

BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

In accordance with the Company's Articles of Association, the Board of Directors is elected by the General Meeting of Shareholders of JSC FPC; the Board of Directors is to comprise of nine members.

The efficiency of the Board of Directors of JSC FPC is achieved through a balanced composition, including the qualifications of its members, their experience, knowledge and business qualities, age and gender.

The Board of Directors includes two women and seven men representing different age groups, which enables

members of the Board of Directors to consider agenda items comprehensively.

The Board of Directors is comprised of highly qualified professionals who enjoy the confidence of shareholders. The Human Resources, Remuneration and Corporate Governance Committee of the Board of Directors of JSC FPC analysed the competencies and professional qualifications of all candidates nominated to the Company's Board of Directors.

Competencies	Members of the Board of Directors								
	1	2	3	4	5	6	7	8	9
Competence in cooperation with governmental bodies	•	•	•	•			•		
Competence in information technologies and telecommunications			•						•
Competence in corporate governance				•	•	•		•	•
Competence in corporate finance and investor relations						•			•
Competence in macroeconomic and sectoral analysis	•	•							
Competence in strategic planning and development	•	•	•	•	•	•	•	•	•
Competence in strategic management	•			•	•	•	•		•
Competence in finance and audit			•		•			•	
Internal audit and internal control								•	
Risk management								•	
Human resources management and social responsibility					•				

Role of independent directors in the Company's activities

Independent directors play an important role on the Board of Directors: they ensure an objective and comprehensive perception of issues based on their knowledge, experience and qualifications. Unbiased judgement and constructive criticism by independent directors at meetings of the Board of Directors and relevant committees help to make well-informed decisions.

The Company complies with the recommendation of the Corporate Governance Code and has one third of independent directors on the Board of Directors.

The Audit and Risk Committee and the Human Resources, Remuneration and Corporate Governance Committee are headed by independent directors. All independent directors participate in the work of the Strategic Planning Committee.

The Human Resources, Remuneration and Corporate Governance Committee of the Board of Directors of JSC FPC assesses the compliance of candidates to the Board of Directors of JSC FPC with the independence criteria established by the Corporate Governance Code of the Bank of Russia.

Induction and training programme

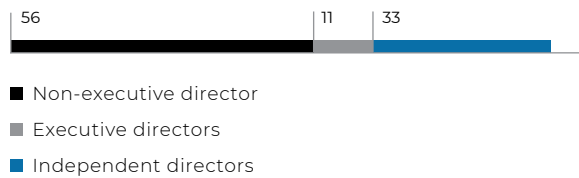
In order to familiarise newly elected members of the Board of Directors with the operational, financial and economic activities of JSC FPC as quickly and efficiently as possible, an induction course is held. This activity is governed by the Induction Programme for newly elected members of the Board of Directors of JSC FPC, which is approved by the decision of the Board of Directors.

As part of the induction course, meetings with the CEO and key employees of the Company are held at the Company's office, key documents and presentation materials on the Company's activities are presented, and visits to the Company's production facilities are organised.

In 2021, an induction course for a newly elected independent director was held. As part of the induction course, meetings with the General Director and Deputy General Directors of JSC FPC were held at the Company's office, and visits to the Situation Centre were organised.

JSC FPC established the practice of familiarisation visits by independent directors to the Company's production facilities.

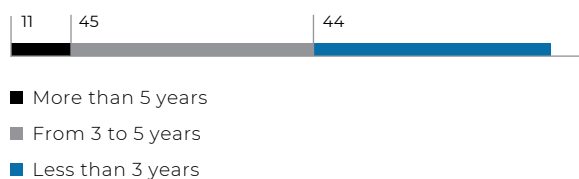
Balance of directors' independence %



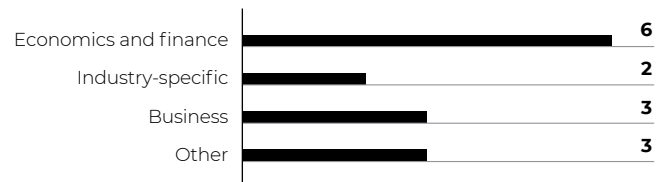
Gender balance %



Incumbency %



Education of members of the Board of Directors



For example, in October 2021, an introductory meeting was organised for independent members of JSC FPC Board of Directors at the Moscow Passenger Carriage Depot PCD-1. A full train preparation cycle, train body washing and rolling stock repair processes were demonstrated, and the buildings involved in the above processes were inspected.

In October 2021, a meeting was organised for independent members of the JSC FPC Board of Directors at the Company's office with the heads and experts of the JSC FPC Marketing Unit. During the meeting, members of the Board of Directors were briefed on the results of marketing initiatives implemented in 2021, as well as plans for the Company's marketing policy.

