

Board of Directors

The Board of Directors is the key element of 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 Government of the Russian Federation dated 18 September 2003, and the Regulation on the Board of Directors of Russian Railways approved by Order No. 265-r of the Government of the Russian Federation 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 regularly reviewed procurement reports for 2016 and 2017, as well as reports on the allocation of funds for charity and sponsorship activities.

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

Pursuant to the Company's Charter, the Board of Directors plays a key role in decision-making with respect to core subsidiaries.

In the reporting year, the Board of Directors carried out the following activities in relation to the subsidiaries that are part of its decision-making scope as per the Charter:

- reviewed budget implementation reports for 2016;
- defined the position of Russian Railways and its representatives at meetings of the boards of directors of the Company's subsidiaries and affiliates on:
 - budget implementation for 2016,
 - approval and adjustment of the 2017 budget,
 - election of the sole executive body,
 - approval of the agenda for General Meetings of Shareholders and meetings of the boards of directors of the Company's subsidiaries and affiliates.

In 2017, pursuant to the resolution of the Russian Railways General Meeting of Shareholders (Order No. 1395-r of the Russian Government dated 30 June 2017), the number of the Board members was increased to thirteen as Nikolay Podguzov and Alexey Tsydenov left the Board and new members were elected:

- Stanislav Voskresensky – Acting Governor of the Ivanovo Region;
- Alan Lushnikov – Deputy Minister of Transport of the Russian Federation;
- Valery Nazarov – CEO of Rosagroleasing.

On 11 September 2017, the Board of Directors resolved to elect Arkady Dvorkovich to the post of Chairman of the Russian Railways Board of Directors.

The current Russian Railways Board of Directors consists of thirteen members, including three independent directors.

Representatives of the Russian Federation:

- Arkady Dvorkovich
- Oleg Belozarov
- Grigory Berezkin
- Stanislav Voskresensky
- Kirill Dmitriev
- Andrey Ivanov
- Alan Lushnikov
- Hartmut Mehdorn
- Valery Nazarov
- Alexander Ryazanov

Independent directors:

- Sergey Nedoroslev
- Vasily Sidorov
- Sergey Stepashin

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



[Biographies of members of the Board of Directors are available on the annual report's website at www.ar2017.rzd.ru](http://www.ar2017.rzd.ru)

Biographical details of members of the Board of Directors



**Arkady
Dvorkovich**

Chairman of Russian
Railways Board
of Directors

Mr Dvorkovich was born in 1972. Graduated from the Faculty of Economics of Lomonosov Moscow State University with a degree in Economic Cybernetics and from New Economic School with a master's degree in Economics in 1994. He graduated from Duke University in North Carolina with a master's degree in Economics in 1997.

● PROFESSIONAL EXPERIENCE:

- ⊙ 1994 – Consultant, Senior Expert, Chief Executive and Scientific Director, Economic Expert Group, Ministry of Finance of the Russian Federation;
- ⊙ 2000 – Expert at the Centre for Strategic Research;
- ⊙ August 2000 – Advisor to the Minister of Economic Development and Trade of the Russian Federation;
- ⊙ 2001 – Deputy Minister of Economic Development and Trade of the Russian Federation;
- ⊙ 2004–2008 – Director of the Presidential Experts' Directorate of the Russian Federation;
- ⊙ 2008 – May 2012 – Aide to the President of the Russian Federation;
- ⊙ 21 May 2012 – appointed Deputy Prime Minister of the Russian Federation by the Decree of the President of the Russian Federation;
- ⊙ 2015 – Chairman, Russian Railways Board of Directors.

● GOVERNMENT AND INDUSTRY AWARDS:

- Medal “For Contribution to the Establishment of the Eurasian Economic Union” (1st Class); Order of Honour; Order “For Merit to the Fatherland” (4th class); Medal of the Order “For Merit to the Fatherland” (2nd Class); Medal “In Commemoration of the 1,000th Anniversary of Kazan”; Order “For Service to the Italian Republic” (Italy); Order of Friendship of Peoples (Belarus); Certificate of Gratitude from the President of the Russian Federation.



Oleg
Belozеров

Mr Belozеров was born in 1969. Graduated from the Saint Petersburg University of Economics and Finance with a degree in Economics and Industrial Planning in 1992. PhD in Economics.

