

CORPORATE GOVERNANCE FRAMEWORK

FESCO is guided by the best corporate governance standards and principles. The Company's corporate governance framework is aligned with the applicable laws of the Russian Federation and the Listing Rules of the Moscow Exchange. In 2022, this helped us upgrade the listing of FESCO shares by moving them from Level 3 to Level 2 of the List of Securities Admitted to Trading at the Moscow Exchange.

In assessing the quality of corporate governance, FESCO also relies on the Bank of Russia's Corporate Governance Code¹, which defines relevant principles. The Report on Compliance with the Principles and Recommendations of the Corporate Governance Code pre-approved by the Company's Board of Directors as part of the annual report details the extent of the compliance.

In 2022, the Company sought to implement the announced plans on enhancing the internal regulations that form the legal backbone of the corporate governance system and ensure the efficiency of decisions taken by the governance bodies with a view to maintaining the balance of interests pursued by the Company and its stakeholders, and facilitating the achievement of FESCO's business goals.

In 2022, new versions of the following documents were approved:

- Regulations on the Board of Directors²;
- Internal Audit Policy³;
- Regulations on the Audit Committee of the Board of Directors;
- Regulations on the Human Resources and Remuneration Committee of the Board of Directors;
- Regulations on the Strategy, Investment, and General Affairs Committee of the Board of Directors⁴.

Thanks to the Company's sustained efforts and adoption of the above regulations, we saw an increase in the number of principles of the Corporate Governance Code that the Group complies with.

¹ Letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014 On the Corporate Governance Code.
² The Regulations were expanded to include provisions on compliance with the recommendations of the Corporate Governance Code and the rules of the procedure to be followed by the Board of Directors in case of a conflict of interest or disqualification as an independent director. Furthermore, the Regulations formalise the status of a senior independent director and the right of the Board of Directors to self-assessment.
³ The Policy provides more clarity on the definition of internal audit and its goals, while also formalising the independent status of the Internal Audit Department.
⁴ New regulations on the committees provide more clarity on the competencies and objectives of committees of the Board of Directors as per the requirements of the Bank of Russia and the business practices of FESCO Group, while also formalising a voting procedure for committee members based on an automated information system.

COMPLIANCE WITH THE BANK OF RUSSIA'S CORPORATE GOVERNANCE CODE IN 2022⁵

Section	Total	Principles								
		Full compliance			Partial compliance			Non-compliance		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
Shareholder rights and equitable treatment of shareholders	13	9	8	9	3	4	4	1	1	0
Board of directors, committees, competencies and independence	36	12	14	15	9	8	8	15	14	13
Corporate secretary	2	1	2	2	1	0	0	0	0	0
Remuneration of directors, members of executive bodies and other key officers	10	6	8	10	1	0	0	3	2	0
Risk management and internal controls	6	4	5	5	2	1	1	0	0	0
Disclosures and the Company's information policy	7	4	2	3	3	5	4	0	0	0
Material corporate actions	5	0	2	3	3	0	0	2	3	2
Total	79	36	41	47	22	18	17	21	20	15

CORPORATE GOVERNANCE CODE PRINCIPLES



Certain compliance gaps were primarily due to the objective infeasibility of setting up fully independent Audit Committee and Human Resources and Remuneration Committee, lack of a long-term share-based incentive scheme for executive bodies and other key managers, and incomplete character of self-assessment procedures put in place for the Board of Directors.

Nevertheless, the Company remains committed to ensuring full or partial compliance with more principles and improving its corporate governance both Company and Group-wide.

⁵ Statistics is provided based on the 2022 Report on Compliance with the Principles and Recommendations of the Corporate Governance Code recommended by the Bank of Russia, Letter of the Bank of Russia No. IN-06-28/102 dated 27 December 2011 On Disclosure of Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company.