

KEY PROVISIONS OF THE POLICY ON REMUNERATION AND REIMBURSEMENT FOR GOVERNING BODIES

The remuneration of the sole executive body and FPC's other key managers directly depends on the achievement of relevant key performance indicators.

Key Performance Indicators of FPC's top managers have been developed in accordance with the Long-Term Development Programme of Russian Railways, its Subsidiaries and Affiliates to 2020, and RZD Holding's 2030 Development Strategy.

By Order of Russian Railways No. 1545r dated 22 June 2015, the following target performance indicators were specified for FPC: revenue, passenger traffic, traffic safety, and labour productivity growth.

The target performance indicators have served as a basis for corporate and functional key performance indicators of FPC's top managers, which underpin their motivation system.

The following tasks were completed when developing the motivation system:

- the impact of top managers' actions on the existing business processes was reviewed
- the KPIs were ranked through vertical cascading
- the weight (share) of corporate and functional key performance indicators was determined, and the same number of KPIs was determined in line with the draft Regulations on the Bonus System for Key Managers.

The key managers' corporate KPIs and their weight were approved by the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors.

CONTROL AND AUDIT

EXTERNAL AUDITOR

To audit and verify FPC's 2018 financial statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS), the General Shareholders Meeting approved LLC Ernst&Young as the Company's Auditor following

a limited bid among pre-qualified participants. The Auditor's fee totalled RUB 17.8 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 JSC FPC's Audit Commission.

The Audit Commission is composed of five members elected by the Board of Directors for a three-year term in accordance with 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.

Company Profile

Development Strategy

Performance Overview

Corporate Governance

Sustainable Development

Appendices