

Unique features of JSC FPC's corporate governance model

JSC FPC is a company of strategic importance for national defence and security¹. Due to the fact that 100% of the parent company's shares are owned by the Russian Federation, JSC FPC's corporate governance has a number of peculiarities:

- The parent company may not pledge, sell or otherwise dispose of the shares of JSC FPC (with transfer of ownership) without the consent of the Government of the Russian Federation².
- In cases provided for by the Articles of Association of the parent company, when acquiring shares (stakes in the authorised capital) in other business entities, JSC FPC shall follow the directives from the Federal Agency for State Property Management³.
- 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)



¹ The Company 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)”.

Assessment of Corporate Governance Quality

External assessment of corporate governance quality

National corporate governance rating (NCGR)

Date of rating	February 2024	February 2025
Assessment period	2023	2024
Rating grade	6++	6++
Characterisation of corporate governance practice	Good Corporate Governance Practice	Good Corporate Governance Practice

The Company received the National Corporate Governance Rating (NCGR®) for the first time in 2024. The Russian Institute of Directors assessed JSC FPC's corporate governance system for 2023 and gave the Company a rating of 6++ ‘Good Corporate Governance Practice’.

In February 2025, based on the Company's 2024 results, the Russian Institute of Directors confirmed JSC FPC's corporate governance rating of 6++.

In accordance with the NCGR scale, the Company follows a number of key recommendations of the Russian Corporate Governance Code and sustainability standards.

JSC FPC has acceptable stakeholder risks related to the quality of corporate governance and sustainability management. Experts noted both positive changes in corporate governance practices over the reporting period and constraining factors. Attention is drawn to the fact that the impact on the rating is related to the continuity of the achieved practices in the future. In building the Company's corporate governance system, symmetry in the development of practices in the Shareholders’ Rights, Information Disclosure, as well as Sustainable Development and ESG components is required. (For more details on the press release, visit the [website](#) of the Russian Institute of Directors.)

In the period between the assignment and confirmation of the rating, the following changes took place in JSC FPC's corporate governance practices:

- The number of independent directors on the Board of Directors was increased from two to three and makes up one third of its numerical composition.
- The Audit and Risks Committee was chaired by an independent director, and the share of Board members in this Committee was increased.
- The share of Board members in the Human Resources, Remuneration and Corporate Governance Committee was increased; the Committee was chaired by an independent director, an expert in ESG practice development.
- The Board of Directors of JSC FPC addressed the matter of approving the succession pool for the position of the sole executive body of JSC FPC.
- At an in-person meeting, the Board of Directors considered the report on compliance with JSC FPC's Information Policy for 2023, and discussed the need to update the Policy.
- The results of the self-assessment of the performance of the Board of Directors, members of the Board of Directors, Chairman of the Board of Directors, Corporate Secretary and committees under the Board of Directors for the 2023–2024 corporate year were reviewed at an in-person meeting.

- The Board of Directors of JSC FPC decided to join Russian Railways Holding's Sustainable Development Policy.
- The Board of Directors approved performance KPIs, including the indicator related to ensuring effective corporate governance practices.
- JSC FPC's Annual Report for 2023 discloses information on the remuneration structure of the audit organisation and the main results of the Board of Directors' performance assessment.

In the reporting year, changes were made to JSC FPC's internal documents as part of the development of corporate governance practices.

The revised Regulations on the Board of Directors of JSC FPC enshrined:

- The possibility of regular advanced vocational training by members of JSC FPC's Board of Directors at the Company's expense within the limits of the approved budget
- The Company's obligation to provide a member of the Board of Directors with information they request, including information on controlled companies
- The possibility of electronic voting at meetings of the Board of Directors
- Remote attendance at meetings, as well as the possibility of drawing up minutes in the form of an electronic document signed by an enhanced qualified electronic signature of the Chairman of the Board of Directors and the Corporate Secretary
- The current practice of employing electronic devices to post meeting materials for the Board of Directors on a network resource
- Regular assessment of the performance of the Board of Directors and its committees, as well as the possibility of evaluating the performance of the Corporate Secretary

