

REMUNERATION OF MEMBERS OF THE GOVERNING BODIES

The members of the Company's Board of Directors are remunerated and paid compensation as prescribed by the Regulations on Remuneration and Compensation for Members of FESCO's Board of Directors¹.

Members of the Company's Board of Directors are paid fixed base and additional remuneration.

The remuneration directly depends on the time spent and the member's involvement in the work of the Board of Directors. Any member of the Company's Board of Directors is remunerated if during the reporting period they attended 75% or more of the meetings of the Board of Directors and/or the committee they serve on.

Base remuneration of RUB 4.5 million is paid to each member of the Board of Directors for the corporate year. Additional payments are provided for serving as the Chairman of the Board of Directors, Chairman of the Committee and a member of the Committee.

Directors are also reimbursed for expenses incurred in the exercise of their duties.

The total remuneration paid to members of the Board of Directors for their work in 2020 was RUB 52.53 million, including RUB 220,800 of compensation for expenses related to the exercise of their duties.

The Company's sole executive bodies and the Executive Board members are remunerated in the amount, in the manner and within the time specified in their employment contracts, Company by-laws and resolutions adopted by the Board of Directors. The remuneration payable to such persons depends on the Company's performance, achievement of goals and implementation

of important projects and is based on individual performance indicators.

The remuneration paid to the members of the Executive Board in 2020 was RUB 295.05 million. No compensations were paid in the reporting period.

Remuneration of the governing bodies, RUB mln

Board of Directors	52.53
Executive Board	295.05
Total amount paid	347.58

CONTROLLED ENTITIES

FESCO operates more than 80 Russian and foreign legal entities that support its business.

The governance at its controlled entities is based on a legal framework put in place to ensure the interests and rights of FESCO as the major shareholder/member of the Group. Below are the key principles underpinning it:

- all transactions and actions of the controlled entities require approval by the Board of Directors and/or the Executive Board of FESCO as set out in the Company's Articles of Association;
- the Board of Directors and the Executive Board of FESCO approve the voting position of the Company's representatives in the governing bodies of the controlled entities on key issues;
- the governing bodies of the Group's companies (boards of directors (supervisory boards), executive bodies) are made up of FESCO's representatives;
- FESCO is authorised to exercise the powers of the sole executive body at certain companies of the Group;
- the constituent and internal documents and the remits of the governing bodies of the Group's companies are harmonised at the Group's level.

The framework for governance at FESCO's controlled entities is implemented by FESCO Service Centre ("FSC"), an integrated centre servicing almost all of the Group's companies.

¹ Approved by resolution of the Extraordinary General Shareholders Meeting held on 25 December 2017, Minutes No. 48 dated 26 December 2017.

The governance control is regulated either via a three-tier system (General Meeting, Board of Directors / Supervisory Board, sole executive body) or via a two-tier system (General Meeting, sole executive body).

FESCO has control over the following key matters related to operations of the Group's companies:

- approval of budgets, strategic development programmes, business plans, investment programmes and projects;
- approval of certain transactions and actions specified by the Articles of Association of FESCO and its controlled entities;
- approval of candidates to be elected as the sole executive body or to the Board of Directors / Supervisory Board at FESCO's controlled entities;
- preliminary consideration of matters related to the appointment of management at the controlled entities;
- approval of candidates to the auditors at certain controlled entities.

In 2020, the Board of Directors and the Executive Board of FESCO passed about 170 resolutions related to governance at controlled entities. Pursuant to these resolutions, the governing bodies of FESCO's controlled entities made over 200 decisions.

Control and audit

INTERNAL CONTROLS

FESCO has in place the Internal Audit Department to perform internal audit functions and provide governing bodies with complete and accurate information on the Company's operations.

The Internal Audit Department is responsible for improving the effectiveness and efficiency of corporate governance practices and business processes; identifying potential for cost reduction and income increase; assessing the performance of the internal control and risk management system; providing independent guarantees and consultations on various aspects of business. The Department is governed by the FESCO Internal Audit Policy.

In 2020, the Company continued to improve its risk management system (RMS) focused on the successful operation of FESCO Group and making effective decisions amid uncertainty.

The RMS provides reasonable certainty that the Group's strategic and operational goals will be achieved by means of identifying and managing risks. The RMS is governed by FESCO's Regulations on Risk Management.

AUDIT COMMISSION

The Company's financial and operating performance is monitored by the Audit Commission, which acts in the interests of shareholders and reports directly to the General Shareholders Meeting. The Commission's activities are governed by the Company's Regulations on the Audit Commission.

The Annual General Shareholders Meeting elected the following officers as members of the Audit Commission: Artem Belsky, Konstantin Kostenevsky, Aleksandr Lobankov, Evgeny Timofeev, Aleksandra Shumkina.