In December 2021, the Company’s management organised a meeting with the heads and members of the boards of directors of subsidiaries and affiliates of JSC FPC for independent members of the JSC FPC Board of Directors. As part of the meeting, members of the Board of Directors were provided with detailed information on the activities of subsidiaries and affiliates and a discussion of the strategic areas of activities of subsidiaries and affiliates of JSC FPC was held.

In order to develop the professional competencies of members of the Board of Directors, the Company organises invitations to Board members to participate in forums, strategic sessions, conferences and other events dedicated to the specific activities of JSC FPC.

In November 2021, members of the JSC FPC Board of Directors participated in plenary sessions, working meetings and discussions with representatives of the transport industry and the expert community at the XV International Forum and Exhibition Transport of Russia.

Additional information about members of the Board of Directors

Members of the Board of Directors do not hold any shares in the authorised capital of JSC FPC, do not own the Company’s ordinary shares and have not entered into any transactions to acquire shares of JSC FPC or dispose of them during the reporting year.

No claims were filed against the members of the Board of Directors in connection with the performance of their duties as members of the Board of Directors.

The Company did not issue loans (credits) to members of the Board of Directors.

No notices on conflicts of interest were received by the Board of Directors.

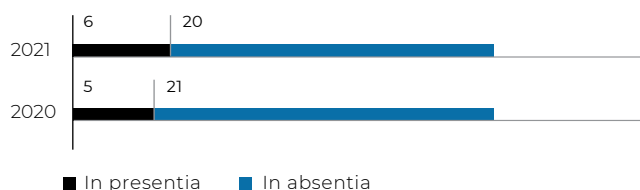
Non-executive and independent directors are not provided with pension contributions, insurance programs, investment programs and other benefits and privileges.

Meetings of the Board of Directors

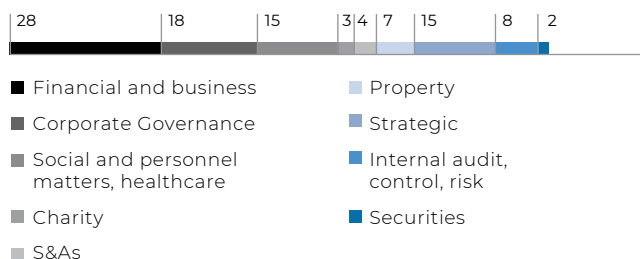
Meetings of the Board of Directors are held regularly and in sufficient number, based on an approved work plan. In 2021, in a pandemic environment, the frequency of face-to-face meetings was maintained at 2020 level. Face-to-face meetings were predominantly held via video-conferencing. The intensity of the meetings was also maintained at the same level as in the previous year. Board members actively participated in the work of the Board of Directors, with an attendance rate of 95%.

JSC FPC’s Board of Directors held 26 meetings in 2021, including 20 meetings in absentia and 6 meetings in presentia. The Board of Directors considered 152 issues in 2021. The duration of meetings in presentia averaged 1.75 hours.

Statistics of meetings of the Board of Directors



Matters reviewed by the Board of Directors in 2021



Key resolutions of the Board of Directors in 2021

Group of matters	Resolutions
Strategic	Review of the report on the implementation of the IT Development Programme for 2020 and approval of JSC FPC IT Development Programme for 2021
	Review of the budget for 2022–2024
	Approval of target values of key performance indicators of JSC FPC for 2021
	Approval of JSC FPC Investment Programme for 2022–2024
	Consideration of altering the organisational structure of JSC FPC (liquidation of branches)
Securities	Resolution to increase JSC FPC's authorised capital by placing additional shares and approval of the document containing the terms and conditions of placing JSC FPC securities
Corporate Governance	Resolution to convene the Annual and Extraordinary General Meetings of Shareholders of JSC FPC and make relevant preparations
	Resolutions to organise the work of the committees of the Board of Directors, including approval of the Committees' work plans for the corporate year 2021/2022. Review of the reports of the Committees for the corporate year 2020/2021
	Review of the results of performance assessment of JSC FPC's Board of Directors and its Committees
	Review of the Action Plan for Improvement of Corporate Governance for Corporate Year 2021/2022
	Review of the report on corporate governance practice at business entities in which JSC FPC directly or indirectly holds an interest
Internal audit, internal control, and risk management	Review of the reports on the performance of the Internal Audit Department in 2020
	Approval of the programme for internal audit quality assurance and improvement
	Approval of Methodological Recommendations on Corruption Risk Management in JSC FPC
	Review of the procedure for planning, considering and supervising the implementation of measures to improve the reliability of technical facilities and reduce process failures at JSC FPC
Human Resources	Approval of candidates to the positions of JSC FPC's Deputy General Director and heads of JSC FPC's branches
	Adoption of a new incentive system for the Company's executives and management

Assessment of JSC FPC's Board of Directors performance

JSC FPC formalised the Board of Directors' performance assessment procedure in the Regulations on Performance Assessment of the Board of Directors, Board Members, and Committees of the Board of Directors of JSC FPC, which were approved by JSC FPC's Board of Directors in October 2015.

