



## Audit Commission

The Audit Commission is FPC's permanent internal control body responsible for regular control over financial and business activities of the Company, its branches, officers of management bodies and administrative units to ensure compliance with laws of the Russian Federation, the Articles of Association, and the Company's internal regulations.

The Audit Commission acts in the best interests of the Company's shareholders and is accountable to FPC's General Shareholders Meeting. The Audit Commission is independent of officers of the Company's management bodies and administrative units.

The Audit Commission is composed of five members elected annually by the annual General Shareholders Meeting in accordance with the Articles of Association. FPC's employees are not elected to the Audit Commission.

In June 2016, the annual General Shareholders Meeting of FPC elected members of the Audit Commission as follows:

- Andrey Zhakov;
- Natalia Lem;
- Olesya Chernysheva;
- Anastasia Dolgaleva;
- Elena Yudina.

Incentives for members of the Audit Commission are established by the Regulations on Remuneration and Reimbursement for Members of the FPC's Audit Commission and imply payment of remuneration for participation in every audit of the financial and business activities of the Company as well as annual remuneration.

For each audit, the Audit Commission member receives remuneration which equals three times the minimum wage at Russian Railways.

Payment of annual remuneration to the Audit Commission members is decided by FPC's annual General Shareholders Meeting as proposed by the Board of Directors. Annual remuneration paid to a member of the Audit Commission may not exceed an amount equivalent to twenty times the minimum wage at Russian Railways for each completed audit.

Pursuant to a decision of the annual General Shareholders Meeting, in 2016, members of the Audit Commission were paid remuneration totalling RUB 363,272.

## The Company's external auditor

To audit and verify the Company's annual financial statements the General Shareholders Meeting approves an Auditor on an annual basis.

In June 2016, the Annual General Shareholders Meeting approved OOO ERNST&YOUNG as the Company's Auditor for 2016 to audit FPC's financial

statements prepared under RAS, IFRS, and the Group's IFRS consolidated financial statements.

## Internal Audit Centre

FPC has set up the Internal Audit Centre<sup>1</sup>, a separate business unit which helps the Board of Directors and executive bodies to enhance the Company's governance practice, improve its financial and business operations through a systemic and consistent approach to the analysis and assessment of the risk management and internal control systems and corporate governance as tools to provide reasonable assurance that the Company will achieve its goals.

Objectives of the Internal Audit Centre:

- organise and carry out internal audits of FPC's business processes (including passenger services and their documentation); ensure asset integrity; ensure compliance

with the requirements of Russian laws and corporate documents of FPC;

- monitor and assess the reliability and effectiveness of internal control, risk management and corporate governance systems;
- promptly supply FPC's management with reliable information on financial and business operations and effectiveness of business processes, reliability of internal control and risk management procedures in the administrative and business units of FPC, its branches and their business units and, in line with an established procedure, in FPC's subsidiaries and affiliates.

Under the Regulations on the Audit Committee of the Board of Directors,

to ensure independent and unbiased approach to the internal audit function, the Audit Committee reviews the Company's Internal Audit Policy and Internal Audit Plan, existing restrictions on the powers or budget constraints of the internal audit function that may adversely affect the internal audit function, and evaluates effectiveness of the internal audit function.

The Head of the Internal Audit Centre reports to the Audit Committee at the Board of Directors on internal audits in the Company.

The Head of the Internal Audit Centre is appointed by the Company's General Director.

<sup>1</sup> As instructed by the Audit Committee of the Board of Directors and in line with the Corporate Governance Code, the Company is working to spin the internal audit function off into a dedicated internal audit unit accountable to the Committee in 2017.



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**Alexander Mizon**  
Head of the Internal Audit Centre

**Year of birth:** 1961.

**Education:**

Graduated from Kharkov Higher Military Logistics School of the USSR Ministry of Internal Affairs in 1982 majoring in Command and Tactics, Artillery Weapons;

Graduated from the Military Academy of Logistics and Transportation in 1991 majoring in Staff Command, Tactical Control and Logistics.  
Graduated from the Military Academy of the General Staff of the Armed Forces of Russia in 1997 majoring in Staff Command and Strategic Control.