

Corporate governance system

In 2018, Russian Railways continued work to ensure compliance with the Corporate Governance Code. The Company's Charter was amended to formalise the right of Russian Railways' Board of Directors to include not only subsidiaries but also its controlled entities in the annual list approved by the Board of Directors (Resolution No. 980 of the Russian Government dated 23 August 2018). Based on recommendations provided in the Corporate Governance Code, Russian Railways' Board of Directors amended the regulations on its committees and approved the Regulation on Assessing Performance of Russian Railways' Board of Directors, its Committees and Members.

Russian Railways' corporate governance system employs the following best practices:

Independent directors are appointed to the boards of directors of Russian Railways and its subsidiaries. There are currently two independent directors sitting on the Board of Directors at Russian Railways.

Following the Annual General Meetings of Shareholders held in 2018, independent directors were elected as board members at nine of the Group's largest subsidiaries.

Agenda items are previewed by committees of the boards of directors at both Russian Railways and its subsidiaries. Boards of directors of Russian Railways Group's 26 major subsidiaries have relevant board committees in place.

To meet the 2025 targets implying continuous expansion in competitive markets, the Company's corporate governance system needs a series of further improvements. The organisational development initiatives envisage transition to a subholding organisational model, making it possible to:

ensure transparent distribution of roles, responsibilities and operation boundaries;

create a framework for defining and balancing operation boundaries across related (either in terms of market or a place in the value chain) companies;

set up single centres of responsibility, competencies, decision-making and profit consolidation (on the basis of managing companies).