

Corporate governance principles



Protection of shareholder interests and rights

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

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, JSC STATUS registrar.

Shareholders are given additional information when the General Meeting is being prepared, on top of the information that is needed by law.



Equal treatment of all shareholders

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

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



Timely disclosure of information

The Company ensures timely disclosure of information on its website, as well as on the website and in the news feed of LLC SKRIN information agency (Integrated Information and News Disclosure System) authorised to disclose information about securities and other financial instruments.

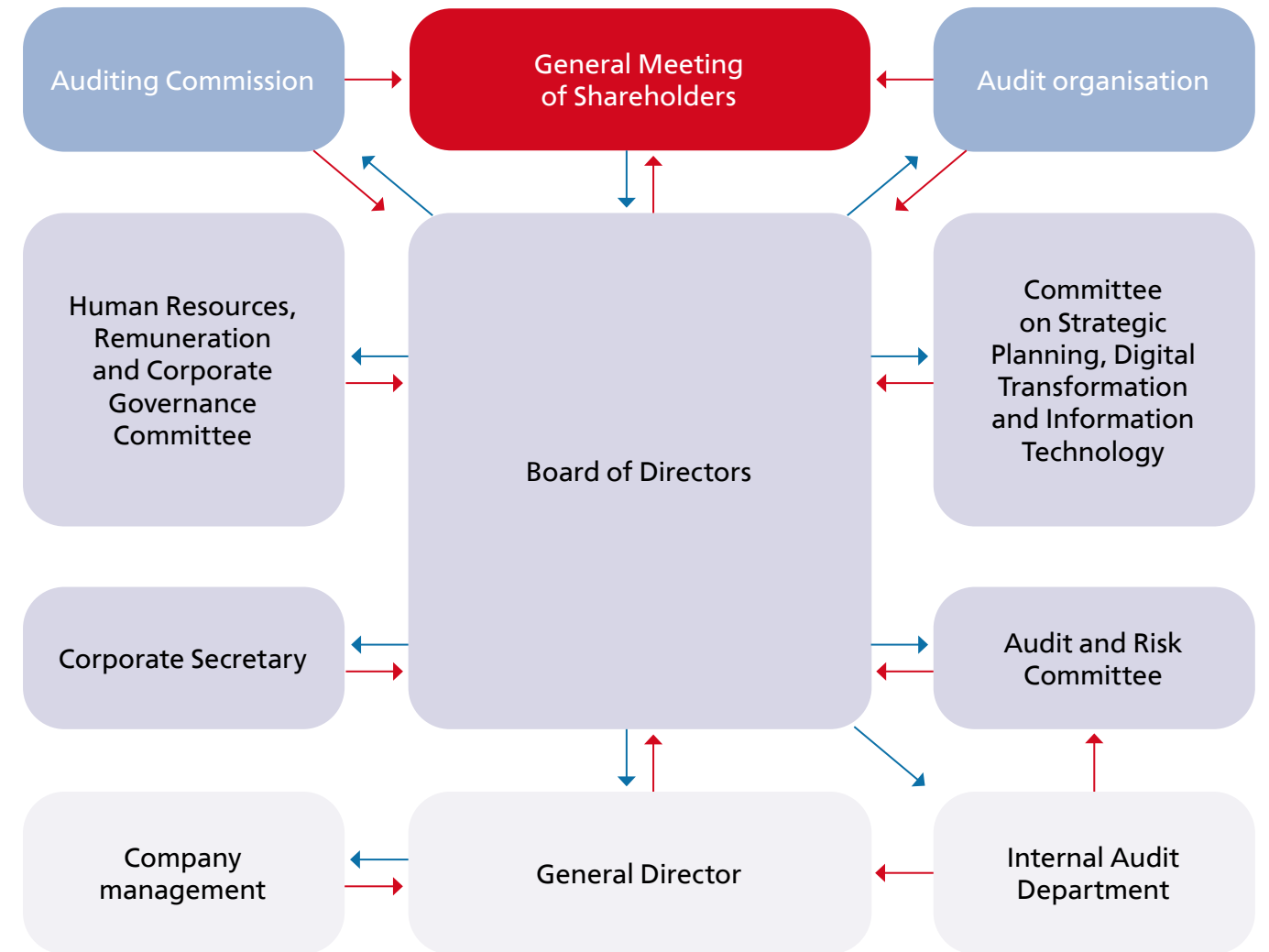


Mutual trust and respect for all stakeholders

Relationships between the Company'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.

