

Risks requiring particular attention

Corruption risks

Russian Railways pays particular attention to certain types of risks, such as corruption risks. The Anti-

Corruption Centre is the Company's authorised unit for combating corruption and improving anti-

corruption policies in accordance with the laws of the Russian Federation.

Cybersecurity risks

If they materialise, information security threats may disrupt or suspend IT services, the process flow and operations of the Company, and cause leakage of restricted information.

in this area included the deployment and administration of information systems, assessment of security (vulnerability) of the Russian Railways' information infrastructure and cyberattack detection and prevention system. The Company also assessed the security of its information

infrastructure (including Internet access nodes).

Plans for 2019 include initiatives designed to develop information security control and monitoring systems.

In 2018, the most important activities

Climate change risks

The Company pays great attention to climate change risks, the most significant of them being an increasing number of hydro-meteorological hazards capable of affecting the Company's operations.

Railway design and engineering could become increasingly complicated due to higher precipitation (especially in liquid and mixed forms) and growing number of hazards such as fog, heavy rains, avalanches, dangerous snowfalls and blizzards, and sandstorms. More liquid

precipitation poses a risk of erosion of some parts of the track, while heavy snowfalls and growth of snow cover by more than 5 cm would require building higher railway embankments.

Financial risk management

The Company lays a strong emphasis on managing financial risks and insuring its property and liability. Since 2010, Russian Railways has been implementing and improving an efficient financial risk management framework, using the Financial risk management policy as the key regulatory document.

All related decisions are made by the Financial Risk Management Commission, a collective body headed by the First Deputy CEO of the Company.

The approaches to financial risk management applied by Russian Railways are based on the best

practices of financial risk management, principles of diversification through the use of various risk management tools and reliable counterparties. The risk management policy excludes speculative risk management tools, as well as transactions with unreliable counterparties.

Credit risks

To manage its credit risks, Russian Railways has put in place procedures to calculate credit limits and regulatory documents governing operations with bank guarantees and sureties, including the unified corporate standard of Russian Railways Group for dealing with collateral

instruments. The Company assesses financial institutions and calculates relevant credit limits so as to manage bank transactions involving deposits and bank guarantees based on the financial standing of the financial institution. The assessment of financial institutions

is based on the analysis of their qualitative and quantitative performance indicators in accordance with the internal methodology developed with input from leading experts in the risk management domain.