The Regulations on the Human Resources, Remuneration and Corporate Governance Committee of JSC FPC's Board of Directors¹ was amended to complement the Committee's competence with:

- Sustainability and ESG functionality, which includes:
 - Preliminary approval of internal documents related to sustainable development
 - Preparation of recommendations to the Board of Directors on defining the Company's sustainable development activities, reviewing reports on the achievement of such goals, as well as developing functional KPIs in terms of sustainable development and integrating them into the management incentive system
- Responsibilities for building a training and professional development programme for members of the Board of Directors
- Functions to formulate recommendations on performance appraisal of the Corporate Secretary, reviewing their reports, the amount of their remuneration and bonus principles
- The ability to interact on behalf of the Board of Directors with an independent expert organisation during the external evaluation of the Board of Directors and Board Committees of JSC FPC
- Functions aligned with the recommendations of the Russian Corporate Governance Code

Internal assessment of the level of corporate governance

Assessment of corporate governance conducted by the Internal Audit Department

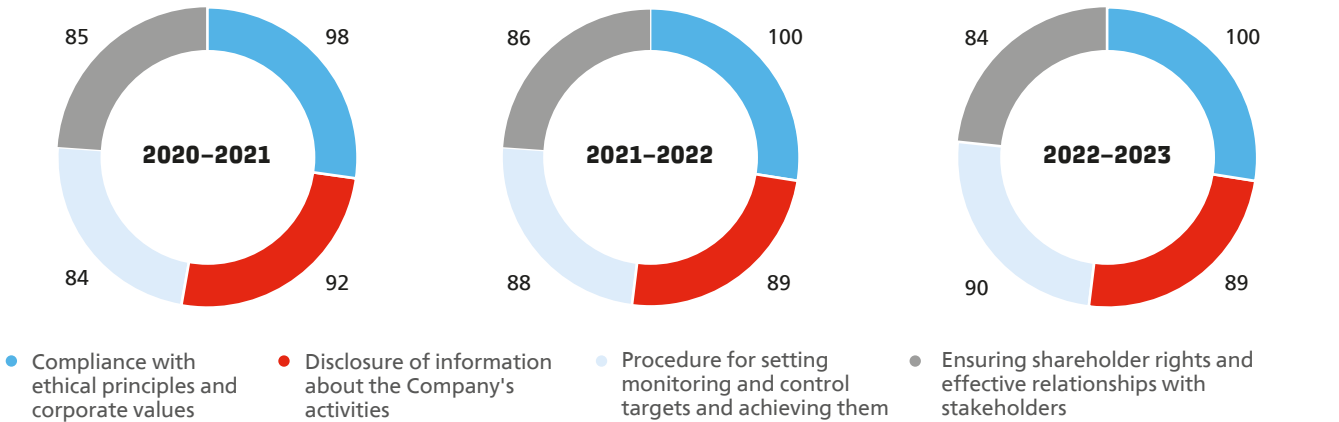
In 2024, JSC FPC's Internal Audit Department conducted the quality assessment of the Company's corporate governance practices for the 2022–2023 corporate year. The results of the assessment confirmed its predominant compliance of the corporate governance practice with the established regulatory requirements, including a number of recommendations of the Bank of Russia Corporate Governance Code applicable to the Company's operations. Certain areas continued to show positive progress in improving the quality of corporate governance, while maintaining encouraging trends. There is still a lower score in the Disclosure of

Information area due to the restrictions in place and the measures taken to minimise sanctions risks. Some shortcomings were noted in the area of ensuring shareholders' rights and the efficiency of relations with stakeholders, such as holding a meeting of the Audit and Risk Committee and a meeting of the Human Resources, Remuneration and Corporate Governance Committee in absentia, which resulted in a lower score.

The Company's Internal Audit Department prepared recommendations for further improvement of corporate governance practices and highlighted the areas for development of corporate governance by JSC FPC's subsidiaries.

The compliance of the Company's corporate governance practice has remained at 90% for the last three years.