Corporate governance model and practice

The Company's corporate governance model



Election
 Reporting

JSC 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 highest governance body of the Company is the General Meeting of Shareholders. The Board of Directors occupies a key position in the corporate governance system. The Company's day-to-day operations are managed by the General Director, who reports to the General Meeting of Shareholders and the Board of Directors of JSC FPC. The Board of Directors, in its turn, is accountable to JSC FPC's General Meeting of Shareholders.

The scope of functions of all governance bodies is clearly defined and formalised in [the Articles of Association of the Company](#).

Matters reserved to the General Meeting of Shareholders include:

- Amendments and addenda to the 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 authorised shares and rights attached to such shares
- Resolutions on the placement of bonds convertible into shares, and other issue-grade securities convertible into shares
- Determination of the number of Board members, election of Board members and early termination of their powers
- Distribution of the Company's profit (including payment (declaration) of dividends, except for the payment (declaration) of dividends for the first quarter, the first six months, and the first nine months of the reporting year) and loss in the reporting year
- Payment (declaration) of dividends for the first quarter, the first six months, and the first nine months of the reporting year
- Decision-making on preliminary consent for related-party transactions (except for transactions in which a controlling entity of the Company is a related party), if the number of disinterested members of the Board of Directors is less than half of the number of elected Board members
- Decision-making on preliminary consent to make or on subsequent approval of major transactions involving property with a value of more than 50 (fifty) per cent of the book value of the Company's assets, in accordance with the Federal Law "On Joint Stock Companies"
- Approval of internal documents regulating the activities of the Company's governance and control bodies
- Resolution on the payment of remuneration and/or compensation to the members of the Board of Directors
- Resolution on filing an application to the Bank of Russia requesting for an exemption from the obligation to disclose or provide information according to the Russian laws on securities

- Resolution on cancelling or amending previously adopted resolutions of the General Meeting of Shareholders.

Unique features of JSC FPC's corporate governance model

JSC FPC is a company of strategic importance for national defence and security¹. The Company's controlling entity is the Russian Federation, which owns 100% of the shares of the parent company, which is the major (controlling) shareholder of JSC FPC. Accordingly, there are some unique features in JSC FPC's corporate governance:

- The Company may not pledge, sell or otherwise dispose of the shares of its owned subsidiaries (with transfer of ownership) without the consent of the Government of the Russian Federation²
- The Federal Agency for State Property Management is obliged to give directives to agents of the Russian Federation sitting in the board of directors of joint stock companies on the matter of a subsidiary or affiliated business entity acquiring the shares (stakes in the authorised capital) of other business entities, including during their establishment, if the articles of association of the joint stock company states that the position of the joint stock company or its representatives (when the governing bodies of a subsidiary or affiliated business entities consider agenda items of the general meeting of shareholders and meetings of the boards of directors) is to be determined by the board of directors (supervisory board) of the joint-stock company³
- JSC FPC is required to carry out certain directives from the Russian Federation's Government and, if necessary, to make sure that subsidiaries do the same

JSC FPC is also on the list of key controlled entities that must obtain the parent company's board of directors' permission on matters that are material to their operations. The material matters include:

- Approving development strategies and monitoring their implementation
- Endorsing the main budget parameters
- Determining the voting position on the most important issues on the agenda of the general meeting of shareholders and (or) the meeting of the board of directors (liquidation or reorganisation of the company; election of the board of directors and the sole executive body of the company; increase/decrease in the authorised capital of the company; settlement of major and other transactions by the company)

Assessment of corporate governance quality

External assessment of corporate governance quality by external consultants

This year the Russian Institute of Directors (RID) assessed the corporate governance system of JSC FPC for the first time. Based on the results of the assessment for 2023, the Company was assigned the National Corporate Governance Rating (NCGR®) at 6++ "Good Corporate Governance Practice".

