

CONTROLLED ENTITIES

FESCO operates more than 100 Russian and foreign legal entities that support its business.

The governance at its controlled entities is based on a legal framework put in place to ensure the interests and rights of FESCO as the major shareholder/member of the Group. Below are the key principles underpinning it:

- all transactions and actions of the controlled entities require approval by the Board of Directors and/or the Executive Board of FESCO as set out in the Company's Articles of Association;
- the Board of Directors and the Executive Board of FESCO approve the voting position of the Company's representatives in the governing bodies of the controlled entities on key issues;
- the governing bodies of the Group's companies (boards of directors (supervisory boards), executive bodies) are made up of FESCO's representatives;
- FESCO or its controlled entities are authorised to exercise the powers of the sole executive body at certain companies of the Group;
- the constituent and internal documents and the remits of the governing bodies of the Group's companies are harmonised at the Group's level.

The framework for governance at FESCO's controlled entities is implemented by FESCO Service Centre (FSC), an integrated centre servicing most of the Group's companies. The governance control is regulated either via a three-tier system (general meeting, board of directors / supervisory board, sole executive body) or via a two-tier system (general meeting, sole executive body).

FESCO has control over the following key matters related to operations of the Group's companies:

- approval of budgets, strategic development programmes, business plans, investment programmes and projects;
- approval of certain transactions and actions specified by the Articles of Association of FESCO and its controlled entities;
- approval of candidates to be elected as the sole executive body or to the board of directors / supervisory board at FESCO's controlled entities;
- preliminary consideration of matters related to the appointment of management at the controlled entities;
- approval of candidates to the auditors at controlled entities.

In 2022, the Board of Directors and the Executive Board of FESCO passed about 335 resolutions related to governance at controlled entities. Pursuant to these resolutions, the governing bodies of FESCO's controlled entities made over 400 decisions.

CONTROL AND AUDIT

INTERNAL CONTROLS

An integral part of corporate governance, our risk management and internal control system embraces all operations, key business processes and governance levels. Its key objective is to provide reasonable assurance in the Company's ability to achieve its strategic and day-to-day goals amid uncertainty and unfavourable conditions.

Risk management and internal controls are continuous integrated processes performed by governing bodies and employees as part of their duties.

To provide governing bodies with complete and accurate information on the Company's operations, FESCO established the Internal Audit Department.

The Department is responsible for the regular and independent assessment of how effective and reliable the Company's risk management and internal controls are as well as their improvements. The Internal Audit Department also works to enhance the effectiveness and efficiency of corporate governance practices and business processes and reduce costs, oversees safe and sustainable use of assets, and ensures compliance with corporate governance principles.

The Department is governed by the FESCO Internal Audit Policy.

EXTERNAL AUDIT

The Annual General Shareholders Meeting appointed Kept as the Company's external auditor for 2022. The external auditor is responsible for auditing the Company's financial and operating performance as prescribed by the applicable laws of the Russian Federation and pursuant to the contract signed between the Company and the auditor. According to clause 4, article 5 of Federal Law No. 307-FZ On Audit Activities dated 30 December 2008, no open tender is required to select the issuer's external auditor.

The issuer shall select the external auditor through a tender procedure (Russian laws on procurement do not apply to said tender procedures). The Company shall select its external auditor by collecting and comparing bids submitted by the auditors. The proposed nominee for the external auditor role shall be approved by the General Shareholders Meeting.