● PROFESSIONAL EXPERIENCE:

- ⊙ 1998–2000 – Deputy Commercial Director, Commercial Director, Head of the Logistics and Transportation Department, Lenenergo;
- ⊙ 2000–2000 – Deputy Director, Freight Motor Transport Enterprise No. 21;
- ⊙ 2000–2001 – Head of the Financial and Economic Department, Office of the Plenipotentiary Representative of the Russian President in the Northwestern Federal District;
- ⊙ 2001–2002 – Deputy Director, Corporate Property Management, LOMO;
- ⊙ 2002–2004 – CEO, Russian Fuel Company;
- ⊙ 2004 – Deputy Director, Federal Road Agency;
- ⊙ 2004–2009 – Director, Federal Road Agency;
- ⊙ 2009 – Deputy Minister of Transport of the Russian Federation;
- ⊙ 2014 – member of the Board of Directors, Russian Railways;
- ⊙ 2015 – First Deputy Minister of Transport of the Russian Federation;
- ⊙ 2015 – President, Russian Railways;
- ⊙ 2017 – CEO – Chairman of the Management Board, Russian Railways.

● GOVERNMENT AND INDUSTRY AWARDS:

- 2003 – Medal “In Commemoration of the 300th Anniversary of Saint Petersburg”
- 2004 – Badge “Honoured Worker of the Oil and Energy Complex”
- 2005 – Medal “In Commemoration of the 1,000th Anniversary of Kazan”
- 2006 – Medal of the Order “For Merit to the Fatherland” (1st Class)
- 2007 – Certificate of Gratitude from the Minister of Transport of the Russian Federation
- 2008 – Certificate of Honour from the Minister of Transport of the Russian Federation
- 2010 – Order of Honour
- 2010 – Certificate of Gratitude from the President of the Russian Federation
- 2011 – Certificate of Honour from the Government of the Russian Federation
- 2012 – Badge “Honoured Road Worker of Russia”
- 2013 – Certificate of Honour from the Audit Chamber of the Russian Federation
- 2014 – Badge “Honoured Worker of Transport of Russia”
- 2014 – Order “For Merit to the Fatherland” (4th Class)
- 2014 – Certificate of Honour from the President of the Russian Federation
- 2016 – Medal of the Order “Glory and Honour” of the Russian Orthodox Church (1st Class)
- 2016 – Certificate of Gratitude from the Government of the Russian Federation for professional achievements and dedicated social activity
- 2017 – Certificate of Gratitude from the President of the Russian Federation for renovation and development of the Moscow Central Circle
- 2017 – Badge “For Merit to Moscow”
- 2018 – Order “Polar Star”, Mongolian government award.



**Grigory
Berezkin**

Mr Berezkin was born in 1966. Graduated from the Faculty of Chemistry of Lomonosov Moscow State University in 1988. Defended his PhD thesis in Petrochemicals in 1993.

● **PROFESSIONAL EXPERIENCE:**

- ⊙ 2000–2003 – CEO, ESN Energo, the managing company of Kolenergo; member of the Board of Directors, Kolenergo;
- ⊙ 2004–2007 – member of the Board of Directors, UES of Russia;
- ⊙ 2007–2010 – member of the Board of Directors, Freight One;
- ⊙ 2008–2011 – member of the Board of Directors, SG-trans;
- ⊙ 2006 – Chairman of the Board of Directors, ESN;
- ⊙ Member of the Management Bureau, Russian Union of Industrialists and Entrepreneurs (RUIE); Co-chairman, RUIE Committee on Corporate Relations; Chairman, RUIE Committee on Independent Directors; Chairman, RUIE Commission on Power Engineering;
- ⊙ Member of the General Council, All Russia Public Organisation Business Russia;
- ⊙ 2010 – member of the Board of Directors, Russian Railways.



**Stanislav
Voskresensky**

Mr Voskresensky was born in 1976. Graduated from the Plekhanov Russian University of Economics with a degree in International Economic Relations in 1998.

