

Risk management

Highlights

Effective risk management is a consistent ongoing process that spans all organisational layers and is integrated with the business and decision-making processes to make Company's targets more achievable.

Since May 2018, the coordination, implementation and improvement of the risk management and internal control system (the "RMICS") have been led by the Risk Management and Internal Control Centre (the "Centre"). Prior to that, these functions were the responsibility of the Risk Management and Outsourcing Centre.

The Centre focuses on:

- › coordinating the RMICS creation process;
- › monitoring the risk management and internal control processes to achieve Russian Railways' objectives and mitigate risks to an acceptable level;
- › stating requirements for the RMICS and the risk management and internal control procedures and processes.

Russian Railways adheres to the principles and approaches guiding the development and operation of an effective risk management system outlined in the following documents:

- › the Committee of Sponsoring Organisations of the Treadway Commission (COSO): Internal Control – Integrated Framework;

- › the Committee of Sponsoring Organisations of the Treadway Commission (COSO): Enterprise Risk Management – Integrating with Strategy and Performance;
- › ISO/GOST R 31000;
- › the Corporate Governance Code approved by the Bank of Russia's Letter No. 06-52/2463 dated 10 April 2014;
- › Guidelines for drafting risk management policies approved by the Russian Government's Order dated 24 June 2015;
- › Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995.

Risk management and internal control system

Goals and objectives

The main purpose of RMICS is to provide reasonable assurance that Russian Railways will achieve its goals and to protect the value and assets of the Company.

The RMICS serves to:

- › integrate risk management and internal control processes and procedures into the strategic and operational dimensions of the Company;
- › put in place the necessary infrastructure, and policies and guidelines;
- › reduce the number of contingencies that could undermine the Company's ability to achieve its goals;

- › proactively respond to possible threats to the Company's operations, failure to achieve the Company's goals, or adverse changes in the external and internal environment;
- › raise risk awareness of the Company's Board of Directors and management at all levels.