

- determining the number of the Management Board members;
- election of members of the Company's Audit Commission and termination of their office;
- approval of the Company's auditor;
- due increase or reduction of the Company's charter capital;
- approval of annual reports, annual financial statements, including profit and loss statements (income statements) of the Company, and distribution of the Company's profit (including payment (declaration) of dividends except for the profit distributed as dividends for the first quarter, first half, or nine months of the financial year) or losses as at the end of a financial year;
- determining the proceedings of the General Meeting of Shareholders;
- resolutions approving material transactions and interested-party transactions, including those

- involving restricted property where so provided for by articles 79 and 83 of the Federal Law On Joint Stock Companies, and reserved by the said Federal Law to the General Meeting of Shareholders;
- resolutions on joining financial and industrial groups, associations, or other unions of business entities;
- approval of internal documents governing the Company's bodies (regulations on the General Meeting of Members, Board of Directors, Management Board, and Audit Commission);
- dealing with any other matters provided for by the Federal Law On Joint Stock Companies.

In 2019, one Annual General Meeting of Shareholders and nine Extraordinary General Meetings of Shareholders were held. Russian Railways' Annual General Meeting of Shareholders¹ adopted the following resolutions:

- approval of the annual report, balance sheet and income statement for 2018;
- distribution of net profit and losses based on financial performance in 2018;
- payment of dividends to the holders of Russian Railways' ordinary and preference shares based on performance in 2018 and remuneration to members of the Board of Directors and Audit Commission;
- determination of composition of the Board of Directors and Audit Commission and appointment of their members;
- approval of the auditor for 2019.

The Extraordinary General Meetings of Shareholders adopted resolutions on such matters as increase of the charter capital, participation in associations, and amendment of Russian Railways' Charter, its appendices and Regulation on the Board of Directors.

Board of Directors

The Board acts pursuant to the laws of the Russian Federation, the Charter of Russian Railways² and the Regulation on the Board of Directors of Russian Railways³.

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 2019, Valery Nazarov left the Board of Directors. In accordance with the resolution of Russian Railways'

General Meeting of Shareholders, the number of the Board members was increased to 14, including the following newly elected members:

- Vladimir Puchkov – Advisor to the President of United Aircraft Corporation;
- Christian Kern (independent director).

On 24 July 2019, the Board of Directors resolved to elect Maxim Akimov as the Chairman of the Company's Board of Directors.

¹ Order No. 1393-r of the Russian Government dated 29 June 2019.

² Approved by Resolution No. 585 of the Russian Government dated 18 September 2003.

³ Approved by Order No. 265-r of the Russian Government dated 25 February 2004.

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
- Dmitry Patrushev
- Vladimir Puchkov
- Mikhail Rasstrigin
- Alexander Ryazanov

Independent directors:

- Kern Christian;
- Sergey Nedoroslev
- Sergey Stepashin

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

Meetings of the Board of Directors in 2019

In 2019, the Board of Directors of Russian Railways held 24 meetings, including 5 meetings held in person and 19 conducted

in the form of absentee voting. The Board of Directors considered 188 matters focusing on a variety of the Company's

business areas. The most important matters were discussed at meetings held in person.

Changes in Russian Railways' Board of Directors after the reporting date

In March 2020, the Order of the Government of the Russian Federation⁴ terminated the powers of the members of Russian Railways' previous Board of Directors prior to their expiration⁵. The number of directors was determined to be 14.

COMPOSITION OF THE BOARD OF DIRECTORS SINCE MARCH 2020

Representatives of the Russian Federation:

- Oleg Belozеров;
- Andrey Belousov;
- Yevgeny Ditrikh;
- Kirill Dmitriev;

- Andrey Ivanov;
- Maxim Reshetnikov;
- Alexander Ryazanov;
- Alexey Sazanov;
- Fayzullin Irek;
- Sergey Frank;
- Dmitry Chernyshenko.

Independent directors:

- Kern Christian;
- Sergey Nedoroslev
- Sergey Stepashin

⁴ Order No. 552-r of the Russian Government dated 6 March 2020.