In accordance with the NCGR scale, a company with an NCGR 6++ follows a number of key recommendations of the Russian Corporate Governance Code and sustainability standards. The company has acceptable stakeholder risks related to the quality of corporate governance and sustainability management.

The RID experts factored in the following features of JSC FPC: non-public status, publicly traded securities, high concentration of share capital, and significant social significance of operations.

The RID employed the current NCGR methodology to assess four components:

- Shareholder rights
- Performance of governance and control bodies
- Information disclosure
- Sustainable development and ESG

Key strengths and areas requiring additional improvement were determined by analysing the findings within each of the four components.

Key strengths

- The Company's administrator of shareholder register is an independent registrar with a strong reputation and reliable technologies.
- The Company carries out competitive selection of suppliers of goods, works and services, the cost of which exceeds a certain level, as stipulated by the relevant internal document.
- The Board of Directors regularly reviews the implementation of the procurement policy.
- The powers of the Board of Directors of JSC FPC were broadened in terms of making decisions on revenue-intensive transactions.
- The process of pre-qualification of external auditors is in place.
- The Board of Directors includes two independent directors, thus providing the necessary balance for the independence of the Board of Directors from the management.
- It is a general practice for JSC FPC to have D&O insurance for members of the Board of Directors.

- There is a comprehensive regulation of conflicts of interest of Board members.
- JSC FPC regularly conducts self-assessment of the Board of Directors' performance.
- The main committees are actively working, including the Audit and Risk Committee, the Human Resources, Remuneration and Corporate Governance Committee, and the Strategic Planning, Digital Transformation and Information Technology Committee.
- A structural unit with the internal audit functions – the Internal Audit Department (IAD) was established, which is in line with the recommendations of the best corporate governance practices. The IAD is functionally accountable to the Board of Directors / Audit and Risk Committee.
- A regulatory and methodological framework for risk management was put in place, and a unit responsible for coordination and methodological support of the risk management process is in operation.
- The corporate secretary is a new separate position independent from the management, and the functions and powers assigned to the corporate secretary generally comply with the recommendations of the Russian Corporate Governance Code.
- The Board of Directors approved the Regulation on the Information Policy, the content of which is generally in line with the recommendations of the Russian Corporate Governance Code.
- The remit of the Board of Directors includes the matters on determining the development strategy, assessing results of the Company's activities, nominating candidates to governing and control bodies, as well as control over revenue-intensive transactions of controlled companies.
- Meetings of the Board of Directors are held regularly and in sufficient quantity, at least once every two months, and in accordance with the approved work plan.
- The Company discloses interim IFRS financial statements.
- Disclosure covers the amount of remuneration paid to the external auditor for auditing the IFRS and RAS financial statements, as well as indicates the absence of consulting services provided by the auditor to the Company.
- The Annual Report is available on the Company's website, prepared in accordance with legal requirements, and discloses a substantial amount of additional information in accordance with the recommendations of the Russian Corporate Governance Code.
- The website of JSC FPC contains a significant amount of information about the Company and the results of its activities, in addition to the information required by law.
- The Company runs ESG risk identification process.
- A number of internal documents regulating corporate social responsibility policies in relation to key stakeholders were approved.
- In the year preceding the assessment, the Company implemented numerous corporate social projects for employees and their family members, the local communities within the Company's footprint, as well as charitable and sponsorship projects.
- The Company's activities are certified for compliance with ISO 9001 standard in the field of quality management.

¹ As it carries out the type of activity specified in sub-clause 36, Article 6, Federal Law No. 57-FZ dated 29 April 2008 on the Procedure for Foreign Investment in Business Entities of Strategic Importance for National Defence and Security (it is a natural monopoly included in the register of natural monopolies in the areas referred to in clause 1, Article 4, Federal Law No. 147-FZ dated 17 August 1995 on Natural Monopolies).

² In accordance with Federal Law No. 29-FZ dated 27 February 2003 "On peculiarities of management and disposal of railway transport property".

³ In accordance with Decree of the Government of the Russian Federation No. 738 dated 3 December 2004 (revised on 31 March 2021, amended on 31 August 2022) "On Management of Federally Owned Shares in Joint Stock Companies and Use of the Special Right of Participation of the Russian Federation in Management of Joint Stock Companies (Golden Share)".

