

Control and audit

Internal controls

FESCO established the Internal Audit Department to perform internal audit functions and provide governing bodies with complete and accurate information on the Company's operations.

The Internal Audit Department is responsible for:

- improving the effectiveness and efficiency of corporate governance practices and business processes;
- reducing costs;
- overseeing safe and sustainable use of assets;
- ensuring compliance with corporate governance principles.

The Department is governed by the FESCO Internal Audit Policy.

In the reporting year, FESCO fine-tuned its risk management system to comply with the updated 2018 version of Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995. The Company developed and approved Regulations on Risk Management to define the goals, objectives, basic principles and common approaches of the Group's risk management system and set the requirements for risk governance methodologies, rules and approaches.

The Regulations provide a framework for internal methodological documents and by-laws governing FESCO's risk management system.

The Company is developing a dedicated IT solution for risk governance, with all business processes to be gradually automated in 2020.

Audit Commission

The Company's financial and operating performance is monitored by the Audit Commission, which acts in the interests of shareholders and reports directly to the General Shareholders Meeting. The Commission's activities are governed by the Company's Regulations on the Audit Commission.

The Annual General Shareholders Meeting elected the following officers as members of the Audit Commission:

- Artem Belsky;
- Konstantin Kostenevsky;
- Aleksandr Lobankov;
- Alexey Maximov;
- Evgeny Timofeev.

External audit

The Annual General Shareholders Meeting appointed AO KPMG as the Company's external auditor for 2019. 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.