● **PROFESSIONAL EXPERIENCE:**

- ⊙ 1995–1999 – specialised in taxation in Russian and foreign auditing companies;
- ⊙ 1999–2004 – CFO in companies working in special underground engineering and construction;
- ⊙ 2004–2008 – Referent, Deputy Director of the Presidential Experts' Directorate of the Russian Federation;
- ⊙ 2008–2012 – Deputy Minister of Economic Development of the Russian Federation;
- ⊙ 2012–2014 – Deputy Plenipotentiary Representative of the Russian President in the Northwestern Federal District;
- ⊙ 2014–2017 – Deputy Minister of Economic Development of the Russian Federation;
- ⊙ 10 October 2017 – Acting Governor of the Ivanovo Region;
- ⊙ 2017 – member of the Board of Directors, Russian Railways.



**Kirill
Dmitriev**

Mr Dmitriev was born in 1975. Graduated from Stanford University with Distinction and has a bachelor's degree in Economics. In 2000, he graduated from Harvard Business School with honours (Baker Scholar) and holds an MBA.

● PROFESSIONAL EXPERIENCE:

- Before taking over the Russian Direct Investment Fund in 2011, he headed major direct investment funds and facilitated a number of landmark transactions for Russia: the sale of Delta Bank to GE, Delta Credit to Societe Generale, and STS Media shares to Fidelity Investments, among others. He began his career at Goldman Sachs and McKinsey & Company;
- He was appointed member of the BRICS and APEC business councils by the President of the Russian Federation; he is a member of the Supervisory Board at ALROSA and member of the boards of directors at Transneft, Rostelecom, Gazprombank, Mother and Child, and Russian Railways, as well as the boards of trustees of the Mariinsky Theatre and Lomonosov Moscow State University. He serves as the Vice President of the Russian Union of Industrialists and Entrepreneurs;
- 2011 – Russia's sole representative in the rating 100 Most Influential People in the Private Equity for the 10-year period (Private Equity International); member of the World Economic Forum's Young Global Leaders; has a bachelor's degree with honours in Economics from Stanford University and an MBA with honours (Baker Scholar) from Harvard Business School;
- 2011 – CEO, RDIF Management Company;
- 2016 – member of the Board of Directors, Russian Railways.

● GOVERNMENT AND INDUSTRY AWARDS:

- Awarded the Order of Alexander Nevsky for important contribution to international investment projects and the social and economic development of the Russian Federation by the Decree of the President of the Russian Federation.



**Andrey
Ivanov**

Mr Ivanov was born in 1975 in Dudinka. Graduated from Krasnoyarsk State University in 1997 with a degree in Law. His postgraduate studies include the Russian Presidential Academy of Public Administration (Moscow) where he majored in Management in 2009 and in Business in 2010.

● PROFESSIONAL EXPERIENCE:

- 1997–1998 – Research Assistant, Krasnoyarsk State University;
- 1998–2004 – Leading Specialist and Chief Specialist, Administration of the Krasnoyarsk Territory; Advisor to the Krasnoyarsk Territory Governor on Legal Matters and Local Governments; since 29 December 2001 – Advisor to the Krasnoyarsk Territory Governor on Legal Matters and Local Governments; Department Director;
- 2004–2008 – Vice President, Siberian Engineering Holding; First Vice President, SM holding from 14 August 2006;
- 2008 – Chairman of the Board of Directors, SM.art Investment Company;
- 2008–2012 – Deputy Director and Director, Department for Budget Policy in Innovation, Civilian Industry, Energy, Communications and Public-Private Partnership, Ministry of Finance of the Russian Federation;
- 2012 – Deputy Minister of Finance of the Russian Federation;
- 2011 – member of the board of the Ministry of Finance of the Russian Federation.

● GOVERNMENT AND INDUSTRY AWARDS:

- Certificate of Gratitude from the Ministry of Agriculture of the Russian Federation; Medal of the Prosecutor General's Office of the Russian Federation "290th Anniversary of the Prosecutor General's Office of the Russian Federation"; Certificate of Gratitude from the Minister of Telecom and Mass Communications of the Russian Federation; Medal of the Order "For Merit to the Fatherland" (2nd Class); Silver Medal "For Contribution to the Development of Agriculture" of the Ministry of Agriculture of the Russian Federation.



**Alan
Lushnikov**

Mr Lushnikov was born in 1976 in Saint Petersburg. He graduated from Saint Petersburg State University in 1998 with a degree in Law.

