

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

In 2016, FPC continued to improve its corporate governance practice in line with FPC's Action Plan for the Integration of Key Provisions of the Corporate Governance Code in 2015–2016, as approved by the Board of Directors.

In 2016, to follow recommendations of the Corporate Governance Code, the Company:

- reviewed and assessed the current motivation system for executive bodies and other key officers, followed by development and approval of a target KPI system;

- followed the Code's recommendations as to the membership of the Board of Directors: the share of executive directors on the Board is less than 1/4, and the share of independent directors is 1/3;

- continued to shape the risk management and internal control system by way of:
 - general coordination of risk management processes and alignment of internal controls to minimise risks affecting the Company's financial and business results, including information sharing and advising for all risk management and internal control

phases, through FPC's stand-alone Risk Management and Internal Control Unit. As part of the system formation, the Company develops and updates internal regulatory documents;

- reviewed the Company's website to check whether it provides all necessary information, is regularly updated and whether disclosed information is easy to find. The Company implements recommendations on website enhancement prepared following the review.

STATISTICS OF COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE IN 2016*

Sections	Corporate Governance Principles Recommended by the Code	Compliance with corporate governance principle		
		Full	Partial	None
Shareholder Rights	13	6	5	2
Board of Directors	36	9	18	9
Corporate Secretary	2	1	1	–
Compensation System	10	7	–	3
Risk Management System	6	5	1	–
Information Disclosure	7	1	4	2
Material Corporate Actions	5	1	2	2
Total	79	30	31	18

* In line with Letter of the Bank of Russia dated 17 February 2016 No. N-06-52/8 On Reporting on Compliance with the Corporate Governance Code by Public Joint-Stock Companies.