

ASSESSMENT OF CORPORATE GOVERNANCE QUALITY

Internal assessment of corporate governance quality

In 2021, the Internal Audit Department of JSC FPC assessed corporate governance practices for the corporate year 2020/2021, confirming its compliance with the established regulatory requirements to major extent, including the recommendations of the Corporate Governance Code of the Bank of Russia. A positive trend in improving the quality of corporate governance was noted.

Based on the audit results, the action plan was developed and approved by the General Director to eliminate the deficiencies identified by the internal audit (as identified in Assessment of Corporate Governance Practices at JSC FPC for 2021) and to implement the proposals aimed at improving the corporate governance.

Report on the progress in compliance with the Bank of Russia's Corporate Governance Code

In 2021, the Company continued to improve its corporate governance system.

JSC FPC's internal documents regulating corporate governance were updated, and new relevant documents were developed during the reporting year.

The Company prepared and approved the following documents:

- A new version of the Regulations on Corporate Secretary
- New Regulations 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
- Internal Audits Quality Assurance and Improvement Programme

- Methodological Recommendations on Corruption Risk Management in JSC FPC, as well as a new version of the Procedure for Notifying the Employer of Inducing An Employee of JSC FPC to Commit a Corruption Offence
- A new version of the Regulations on the System of Key Performance Indicators for the Purpose of Awarding Bonuses to the Executives of JSC FPC
- A new version of the Regulations on JSC FPC Executives Remuneration System

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

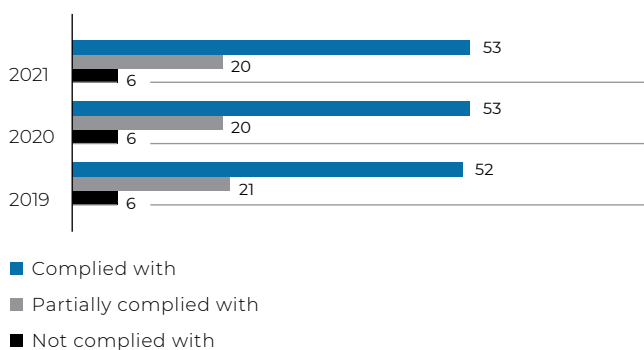
- JSC FPC's Human Resources, Remuneration and Corporate Governance Committee assessed nominees to the Board of Directors for required experience, expertise, business reputation, and absence of conflicts of interest
- JSC FPC's Human Resources, Remuneration and Corporate Governance Committee assessed nominees to the Board of Directors against the independence criteria set by the Code
- JSC FPC's Board of Directors conducted a self-assessment of own performance as well as the performance of its committees and individual Board members, including the analysis 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 results were reviewed by the Board of Directors
- The main results of the Board of Directors' performance assessment were included in the Company's Annual Report
- The annual financial statements prepared under the IFRS, along with the auditor's report, were included in the Company's Annual Report

Detailed information on compliance with the provisions of the Code is provided in the Appendix to this Report — Report on Compliance with the Bank of Russia Corporate Governance Code.

Compliance with the principles and recommendations of the Corporate Governance Code¹

Sections	Corporate governance principles recommended by the Code	Compliance								
		Full			Partial			None		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
Shareholder Rights	13	9	9	10	3	3	3	1	1	–
Board of Directors	36	23	24	26	11	10	8	2	2	2
Corporate Secretary	2	2	2	1	–	–	–	–	–	1
Remuneration System	10	6	6	6	2	2	2	2	2	2
Risk management system	6	6	6	6	–	–	–	–	–	–
Information Disclosure	7	4	4	1	3	3	6	–	–	–
Material Corporate Actions	5	2	2	3	2	2	1	1	1	1
TOTAL	79	52	53	53	21	20	20	6	6	6

Compliance with the Corporate Governance Code



In 2021, in order to develop corporate governance, the Board of Directors approved the Action Plan for Improvement of Corporate Governance of the Company for 2022.

According to the approved plan, the development of corporate governance in JSC FPC will be guided by the improvement of the Company's regulatory framework, which will make it possible to:

- Eliminate legal conflicts identified in the course of work
- Improve compliance of documents with the recommendations of the Corporate Governance Code of the Bank of Russia
- Bring the regulatory framework in line with changes in legislation
- Establish a more efficient operating model

The plan also includes measures to establish the Management Board of JSC FPC, transform the Strategic Planning Committee of the Board of Directors into the Strategic Planning, Digitalisation and Information Technology Committee of the Board of Directors; review and update the website of JSC FPC in accordance with the recommendations of the Corporate Governance Code of the Bank of Russia.

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.