In the reporting period, JSC FPC's Board of Directors carried out a self-assessment through questionnaires filled in by Board members to assess the overall performance of the Board of Directors and its Committees as well as individual performance of each Board member.

The analysis included the review of the needs of the Board of Directors in terms of professional qualifications, experience and business skills of Board members, the number of Board members, and the performance of the Chairman of the Board of Directors and the Corporate Secretary.

The Board of Directors reviewed the self-assessment results at its meeting in September 2021.

The weighted average performance score was 4.3 out of 5 for the Board of Directors and 4.5 out of 5 for individual Board members. The assessment showed that most of the assessed parameters comply with best-practice standards.

Key results of performance assessment

- The Board of Directors has the necessary competencies to drive the Company's growth. Distribution of authority between the Board of Directors and the executive management team can be deemed reasonable.
- The Board of Directors duly monitors the Company's financial position and the work of JSC FPC's executive bodies.
- The Board of Directors' committees are highly effective; their activities are well organised. The committees support the Board of Directors' efficient performance.
- The Chairman of the Board of Directors duly exercises his formalised and non-formalised responsibilities.
- The Board of Directors effectively manages and prevents material risks
- The Board members effectively interact with each other as well as with shareholders, stakeholders and executives.

Based on self-assessment results, the Board developed and approved a Corporate Governance Improvement Plan in 2022.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The principles for motivating members of JSC FPC's Board of Directors, as well as paying compensation and reimbursement of expenses to members of the Board of Directors are set out in the Regulations on Remuneration and Compensation Payable to Members of JSC FPC's Board of Directors approved by JSC FPC's Annual General Meeting of Shareholders in June 2018¹.

The Regulations include transparent mechanisms to determine the remuneration for the members of the Board of Directors in line with the recommendations of the Corporate Governance Code. The remuneration paid for the past corporate year is the only form of monetary remuneration payable to the members of the Board of Directors. The Company does not apply any form of short-term motivation or additional financial incentive for the members of the Board of Directors.

Remuneration of members of the Board of Directors is differentiated depending on the scope of directors' responsibilities and considering additional time spent on discharging the functions of the Chairman of the Board

of Directors, the Deputy Chairman of the Board of Directors, a committee member, and a committee Chairman or Deputy Chairman.

To calculate fixed remuneration for serving on the Board of Directors, the Company uses a formula based on the fixed part of remuneration adjusted for the factor of a director's attendance at meetings and a factor of his/her contribution to the performance of the Board of Directors as its Chairman or Deputy Chairman.

Additional remuneration is payable for serving on a committee of the Board of Directors, which is calculated based on the fixed part of remuneration adjusted for the factor of a director's attendance at committee meetings and an additional factor for discharging the functions of the Chairman, the Deputy Chairman, or a member of a committee of the Board of Directors.

¹ Minutes of the Annual General Meeting of Shareholders No. 38 dated 3 July 2018.

Payments to members of the Board of Directors for discharging extra functions

Function	Payment
Chairman of the Board of Directors	50% of the fixed part of remuneration
Deputy Chairman of the Board of Directors	25% of the fixed part of remuneration
Chairman of a Committee under the Board of Directors	25% of the fixed part of remuneration
Deputy Chairman of a Committee under the Board of Directors	25% of the fixed part of remuneration for the meetings where the director acted as Chairman of a Committee of the Board of Directors
Member of a Committee under the Board of Directors	15% of the fixed part of remuneration

If a member of the Board of Directors is a member of several committees, additional remuneration is calculated and paid for serving on each committee.

The remuneration for serving on the Board of Directors is only paid if a director attends at least 50% of meetings (from his/her election till the termination of powers).

Additional remuneration is only paid if a director attends (personally or by submitting a written opinion) at least 50% of in presentia committee meetings (from his/her election till the termination of powers).

Members of JSC FPC's Board of Directors are reimbursed for expenses incurred when attending the Board meetings (committee meetings) in the amount of actual and documented expenses, in particular:

- Travel expenses for a round trip to the venue of the Board meeting (committee meeting) (including passenger insurance and service fee) by plane in business class or by train in a first-class sleeping carriage
- Travel expenses for a round trip from an airport or railway station to a hotel
- Accommodation expenses for a single room in a hotel
- Other expenses incurred when attending the Board (Board's committee) meeting

Total remuneration paid to members of the Board of Directors¹ RUB '000



¹ These amounts do not include personal income tax or payments related to the performance of the functions of the General Director of JSC FPC by the sole executive body. Five members of the Board of Directors waived their remuneration in 2021.