● PROFESSIONAL EXPERIENCE:

- ⊙ 1997–2001 – Lawyer in a number of companies, Saint Petersburg;
- ⊙ 2001–2006 – Legal Advisor, Kinex-Holding and Link-Oil Spb; Senior Legal Advisor, Transoil;
- ⊙ 2006–2010 – Deputy Head, Federal Agency for Railway Transport;
- ⊙ 2010–2012 – Assistant to the Minister of Transport of the Russian Federation;
- ⊙ 2012–2017 – Assistant to the Deputy Prime Minister Arkady Dvorkovich;
- ⊙ 2013 – member of the Supervisory Board, State Company Russian Highways;
- ⊙ 2016–2017 – member of the Board of Directors, Sheremetyevo International Airport;
- ⊙ 16 февраля 2017 – Deputy Minister of Transport of the Russian Federation;
- ⊙ 2017 – member of the Board of Directors, GLONASS;
- ⊙ 2017 – member of the Board of Directors, Russian Railways.

● GOVERNMENT AND INDUSTRY AWARDS:

- Certificate of Gratitude from the Minister of Transport of the Russian Federation, Badge “Honoured Rail Worker”, Certificate of Gratitude from the Government of the Russian Federation, Medal “For Impeccable Work and Excellence” (3rd Class).



**Hartmut
Mehdorn**

Mr Mehdorn was born in 1942. He graduated from the Faculty of Mechanical Engineering of Berlin Technical University (diploma in Engineering); Honorary Doctor of Engineering.

● PROFESSIONAL EXPERIENCE:

- ⊙ 1965–1966 – Focke-Wulf Engineering Development Department;
- ⊙ 1966–1978 – worked at Vereinigte Flugtechnische Werke aircraft manufacturer, then served as Director of Production at Messerschmitt-Bölkow-Blohm (MBB);
- ⊙ 1979–1984 – member of the Board of Directors, Airbus Industrie S.A. in Toulouse (France);
- ⊙ 1984–1989 – Head of MBB-Transport und Verkehrsflugzeuge group of aircraft manufacturers);
- ⊙ 1985 – member of the Board of Directors, MBB;
- ⊙ 1989–1992 – Chairman of the Board of Directors, Deutsche Airbus GmbH;
- ⊙ 1992–1995 – member of the Management Board, Deutsche Aerospace AG;
- ⊙ 1995–1999 – Chairman of the Management Board, Heidelberger Druckmaschinen AG printing press manufacturer;
- ⊙ 1997–1999 – member of the Management Board of the North Rhine – Westphalia electricity company Rheinisch-Westfälisches Elektrizitätswerk AG;
- ⊙ 1999–2009 – Chairman of the Management Board, Deutsche Bahn AG, Berlin;
- ⊙ 2009–2011 – member of the Board of Directors of Germany’s second largest airline Air Berlin;
- ⊙ 2011–2013 – Chairman of the Management Board, Air Berlin;
- ⊙ 2011 – member of the Board of Directors, Russian Railways;
- ⊙ 2013–2015 – Chairman of the Management Board, Flughafen Berlin Brandenburg GmbH (FBB).



**Valery
Nazarov**

Mr Nazarov was born in 1955. In 1985, he graduated from the Bonch-Bruевич Leningrad Institute of Communication Engineers. In 1993, he graduated from the Institute of Public Administration under the Government of the Russian Federation with a degree in Public and Municipal Administration. In 1998, he graduated from the Russian Presidential Academy of Public Administration with a degree in Law. PhD in Economics. Has articles and scientific publications, developed a specialised information and communication system.

● PROFESSIONAL EXPERIENCE:

- 1994–1999 – Head of the Registration and Information Department; Deputy General Director, Saint Petersburg State Urban Housing Agency; Chief Registrar – Director, State Institution of Justice City Bureau of the Registration of Rights to Real Estate;
- 1999 – Head of the City Property Management Committee of the Saint Petersburg City Administration;
- 2000–2004 – Vice Governor of Saint Petersburg – Chairman of the City Property Management Committee;
- January – March 2004 – Deputy Head of the Executive Office of the President of the Russian Federation – Chief of the Presidential Control Directorate;
- 2004–2008 – Head of the Russian Federal Agency for Federal Property Management;
- February 2010 – CEO, Rosagroleasing;
- Active State Councillor of the Russian Federation, 1st Class;
- 2017 – member of the Board of Directors, Russian Railways.

