

# Corporate governance system

Russian Railways' corporate governance system is based on applicable standards and the nature of its operations and governance as a 100% state-owned single economic entity<sup>1</sup>, Instructions of the Russian Government, which places a special focus on improving the quality of corporate governance in state-owned companies, are of critical importance for shaping the corporate governance practice in the Company.

In implementing its corporate governance framework and tools, Russian Railways also complies with documents issued by the Bank of Russia as the regulator and the Federal Agency for State Property Management as the corporate governance methodologist for state-owned companies.

Russian Railways' Board of Directors is the key component of the corporate governance framework, leading the development of the Company's best practice of corporate governance. In 2019, Russian Railways' Board of Directors:

- resolved to establish the Digital Transformation and Innovation Committee of the Board;
- approved the Risk Management and Internal Control Policy;
- approved the Regulation on the Remuneration System for Members of the Management Board of Russian Railways;

- for the first time assessed the performance of Russian Railways' Board of Directors, its committees and members.

Another important positive trend in Russian Railways' corporate governance practice is the shift in the Board's focus to issues of strategic importance for the Company. In 2019, the Board of Directors approved:

- Russian Railways' Long-Term Development Programme until 2025;
- Russian Railways' Digital Transformation Strategy;
- Russian Railways Group's Intellectual Property Management Strategy.

In addition, the Board intends to approve in 2020:

- Russian Railways Group's Comprehensive Innovative Development Programme;
- Russian Railways' IT Development Strategy.

Russian Railways actively promotes the practice where the Board deals with matters associated with the risk management framework and the Audit and Risk Committee of the Board of Directors, i.e. with matters related to the internal audit framework. In addition, for the purpose of improving the shareholders' monitoring function, the Board of Directors puts a special emphasis of the governance of the Russian Railways Group as a whole. For example, in 2019–2020 the Board plans to introduce the practice of reviewing the Group's financial plan in accordance with the IFRS.

<sup>1</sup> As defined by Federal Law No. 29-FZ On the Specifics of Administration and Disposal of Railway Transport Property dated 27 February 2003.

## Governance structure of Russian Railways

### General meeting of shareholders

The supreme governance body of Russian Railways. The Russian Federation, represented by the Russian Government, is the sole shareholder of Russian Railways.

**Audit Commission**

### The Board of Directors

Board of directors elected by Russian Railways' shareholder. Pursues a policy that supports the Company's dynamic growth, improves sustainability and increases profitability.

**Committees of the Board of Directors**

**Corporate Secretary**

### Chief executive officer – chairman of the management board

Appointed by the Government of the Russian Federation.

**Advisory bodies under the Chief Executive Officer – Chairman of the Management Board**

### Management board

Russian Railways' collective executive body. Members are appointed by the Board of Directors, with the exception of Chairman of the Management Board – Chief Executive Officer.

**Advisory bodies under the Management Board**

### Executive office

Departments, divisions and other units of the executive office responsible for operational management.

**Advisory bodies run by heads of departments and other units**

# General Meeting of Shareholders

The supreme governance body of Russian Railways is its General Meeting of Shareholders. As all of the Company's voting shares belong to the Russian Government, its sole shareholder, in line with article 47 of the Federal Law On Joint Stock Companies, article 5 of the Federal Law On the Specifics of Administration and Disposal of Railway Transport Property, and clause 67 of the Company's Charter, all resolutions on matters reserved to the General Meeting of Shareholders

are adopted in writing by the Russian Government and take the form of the sole shareholder's orders and resolutions.

The matters reserved to the General Meeting of Shareholders of Russian Railways are defined by the Federal Law on Joint Stock Companies (article 48) and the Charter of Russian Railways (clause 62). The matters reserved to the General Meeting of Shareholders of Russian Railways include:

- amendments to and modifications of the Company's Charter or approval of a new version of the Company's Charter;
- reorganisation of the Company;
- liquidation of the Company, appointment of the liquidation committee and approval of interim and final liquidation balance-sheets;
- determining the number and election of the Board members, as well as termination of their office;