

Board of Directors

The Board of Directors is the key element in Russian Railways' corporate governance framework. The Board acts pursuant to the laws of the Russian Federation, the Charter of Russian Railways approved by Resolution No. 585 of the Russian Government dated 18 September 2003, and the Regulation on the Board of Directors of Russian Railways approved by Order No. 265-r of the Russian Government dated 25 February 2004.

The key objective of the Board of Directors is to pursue a policy that supports the Company's robust growth, improves the sustainability of its operations, and increases profitability. The Board also determines the Company's business priorities, approves its long-term plans and core programmes, including the budget and the investment programme, and defines

general principles of and approaches to risk management in the Company.

In line with international corporate governance practices, independent directors have been elected to the Board of Directors of Russian Railways since 2008.

The Board of Directors supervises the Company's corporate governance practices.

Pursuant to the Company's Charter and the recommendations of the Corporate Governance Code, the Board of Directors plays a key role in decision-making with respect to the Company's controlled entities.

In 2018, in line with the resolution adopted by the General Meeting of Shareholders,

Stanislav Voskresensky, Alan Lushnikov, Hartmut Mehdorn and Vasily Sidorov (independent director) left the Board of Directors. The number of directors remained unchanged at 13 members, including the following newly elected members:

- › Maxim Akimov – Deputy Prime Minister of Russia;
- › Yevgeny Ditrikh – Russia's Minister of Transport;
- › Dmitry Patrushev – Russia's Minister of Agriculture;
- › Mikhail Rasstrigin – Russia's Deputy Minister of Economic Development;

On 18 July 2018, the Board of Directors resolved to elect Maxim Akimov as the Chairman of the Company's Board of Directors.

Composition of the Board of Directors at Russian Railways

Representatives of the Russian Federation:

- › Maxim Akimov
- › Oleg Belozеров
- › Grigory Berezkin
- › Arkady Dvorkovich
- › Yevgeny Ditrikh
- › Kirill Dmitriev
- › Andrey Ivanov
- › Valery Nazarov
- › Dmitry Patrushev
- › Mikhail Rasstrigin
- › Alexander Ryazanov

Independent directors:

- › Sergey Nedoroslev
- › Sergey Stepashin

Members of the Board of Directors hold no stakes in the charter capital of Russian Railways.



→ Brief biographies of members of the Board of Directors are available online in the interactive version of the annual report

Meetings of the Board of Directors in 2018

In 2018, the Board of Directors of Russian Railways held 19 meetings, including 6 meetings held in person and 13 conducted in the form of absentee voting. The Board of Directors considered

115 matters focusing on a variety of the Company's business areas. The most important matters were discussed at meetings held in person.

Report on the performance of the Board of Directors and material resolutions adopted in 2018

In 2018, as part of its key tasks and responsibilities, the Russian Railways Board of Directors:

- › approved the Regulation on Assessing Performance of Russian Railways' Board of Directors, its Committees and Members;
- › approved amendments to the regulations on committees of the Board of Directors;
- › approved amendments to the Regulation on the Remuneration System for Members of the Management Board of Russian Railways;
- › approved a new version of the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways;
- › approved the Conceptual Framework for the Reform of the Russian Railways Social Infrastructure until 2021;
- › adopted resolutions on additional issues of ordinary uncertificated registered shares and an issue of preference uncertificated registered shares of Russian Railways;
- › approved the Exchange Bond Programme of Russian Railways and a relevant prospectus, while also endorsing the terms and conditions for purchasing bonds from the bondholders;
- › resolved on acquiring a stake in a joint-stock pension fund incorporated through reorganisation of BLAGOSOSTOYANIE Non-State Pension Fund;
- › approved the Company's participation in a project aiming to build a new specialised port on Russia's Far Eastern coast near the Sukhodol Bay of Vladivostok sea port;
- › approved amendments to the Russian Railways investment programme and financial plan for 2018 based on performance in 1H 2018;
- › approved the Russian Railways financial plan and investment programme for 2019 and the planning horizon extending to 2020 and 2021;
- › pre-approved and prepared recommendations for the Company's Annual General Meeting of Shareholders on the approval of the Russian Railways annual RAS financial (accounting) statements for 2017 (including the income statement);
- › reviewed the consolidated IFRS financial statements of Russian Railways for 2017, findings of the auditor following review of the Company's consolidated financial statements, and report of the Audit Commission following examination of the Company's business and financial operations in 2017;
- › pre-approved Russian Railways' Annual Report for 2017 and prepared recommendations for the Company's Annual General Meeting of Shareholders on the approval of the report;
- › prepared recommendations for the Company's Annual General Meeting of Shareholders on the maximum dividend amount, payment procedure for the 2017 dividends, and distribution of net profit for 2017;
- › prepared recommendations for the Company's Annual General Meeting of Shareholders on the approval of an auditor for Russian Railways' financial (accounting) statements and consolidated financial statements for 2018 and approved the auditor fees;
- › prepared recommendations for the Company's Annual General Meeting of Shareholders on the remuneration payable to members of the Board of Directors and the Audit Commission based on their performance in the 2017–2018 corporate year;
- › resolved to dismiss a member of Russian Railways' Management Board and appoint deputies of the Russian Railways CEO;
- › approved key performance indicators (KPIs) used for determining quarterly bonuses for the CEO – Chairman of the Management Board;
- › provided general qualitative assessment of performance by the Management Board and the entire Company in 2017;
- › approved a list of Group-wide KPIs used for determining annual bonuses for members of the Management Board and target values of Group-wide KPIs for 2019;
- › approved key initiatives to be supported using the charity and sponsorship fund of Russian Railways and amounts to be allocated in 2019.