● GOVERNMENT AND INDUSTRY AWARDS:

- Order of Friendship; Order “For Merit to the Fatherland” (4th Class); Certificate of Honour from the Government of the Russian Federation; Certificate of Gratitude from the President of the Russian Federation; Medal of Anatoly Koni.



**Sergey
Nedoroslev**

Mr Nedoroslev was born in 1963. Graduated from Altai State University in 1985 with a degree in Physics and worked as an engineer at the General Physics Department of the National Research Council. From 1989, he studied at the graduate school of the Moscow Institute of Electronic Technology majoring in Semiconductor and Related Device Manufacturing Technology. In 2007, he defended his PhD thesis on Corporate Governance at Joint-Stock Companies with Dominant State Ownership”. PhD in Economics.

● PROFESSIONAL EXPERIENCE:

- 1987 – started working at the companies he established; founder of Kaskol Group and STAN machine-tool company.
- Co-chairman of the All Russia Public Organisation Business Russia, member of the Administrative Office of the All-Russia Employer Association Russian Engineering Union.
- 2016 – member of the Board of Directors, Russian Railways.



**Alexander
Ryazanov**

Mr Ryazanov was born in 1953. Graduated from the Gubkin Moscow Institute of Petrochemical and Gas Industry in 1979 and from the All-Russian State Distance Learning Institute of Finance and Economics in 1993.

● PROFESSIONAL EXPERIENCE:

- 1979 – 1999 – followed a career path from instrumentation technician to CEO of Surgut Gas Processing Plant;
- 1999 – Deputy of the Regional Duma (Tyumen) and Deputy of the Duma of the Khanty-Mansi Autonomous Area (Surgut);
- 1999–2001 – Deputy of the State Duma of the Russian Federation, Deputy Chairman of the Property Committee of the State Duma of the Russian Federation;
- 2001–2006 – Deputy Chairman and member of the Management Board, Gazprom;
- 2007 – Chairman of the Board of Directors, Russian Holding Company (Moscow);
- 2007 – Chairman of the Board of Directors, BIOTechnologies;
- 2008 – member of the Board of Directors, Russian Railways;
- 2009–2010 – Chairman of the Management Board, Stroytransgaz;
- 2010 – member of the Board of Trustees, Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs (public activities);
- 2011–2016 – CEO, Plyushchikha Management Company;
- 2012 – member of the Management Board and member of the Committee for the National Register of Independent Directors under the Russian Union of Industrialists and Entrepreneurs (public activities);
- 2013 – member of the Board of Directors, PetroTool.

● GOVERNMENT AND INDUSTRY AWARDS:

- Medal of the Order “For Merit to the Fatherland” (2nd Class);
- Medal “For Developing Subsoil Resources of Western Siberia”;
- awarded the title “Honoured Worker of the Gas Industry”.



**Vasily
Sidorov**

Mr Sidorov was born in 1971. Graduated from the Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs in 1993 with a degree in International Public Law, and from the Wharton School of Business of the University of Pennsylvania with a major in Finance.

● PROFESSIONAL EXPERIENCE:

- 2000–2003 – First Vice President, Sistema-Telecom;
- 2003–2006 – President, MobileTeleSystems (MTS);
- 2006–2010 – Co-owner, Telecom-Express Group;
- 2010–2017 – Managing Partner, Euroatlantic Investments Ltd;
- 2012 – CEO, ARIDA;
- 2012 – member of the Board of Directors, Russian Railways;
- 2013 – member of the Board of Directors, Aeroflot;
- 2014 – Head of the Audit Committee of the Board of Directors, Aeroflot;
- member of the Government Expert Council;
- 2010–2017 – member, Shareholders Consultative Council, VTB Bank;
- Recipient of the “Director of the Year 2016” (IDA – RUIE – PWC) award in the “Independent Director” category.



Sergey
Stepashin

Mr Stepashin was born in 1952. Graduated from the Higher Political School of the USSR Ministry of Internal Affairs in 1973, Lenin Military-Political Academy in 1981, and Financial Academy under the Government of the Russian Federation in 2002.

PhD in History; Doctor of Law, professor, State Councillor of Justice of the Russian Federation, and an Honorary Doctor of the Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation.