Area for improvement

- The number of independent directors in the Board of Directors is assessed as insufficient.
- The composition of the Audit and Risk Committee and the Human Resources, Remuneration and Corporate Governance Committee of the Board of Directors does not comply with the recommendations of the Russian Corporate Governance Code.
- There is no practice of external independent assessment of the Board of Directors once in three years.
- The Company does not disclose explanations of executive agencies to IFRS financial statements, including analyses of financial position and performance.
- The strategy does not comprehensively take into account the sustainable development goals.
- The Board of Directors has not established a dedicated Sustainability Committee, the competence of the existing committees has not been further expanded by relevant issues, and a sustainability supervisor from the Board of Directors has not been assigned.
- There is no climate change programme and no carbon neutrality programme, nor identification of the risks associated with climate change.
- The Company does not prepare a report on sustainable development according to GRI standards.

Internal quality assessment of corporate governance conducted by the Internal Audit Department

FPC's Internal Audit Department conducted an assessment of FPC's corporate governance practices for the 2022/2023 corporate year. The results of the assessment confirmed its predominant compliance with the established regulatory requirements, including a number of recommendations of the Bank of Russia Corporate Governance Code applicable to the Company's operations. In certain areas, corporate governance improved in a good way.

For the subsidiaries of JSC FPC, specific corporate governance development areas were also identified as part of recommendations for further strengthening corporate governance practices.

Report on the progress in compliance with the Bank of Russia's Corporate Governance Code (self-assessment of corporate governance quality)

In 2023, the Annual General Meeting of Shareholders approved a new edition the Articles of Association of JSC FPC, which takes into account not only legislative innovations but also best practices in corporate governance. The key changes relate to:

- Bringing the Company into compliance with the current version of the Federal Law "On Joint Stock Companies", the Moscow Exchange's requirements for bond issuers and the Corporate Governance Code recommended by the Bank of Russia (the possibility of electronic voting at the General Meeting of Shareholders and the Board of Directors, as well as remote voting at meetings held in person, was introduced; and provisions on the mandatory presence of an internal audit department and an auditing commission were set forth)

- Bringing the Company into conformity with the practice of the main controlling shareholder (the concepts of controlling entity and controlled company were introduced, the right was provided to issue binding written instructions to a subsidiary company on the development and approval of internal documents on the basis of organisational and administrative documents of the main company, the Company's accession to the documents of the main company)
- Redistributing the powers of the governing bodies



Main amendments made to the Articles of Association

Changes in the remit of the Board of Directors	<ul style="list-style-type: none"> Supplemented with issues on determining the initial (maximum) price of the auditor's services, approval of the succession pool for the position of General Director, approval of the programme of measures for operational efficiency and optimisation of the Company's expenses, consideration of the action plan for eliminating the Auditing Commission's observations, approval of the Company's annual accounting (financial) statements Excluded the subsequent approval of completed transactions Shortened the list of issues in respect of which the Board of Directors determines FPC's position on voting in controlled companies
Electronic voting capability	<ul style="list-style-type: none"> Provided a possibility of electronic voting at the General Meetings of Shareholders and the Board of Directors, as well as remote participation in meetings held in person (joint attendance)
Shareholder rights	<ul style="list-style-type: none"> Provided the right to issue binding written instructions to a subsidiary of the parent company on the development and approval of internal documents on the basis of organisational and administrative documents of the parent company, as well as on the implementation of directives of the Government of the Russian Federation, which require extension to subsidiaries; provided the possibility of dividend payment by property
Other amendments	<ul style="list-style-type: none"> Introduced the concepts of a controlling entity and controlled company Defined the approaches to organising the internal audit function A significant volume of amendments to the Articles of Association is brought into conformity with changes in the legislation of the Russian Federation

Following the approval of a new version of FPC's Articles of Association, the main area of improvement of the corporate governance system in 2023 was the harmonisation of the Company's internal regulatory documents.

In 2023, for example, new internal documents of JSC FPC were updated and developed, which will allow the Company to improve its level of corporate governance.

