



# Overview of the risk management framework

FPC makes full use of the existing risk management tools, continually improves its Risk Management and Internal Control System, and develops new powerful risk management tools.

The Company plans to complete the development of a formalised risk management framework and present the system's architecture, operating procedure, and the Company's updated Risk Map for consideration by the Board of Directors by the end of 2017.

The purpose of risk management in FPC is to provide reasonable assurance on the achievement of the Company's strategic, tactical and operational goals in an uncertain environment by effectively taking advantage of attractive opportunities, and mitigating risks.

FPC's risk management process is governed by the Company's Risk Management Policy as approved by its Board of Directors.

The Policy defines the goals and objectives of, and outlines overall approaches to, setting up the Company's risk management system, principles of its structure and operation, and determines the risk management process participants, their roles, responsibilities and interactions, as well as the infrastructure and stages of the risk management process.

The Risk Management Committee established in 2016 is a central decision-making body for risk management in FPC.

FPC has in place a dedicated risk management and internal control unit. Its main tasks are the coordination

and improvement of risk management processes and the development of internal control framework.

FPC's risk management activities are governed by the following key principles:

- comprehensive approach to risk management;
- continuity of the risk management process;
- involvement of all employees in risk management as part of their duties;
- inclusion of all FPC's activities in the scope of the Risk Management System;
- uniform principles and approaches of the risk management process;
- segregation of duties among the risk management system participants;
- the most optimal scope and complexity of risk management procedures;
- balanced criteria for making decisions on risk handling – striking the right balance between potential losses and opportunities, and between risk management cost and potential damage if the risk occurred.

The FPC's Risk Management System aims to address the following tasks:

- development and maintenance of a uniform methodology-based approach to risk management across FPC;
- identification, analysis,

assessment, selection, preparation, and implementation of risk mitigation plans with due consideration of the cost vs benefit balance;

- ensuring integrity, reliability and effectiveness of risk management in FPC;
- allocation of risk management responsibilities among FPC's personnel and inclusion of these in corporate regulations;
- development of FPC employees' skills to ensure successful performance of risk management roles and responsibilities;
- integration of the risk management process into FPC's management and operational processes and regulation of interactions between the risk management process participants;
- allocation of required and sufficient resources to support risk management;
- creation and maintenance of effective communication channels to support engagement of internal and external stakeholders in risk management;
- development of risk management reporting mechanisms, ensuring the completeness, reliability and timeliness of reporting;
- continuous improvement of the risk management infrastructure and process.

# ●●●●● Risk management structure

## JSC FPC Board of Directors



- Defines the principles of, and approaches to, setting up FPC's Risk Management and Internal Control System (RM&ICS)
- Approves risk appetites for FPC's principal and individual risks
- Reviews matters related to the organisation, operation and performance of the RM&ICS

## Audit Committee at FPC's Board of Directors



- Monitors the reliability and effectiveness of the RM&ICS including through performance assessments of FPC's risk management and internal control procedures and preparation of improvement proposals
- Reviews and assesses compliance with the Risk Management and Internal Control Policy

## JSC FPC General Director



- Makes sure the FPC Board of Directors resolutions concerning the organisation of RM&ICS are implemented
- Ensures the sustainable and effective operation of the RM&ICS

## JSC FPC Risk Management Committee



- Provides overall coordination of risk management activities for all identified risks facing JSC FPC
- Drafts proposals for FPC's Board of Directors on the principles of, and approaches to, setting up a risk management system.

## JSC FPC Deputy General Director for Safety and Security



- Responsible for the maintenance, operation and improvement of the RM&ICS
- Makes arrangements for forecasting external and internal risks and analysis of their impact on FPC's business

## Risk Management and Internal Control Unit



- Coordinates the risk management processes and systematises the internal control mechanisms of FPC
- Develops and maintains FPC's company-wide risk register, risk matrix and risk map

## JSC FPC business units (risk owners)



- Identify and analyse risks that can impact the achievement of the relevant unit's goals
- Develop and maintain a risk register, risk matrix and risk map within their remit