

CONTROL AND AUDIT

EXTERNAL AUDITOR

The external auditor of JSC FPC is selected through an open tender. The criteria for assessing the participants in an open tender are approved by the Parent Company. No additional procedures are used to ensure the auditor's independence and objectivity when conducting an open tender.

The Board of Directors of JSC FPC approved the sole participant of the open tender as the Company's auditor to verify and confirm the Company's RAS and IFRS financial

statements for 2021. The Auditor's remuneration amounts to RUB 21.6 million (including VAT). Contract No. FPK-21-187 dated 7 July 2021. No non-audit services were provided.

The Audit and Risk Committee of JSC FPC did not assess the efficiency of the external audit process in 2021.

AUDITING COMMISSION

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

The Auditing Commission acts in the best interests of JSC FPC's shareholders and is accountable to the General Meeting of Shareholders.

The Auditing Commission is independent of officers of JSC FPC's governance bodies and administrative units.

The Auditing Commission is guided by applicable laws of the Russian Federation, JSC FPC's Articles of Association, the Regulations on the Auditing Commission, and the Regulations on Remuneration and Compensation for the Members of JSC FPC's Auditing Commission.

The Auditing Commission is composed of five members elected by the Board of Directors for a three-year term under JSC FPC's Articles of Association.

The Auditing Commission, which was functioning at the end of the reporting period, was elected by the resolution

of JSC FPC's Board of Directors in December 2021 (Minutes No. 10 dated 27 December 2021).

Report on work with the Auditing Commission in 2021

Pursuant to clause 3 of Article 85 of Federal Law No. 208-FZ dated 26 December 1995 On Joint Stock Companies, the Auditing Commission of JSC FPC carried out two audits in JSC FPC during 2021:

- Financial and economic activities of JSC FPC and its branches in 2020
- Certain issues related to the financial and business activities of JSC FPC for the nine months of 2021

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

The members of JSC FPC's Auditing Commission were paid RUB 211,068.00 for participation in the annual audit.

The resolution to pay additional remuneration to members of the Auditing Commission is passed by JSC FPC's Board of Directors in line with paragraph 15.1, subparagraph 24 of JSC FPC's Articles of Association.

By decision of the Board of Directors of JSC FPC (Minutes No. 25 dated 27 May 2021) it was decided not to pay additional remuneration to the members of the Auditing Commission for the audit of the financial and business operations of JSC FPC in 2020.

The total amount of payments in 2021 was RUB 211,068.00.

Internal audit

The key objective of JSC FPC's internal audit is to provide the Board of Directors and General Director with unbiased and independent information on the financial and business activities and the reliability and efficiency of RM/IC process and corporate governance practice to maintain financial stability, improve the efficiency and productivity of business processes, boost performance and achieve JSC FPC's goals.

JSC FPC's Internal Audit Department is responsible for the internal audit. The Internal Audit Department operates in accordance with the requirements of the laws and regulations of the Russian Federation, regulations of the Parent Company and JSC FPC, the conceptual framework of professional practice of the Institute of Internal Auditors and other documents.

JSC FPC's internal audit structure is aligned with the International Standards for the Professional Practice of Internal Auditing, the Bank of Russia's Corporate Governance Code and other Russian regulations.

Internal audit activities in JSC FPC are regulated by the following key documents:

- Regulations on the Organisation of Internal Audit in JSC FPC approved by the decision of the Board of Directors of JSC FPC¹
- Regulations on the Internal Audit Department of JSC FPC, approved by the decision of the Board of Directors of JSC FPC²

- Internal Corporate Audit Standards approved by the Parent Company's Order No. 2327r dated 16 November 2016 and adopted by the Board of Directors of JSC FPC³
- The Code of Ethics for Internal Auditors of JSC FPC, approved by the decision of the Board of Directors of JSC FPC⁴
- Internal Audit Quality Assurance and Improvement Programme approved by the Board of Directors of JSC FPC⁵

During the year, the Internal Audit Department conducted internal audits of individual business processes, assessed corporate governance, reliability and efficiency of RM/IC processes. The Internal Audit Department also monitors the implementation of measures to eliminate irregularities and shortcomings in JSC FPC's activities identified during internal audits.

Implementation of the Internal Audit Quality Assurance and Improvement Programme continued in 2021. As part of its implementation, an internal quality assessment (self-assessment) of internal audit activities for 2021 was carried out by employees and the Head of Department, Company management and members of the Audit and Risk Committee.

The report on the results of the internal assessment of the Internal Audit Department for 2021 was reviewed by JSC FPC's Audit and Risk Committee⁶.

Based on the results of the self-assessment of the internal audit performance, the internal audit function was found to be compliant with the established requirements and stakeholder expectations. In order to further improve the performance level, areas of improvement of the internal audit function were elaborated (The Internal Audit Quality Assurance and Improvement Plan for 2022 was approved).

¹ Minutes No. 7 dated 25 October 2018.

² Minutes No. 7 dated 25 October 2018.

³ Minutes No. 13 dated 28 December 2016.

⁴ Minutes No. 23 dated 11 June 2020.

⁵ Minutes No. 15 dated 5 February 2021.

⁶ Protocol No. 12 dated 2 March 2022.