⁵ Appointed by Order No. 1393-r of the Russian Government dated 29 June 2019.



Detailed information on the company's website

Report on the performance of the Board of Directors and material resolutions adopted in 2019

In 2019, as part of its key tasks and responsibilities, the Russian Railways Board of Directors:

- approved the Risk Management and Internal Control Policy;
- approved the Procedure for Increasing the Investment and Operating Efficiency and Cutting Costs;
- approved the Regulation on Key Performance Indicators of Russian Railways;
- approved the corporate standard on the Mandatory Process and Price Audit of the Investment Projects of Russian Railways and its Subsidiaries and Affiliates;
- approved Russian Railways Group's Intellectual Property Management Strategy;
- approved the action plan for Russian Railways' transition to the preferred use of domestic software in 2018–2021;
- approved the Digital Transformation Strategy;
- approved the Consolidated Programme to Improve Operational Efficiency and Optimise Costs in 2019–2025;
- approved the new version of the Non-Core Assets Disposal Programme and Non-Core Assets Disposal Plan for 2019;
- adopted resolutions on additional issues of ordinary uncertificated registered shares and an issue of preference uncertificated registered shares of Russian Railways;
- resolved to join the NP Market Council Association, National Association for Technology Transfer, National Association for International Information Security, Digital Economy autonomous non-commercial organisation, Yakutian Railway, RZDstroy, Federal Passenger Company, Express Suburb, Sakhalin Passenger Company, and to withdraw from Vağonremmash, RASCOM, Russian Troika, Novosibirsk Switch Plant, TransContainer;
- approved the Russian Railways investment programme and financial plan for 2020 and the planning horizon extending to 2021 and 2022;
- approved Russian Railways' Long-Term Development Programme until 2025;
- 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 2018 (including the income statement);
- pre-approved Russian Railways' Annual Report for 2018 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 2018 dividends, and distribution of net profit for 2018;
- 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 2019 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 2018–2019 corporate year;
- approved the Regulation on Key Performance Indicators of Russian Railways, target value of the Russian Railways Group's EBITDA for 2019 and target values of the Company's KPIs for 2020;
- approved the Regulation on the Remuneration System for Members of the Management Board of Russian Railways;
- resolved to terminate the powers of Russian Railways' Management Board members and appoint deputies of the Russian Railways CEO;
- authorised members of Russian Railways' Management Board to hold positions in the governing bodies of other entities;
- approved key initiatives to be supported using the charity and sponsorship fund of Russian Railways and amounts to be allocated in 2020.

The independent performance assessment of the Board of Directors, its members and committees conducted by PwC Consulting LLC in 2019 confirmed high efficiency of the Board in exercising its key functions. Following the assessment, an action plan was developed to further improve the efficiency of the Board of Directors¹.

¹ Approved by the Company's Board of Directors (Minutes No. 1 dated 24 July 2019).

Remuneration of the Board of Directors

In 2019, the Annual General Meeting of Shareholders of Russian Railways adopted a resolution to pay remuneration to the Company's directors for the 2018–2019 corporate year in the amount recommended by the Board of Directors and in the manner prescribed by the Regulation on Remuneration and Compensation Paid to Members of the Russian Railways Board of Directors.

Remuneration of a member of the Company's Board of Directors consists of the basic and additional components. The basic component is calculated depending on the participation of directors in Board meetings. The maximum basic remuneration for a member of the Board is RUB 4,000,000.

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

- 3.5 – for the functions performed by the Chairman of the Board (excluding individuals who perform the functions of the Chairman of the Board of Directors in their absence);
- 1.5 – for the functions performed by the chairman of a Board committee;
- 0.5 – for 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.

A Board member may waive their remuneration in full or in part. The Regulation on Remuneration and Compensation Paid to Members of the Russian Railways Board of Directors does not apply to directors who are members of the executive bodies of Russian Railways or who are restricted or prohibited by Russian laws from receiving any payments from commercial organisations.

In the reporting year, the Annual General Meeting of Shareholders of Russian Railways resolved to allocate a total of RUB 45.37 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;
- Digital Transformation and Innovation Committee.

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.