Quality of JSC FPC's corporate governance model



Self-assessment of corporate governance quality (compliance with the recommendations of the Bank of Russia Corporate Governance Code)

In the reporting year, progress was maintained in terms of the Company's full compliance with the principles of the Corporate Governance Code recommended by the Bank of Russia. This is attributable to an increase in the share of independent directors on the Board and improvement of the Board of Directors' practices, namely, consideration of the results of the self-assessment of the Board of Directors' performance at

an in-person meeting. The indicator of fully complied principles is also improved on the back of a changed approach to the assessment of two criteria – previously the practice was assessed as 'Not complied with' if the criterion was not applicable to the Company's activities.



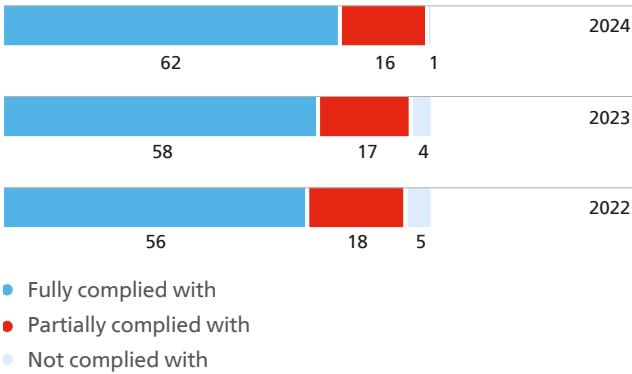
For more details on the results of the internal assessment, see the [Report on Compliance with the Principles and Recommendations of the Corporate Governance Code](#)

¹ Approved by the resolution of the Board of Directors of JSC FPC, Minutes No. 5 dated 12 November 2024.

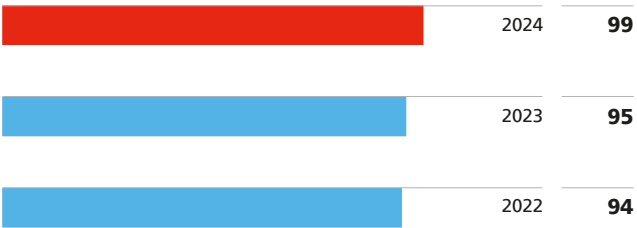
Statistical Data on Compliance with the Corporate Governance Code¹

Sections	Number of corporate governance principles recommended by the Code	Status of the Company's compliance with the corporate governance principle								
		Fully complied with			Partially complied with			No compliance		
		2024	2023	2022	2024	2023	2022	2024	2023	2022
Shareholder rights	13	10	10	10	3	3	3	0	0	0
Board of Directors	36	28	25	25	7	9	9	1	2	2
Corporate Secretary	2	1	2	1	1	0	0	0	0	1
Remuneration system	10	10	8	7	0	0	1	0	2	2
Risk management system	6	6	6	6	0	0	0	0	0	0
Information disclosure	7	4	3	3	3	4	4	0	0	0
Significant corporate actions	5	3	4	4	2	1	1	0	0	0
Total	79	62	58	56	16	17	18	1	4	5

Changes in assessment of compliance with the principles of the Corporate Governance Code



Share of fully and partially complied principles of the Corporate Governance Code in the total number of principles, %



Improvement of corporate governance

In the reporting year, JSC FPC improved its corporate governance system in three main areas:

- 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

The following results were achieved in the mentioned areas:

- The regulatory framework for the Board of Directors' use of digital technology was improved.
- The technology has still being introduced that enables Board of Directors members to vote electronically, maintain a personal calendar of company events, track their own productivity, and communicate via chat with the Corporate Secretary and other Board members.
- The Regulations on the Human Resources, Remuneration and Corporate Governance Committee were amended to include new competences of the Committee members in the field of sustainable development.

- The Company launched the process of identifying risks related to climate change.
- The Company started disclosing information on environmental and natural-climate risks in JSC FPC's issuer reports.
- Regulatory documents were amended in accordance with recommendations received following an external assessment of corporate governance practices conducted by the Russian Institute of Directors.

In 2025, the Company will keep advancing its corporate governance practices in line with the provisions set out in the updated internal documents.



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".