Company's area of activity	Document
Shareholder Rights	<p>FPC's Articles of Association (revised)</p> <p>Amendments to Regulations on Dividend Policy JSC FPC</p>
Board of Directors and relevant committees	Regulation on Preparation and Submission of Materials and Information to the Board of Directors of JSC FPC and Committees of the Board of Directors of JSC FPC, Organisation of Control over Execution of Decisions of the Board of Directors of JSC FPC and Recommendations of the Committees of the Board of Directors of JSC FPC as amended
Remuneration System	<p>Regulations on JSC FPC Executive Remuneration System</p> <p>Regulations on the Procedure for Indexation of Management Salaries of JSC FPC</p> <p>Regulations on the System of Key Performance Indicators for the Purpose of Awarding Bonuses to the Executives of JSC FPC as amended</p>
Conflict of interest and anti-corruption policy	<p>Code of Ethics of JSC FPC</p> <p>Regulations on Avoidance of Conflict of Interests in Procurement</p>

Company's area of activity	Document
Interactions with subsidiaries and affiliates (S&As)	<p>Incentive system for sole executive bodies and key executives</p> <p>Model Regulations on the secretary of the board of directors of a subsidiary, controlled company or other company with the participation of JSC FPC</p> <p>Model Regulations on evaluation of the performance of the board of directors and committees under the board of directors of a subsidiary and other controlled company of JSC FPC</p>
Ensuring financial performance	<p>Regulations on the debt policy of JSC FPC (revised)</p> <p>Regulations on budget formation and performance monitoring of JSC FPC (revised)</p> <p>New forms for the FPC General Director's report on the Company's performance in the reporting period</p> <p>Procedure for drafting and reviewing reports of the General Director of JSC FPC on fulfilment of instructions from the General Meeting of Shareholders and the Board of Directors</p>
Procurement	<p>Amendments to Regulations on the procurement of goods, work and services for the needs of JSC FPC</p> <p>Amendments to standard terms of settlements with counterparties for which JSC FPC is the payer</p>
Disposal of property	<p>Non-core asset disposal programme of JSC FPC (revised)</p> <p>Procedure for identifying non-core assets of JSC FPC (revised)</p>

Moreover, the Company continued to follow the recommendations of the Bank of Russia's Corporate Governance Code (hereinafter referred to as the Code):

- The Human Resources, Remuneration and Corporate Governance Committee of the Board of Directors made recommendations to the Company's shareholders in the process of nominating candidates to the Board of Directors on the availability of necessary experience and competences, absence of conflicts of interest, as well as on the compliance with the independence criteria set out in the Code.
- The Board conducted a self-assessment of its work, committees and Board members, including analysing its own needs in terms of professional qualifications, experience and business skills, the size of the Board, and the effectiveness of the Chairman and Corporate Secretary.
- While maintaining continuity in respect of executive bodies, the Board of Directors approved the succession pool for the position of the Company's General Director.
- The Board of Directors defined the KPI "Ensuring Effective Corporate Governance Practices" as one of the key performance indicators for the General Director and the Corporate Secretary.
- The main results of the Board of Directors' performance assessment were included in the Annual Report.

The following areas are identified by the Company as top priorities for the corporate governance system growth in 2024:

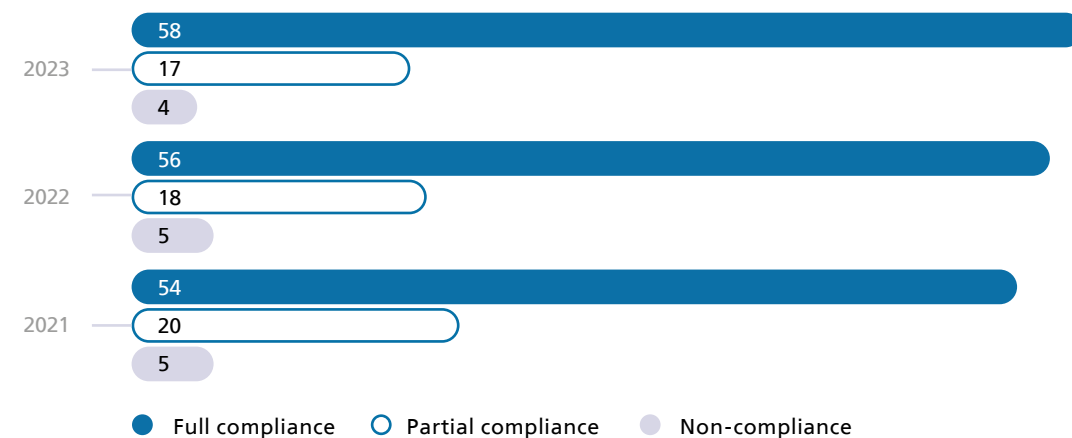
- Introduction of digital technologies into the organisation of the work of the Board of Directors and relevant committees
- Development of ESG principles at strategic level and involvement of the Board of Directors in managing the Company's sustainable development
- Upgrade of the corporate governance rating

