dividends, except for the payout (declaration) of dividends following the first quarter, the first six months, and the first nine months of the reporting year) and loss following the end of the reporting year
- payout (declaration) of dividends following the first quarter, the first six months, and the first nine months of the reporting year
- approval of interested-party transactions or making decisions for 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 making decisions for their subsequent approval in cases stipulated by Article 79 of the Federal Law On Joint Stock Companies
- approval of internal documents governing the activities of FPC's bodies

- resolutions to pay remuneration and/or reimbursement to members of the Board of Directors
- resolution to file an application to the Bank of Russia asking for exemption from obligation to disclose or provide information pursuant 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.



You can **familiarize yourself with the Regulation on the procedure for preparing and holding the General Meeting of Shareholders** on the website of FPK JSC – fpc.ru in the “To Shareholders and Investors” section in the “Charter and Internal Documents” tab



You can **familiarize yourself with the Regulation on the Board of Directors** on the website of FPK JSC – fpc.ru in the “To Shareholders and Investors” section in the “Charter and Internal Documents” tab

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The duties of the Board of Directors are to:

- determine FPC's priorities: develop and approve the Company's development strategy and long-term development programme, as well as amendments and addenda to them; review reports on their implementation
- approve FPC's budget and investment programme and amendments to them; review the General Director's report on the Company's performance in the reporting period, including 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 for General Shareholders Meetings; determine the date of drawing up the list of persons entitled to participate in the General Shareholders Meeting, and address other issues relating to its preparation and holding
- approve the activity plan of the internal audit function and relevant annual performance reports; appoint and remove the head of the internal audit business function
- determine FPC's policy on remuneration due to, and/or reimbursement (compensation) of costs incurred by, members of the Board of Directors
- analyse the results of performance assessment 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, risk management and internal control organisation at FPC
- establish acceptable risk levels (risk appetite, preferred risks).

Election of the General Director and the Corporate Secretary, and appointment of members to the Board of Directors' Committees are also reserved for 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:

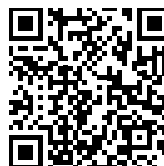
- Strategic Planning Committee
- Audit and Risk Committee
- Human Resources, Remuneration, and Corporate Governance Committee.

Activities of the Board of Directors' Committees are governed by relevant regulations. Committees submit a report on their activities to the Board of Directors on an annual basis¹.

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 reports to the Board of Directors. The Corporate Secretary's activities are governed by the Regulations on the Corporate Secretary of JSC FPC² approved by the Board of Directors.

FPC has the 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 subject for approval by the Board of Directors. The Internal Audit Unit reports to the Board of Directors.



You can **familiarize yourself with the competencies of the Board of Directors** on the website of FPK JSC – fpc.ru in the “To Shareholders and Investors” section in the “Charter and Internal Documents” tab

¹ Regulations on the Board of Directors' Committees are available on the FPC website at http://fpc.ru/static/public/ru?STRUCTURE_ID=155.

² Regulations on the Corporate Secretary of JSC FPC are available on the FPC website at http://fpc.ru/static/public/ru?STRUCTURE_ID=155.