

Inspection and Auditing

Audit Commission

The Audit Commission is a permanently-functioning internal control mechanism at JSC FPC which implements regular inspections of the financial and economic activities of the Company, its branches, the responsibilities of its bodies of management and the structural subdivisions of management at JSC FPC to ensure conformity between the legislation of the Russian Federation, the JSC FPC Charter and JSC FPC's internal documentation.

The Audit Commission acts in the interest of the Company's shareholders and its actions are accountable to the JSC FPC General Shareholders Meeting.

The Audit Commission is independent of the responsibilities of the Management of the Company and of the structural subdivisions of the Management of the Company.

In accordance with the JSC FPC Charter, the 5-member Audit Commission is elected on a yearly basis by the Annual General Shareholders Meeting of JSC FPC. JSC FPC employees may not serve in the JSC FPC Audit Commission.

In June of 2013, the Annual General Shareholders Meeting of JSC FPC selected the following for service in the Audit Commission:

- O.B. Ivanov — Director of Internal Auditing at JSC RZD,
- N.A. Lem — Head of the Department of Business Accounting Services at JSC RZD,
- E.I. Chamortseva — Deputy Chief of the Zheldokontrol Center,
- L.A. Bulgakova — Head Specialist in the Department of the Management of Subsidiaries and Affiliates of JSC FPC,
- A.Yu. Romanov — Deputy Chief of the Department, Head of the Division of Financial Inspection and Forecasting of the Department of Corporate Finance at JSC RZD.

Since November of 2011, the Company has followed regulations as to the payment of remunerations to the members of the JSC FPC Audit Commission which provide for the payment of remunerations for participation in every inspection (audit) of the financial and economic activities of the company as well as annual remunerations.

For participation in each audit, the member of the Audit Commission shall receive remunerations in an amount equivalent to three times the minimum wage at Joint Stock Company "Russian Railways."

The decision as to the payment of annual remunerations to members of the Audit Commission is made by the Annual General Shareholders Meeting of JSC FPC according to a recommendation from the JSC FPC Board of Directors. The size of annual remunerations paid to members of the JSC FPC Audit Commission may not exceed an amount equivalent to twenty times the minimum wage at JSC RZD for each inspection made.

By decision of the Annual General Shareholders Meeting, in 2013 the members of the JSC FPC Audit Commission were paid annual remunerations totalling 456,459 roubles.

Centre for Internal Inspection and Auditing

The Centre for Internal Inspection and Auditing was created for the purpose of improving the efficiency of the system of internal inspection and auditing in the Company, guaranteeing the Company's bodies of management trustworthy and complete information about the Company's activities as well as the identification and prevention of abuses of power in the Company. The Centre is functionally subordinate to the General Director of JSC FPC and accountable to the Audit Committee of the JSC FPC Board of Directors.

The tasks of the Centre for Internal Inspection and Auditing include:

- The organization and implementation of internal inspections and audits of the financial and economic activities of the Company, its branches and structural subdivisions;
- The identification of financial and economic reserves and the preparation of statements warning of financial and tax-related risks and losses;
- The prevention of violations and shortages in the financial and economic activities of JSC FPC and the preparation of suggestions for their elimination as well as for the establishment of procedures for holding guilty member of management accountable to the laws of the Russian Federation;
- Exposing revenue losses from passenger and postal luggage transport and the irrational use of passenger wagons and identifying citizens attempting to travel in passenger trains without travel documents;
- The implementation of inspections to establish the required quality of long-distance passenger train service in the subdivisions of JSC FPC.

External Company Auditor

For the verification and confirmation of the Company's annual financial accounts, the General Shareholders Meeting

of JSC FPC approves an Auditor on a yearly basis.

In June of 2013, the Annual General Shareholders Meeting approved Ernst and Young LLC as the Auditor Company to carry out the audit of JSC FPC's financial accounts according to Russian accounting standards and IFRS in 2013.

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