While developing its corporate governance practices in line with the Code's recommendations, JSC FPC managed to retain progress in part of the fully complied principles despite sanctions pressure and restrictive measures affecting the Company's operations in 2023. Progress towards compliance with the principles of the Code was achieved by improving the quality of information on the corporate secretary disclosed in the Annual Report and bringing internal documents regulating the system of remuneration of Board members, the executive body and key executives of the Company into compliance with the recommendations of the Code.

Compliance with the principles and recommendations of the Corporate Governance Code¹

Sections	Corporate governance principles recommended by the Code	Compliance								
		Full compliance			Partial compliance			Non-compliance		
		2021	2022	2023	2021	2022	2023	2021	2022	2023
Shareholder Rights	13	10	10	10	3	3	3	–	–	–
Board of Directors	36	26	25	25	8	9	9	2	2	2
Corporate Secretary	2	2	1	2	–	–	–	–	1	–
Remuneration System	10	6	7	8	2	1	–	2	2	2
Risk Management System	6	6	6	6	–	–	–	–	–	–
Information Disclosure	7	1	3	3	6	4	4	–	–	–
Material Corporate Actions	5	3	4	4	1	1	1	1	–	–
Total	79	54	56	58	20	18	17	5	5	4

Compliance with the Corporate Governance Code



Detailed information on compliance with the provisions of the Code is given in the Appendix [“Report on Compliance with the Bank of Russia Corporate Governance Code”²](#).

¹ In accordance with the Bank of Russia's letter dated 27 December 2021 “On disclosure of a report on compliance with the principles and recommendations of the Corporate Governance Code in the annual report of a public joint stock company”.

² The Company evaluated compliance with the Corporate Governance Code by examining and comparing internal standards and practices with the Code's recommendations.

General Meeting of Shareholders

The General Meeting of Shareholders of JSC FPC is the highest governing body of the Company. There were four general meetings of shareholders in 2023: one annual and three extraordinary ones.

General Meetings of Shareholders held in the reporting year

Extraordinary General Meeting of Shareholders	20 January 2023
Extraordinary General Meeting of Shareholders	29 May 2023
Annual General Shareholders Meeting	30 June 2023
Extraordinary General Meeting of Shareholders	11 September 2023
Number of items reviewed	5
	6

Resolutions taken by the extraordinary General Meetings of Shareholders

Date	Decisions taken
20 January 2023	On determining the number, par value, class (type) of the authorised shares of JSC FPC and the rights granted by such shares On amendments and additions to the Articles of Association of JSC FPC
29 May 2023	On early termination of powers of members of the Board of Directors of JSC FPC On election of members of the Board of Directors of JSC FPC
11 September 2023	On approval of a major transaction

Resolutions taken at the Annual General Meeting of Shareholders

Date	Decisions taken
30 June 2023	On approval of annual accounting (financial) statements of JSC FPC for 2022 On distribution of net profit by results of 2022 On non-payment of dividends by results of 2022 On payment of remuneration and compensation to members of the Board of Directors of JSC FPC On election of the Board of Directors in new composition On approval of the new version of the Articles of Association of JSC FPC

JSC STATUS Registrar performed the functions of a counting commission at FPC's General Shareholders Meetings. The results of the voting were announced at the in-person meetings.