Remuneration of the Board of Directors

In 2018, the Annual General Meeting of Shareholders of Russian Railways adopted a resolution to pay remuneration to the Company's directors for the 2017–2018 corporate year in the amount recommended by the Board of Directors in its resolution No. 23 dated 24 May 2018 and in the manner prescribed by the Regulation on Remuneration and Compensation Paid to Members of the Russian Railways Board of Directors.

Pursuant to the Regulation developed in line with the recommendations of the Federal Agency for State Property Management (Rosimushchestvo) and the Corporate Governance Code, remuneration is calculated using a formula based on the basic component of remuneration, which amounts to RUB 2,000,000 and depends on the participation of directors in Board meetings. For taking on additional

responsibilities, Board members are paid additional remuneration calculated as the basic portion of remuneration multiplied by the following ratios:

- › 3 – for the Chairman of the Board of Directors (excluding individuals who perform the functions of the Chairman of the Board of Directors in his absence);
- › 2 – for a member of the Board of Directors who performs the functions of the chairman of a Board committee;
- › 1.5 – for a member of the Board of Directors who performs the functions of a member of a Board committee.

Additional remuneration for participation in the work of the Board committees is paid subject to the director personally attending (producing a written opinion for) at least 75% of the in-person committee meetings held over the course of the corporate year.

If a member of the Board of Directors performs the functions of a member and/or the chairman of a Board committee on more than one committee, additional remuneration is paid for the functions performed on each committee.

The Regulation does not apply to directors who are members of the executive bodies of Russian Railways or who are restricted or prohibited from receiving any payments from commercial organisations by the laws of the Russian Federation.

In the reporting year, the Annual General Meeting of Shareholders of Russian Railways resolved to allocate a total of RUB 51.8 m in remuneration to members of the Russian Railways Board of Directors.

Committees of the Board of Directors

For the purposes of preliminary consideration of the most important matters and preparation of relevant recommendations, the Russian Railways Board of Directors has the following committees in place:

- › Strategic Planning Committee;
- › Audit and Risk Committee;
- › Personnel and Remuneration Committee;
- › Priority Investment Projects Committee¹.

The committees are elected by Russian Railways' Board of Directors and act in accordance with the regulations on the committees approved by the Company's Board of Directors.

Corporate Secretary

The Corporate Secretary of Russian Railways is a dedicated officer whose responsibilities include ensuring that the Company's bodies and officials comply with the requirements of the laws of the Russian Federation and Russian Railways' Charter and internal documents that guarantee the respect of rights and legitimate interests of the Company's shareholders, organising measures to settle conflicts involving violation

of shareholder rights, and arranging interaction between Russian Railways and its shareholders and between the Company's governance bodies.

The Corporate Secretary is appointed and released from office based on a resolution of the Board of Directors passed by a majority vote. The Corporate Secretary's duties and responsibilities are listed in the Regulation on the Corporate

Secretary of Russian Railways and the Office of the Corporate Secretary.

Vasily Gorev was the Corporate Secretary of Russian Railways until September 2018.

In September 2018, **Andrey Zhemchugov** was appointed as the new Corporate Secretary.

¹ Dissolved on 30 June 2018.