● PROFESSIONAL EXPERIENCE:

- ⊙ 1990–1993 – People’s Deputy of the RSFSR, Chairman of the Committee of the Supreme Soviet of the Russian Federation on Defence and Security Affairs;
- ⊙ 1993–1999 – First Deputy Minister of Security; Director, Federal Counterintelligence Service; Director, Federal Security Service; Minister of Justice; Minister of Internal Affairs of the Russian Federation;
- ⊙ 1999 – First Deputy Prime Minister of the Russian Federation – Minister of Internal Affairs; Prime Minister of the Russian Federation;
- ⊙ after being elected to the State Duma in December 1999, chaired the Anti-Corruption Committee;
- ⊙ 2000–2013 – Chairman, Audit Chamber of the Russian Federation;
- ⊙ c 2014 – member of the Board of Directors, Russian Railways;
- ⊙ c 2015 – member of the Board of Directors, SoyuzNefteGaz Interstate Oil Company;
- ⊙ c 2016 – member of the Board of Directors, RussNeft Oil Company.

● GOVERNMENT AND INDUSTRY AWARDS:

- Order “For Merit to the Fatherland” (2nd Class); Order “For Merit to the Fatherland” (3rd Class); Order “For Merit to the Fatherland” (4th Class); Order of Courage; Medals “For Distinction in Military Service” (1st and 2nd Classes); Medal “For Excellent Service in the Protection of Public Order”.

Report on the performance of the Board of Directors in 2017

In 2017, in order to carry out its key functions, the Russian Railways Board of Directors:

- approved the Russian Railways investment programme and financial plan for 2018 and reviewed the Russian Railways investment programme and financial plan for 2019 and 2020;
- approved changes to the targets of the Russian Railways investment programme for 2017 and proposed adjustments to the Russian Railways investment programme and financial plan for 2017;
- approved the new version of the Regulation on the Russian Railways Information Policy, as well as changes to the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways;
- approved the Regulation on the Procedure for Keeping Records of Investment Projects for Russian Railways' projects included in the list of investment projects under the Federal Law On Procurement of Goods, Work and Services By Certain Types of Legal Entities, as well as the amended draft of the corporate standard on the Mandatory Process and Price Audit of the Investment Projects of Russian Railways and its Subsidiaries and Affiliates;
- approved the target value of the Russian Railways Group's ROIC for Unregulated Types of Activities, a key performance indicator for 2016, target values of Group-wide KPIs of Russian Railways for 2017, and reviewed the performance against Group-wide KPIs for 2016;
- established a general qualitative assessment of Russian Railways' Management Board performance;
- pre-approved and prepared recommendations for the Company's Annual General Meeting of Shareholders on the approval of the Russian Railways annual financial (accounting) statements for 2016 (including the income statement), reviewed the consolidated IFRS financial statements of Russian Railways for 2016;
- pre-approved the Russian Railways Annual Report for 2016 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 remuneration to members of the Board of Directors and the Audit Commission;
- approved the priority action plan for innovative development of Russian Railways under the Comprehensive Innovative Development Programme of Russian Railways Group until 2020 for 2018–2019;
- approved the Conceptual Framework for the Reform of the Russian Railways Preschool and School Education for 2017–2020, considered reorganisation of some of the Russian Railways educational institutions;
- approved the Procedure for Increasing the Investment and Operating Efficiency and Cutting Costs.

Remuneration of the Board of Directors members

In 2017, the Annual General Meeting of Shareholders of Russian Railways adopted a resolution to pay remuneration to the Company's directors for the 2016–2017 corporate year in the amount recommended by the Board in its resolution dated 5 June 2017 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 the Board of Directors members in Board meetings. For performing additional functions, Board members are paid additional remuneration calculated as the basic portion of remuneration multiplied by the following ratio:

- 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 committees is paid subject to the member of the Board of Directors 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 committee under the Board of Directors on more than one committee, additional remuneration is paid for the functions performed on each committee.

The Regulation does not apply to members of the Board of 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.

The Russian Railways Annual General Meeting of Shareholders resolved to allocate a total of RUB 43,300,000 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 set up the following committees:

- Strategic Planning Committee;
- Audit and Risk Committee;

- Personnel and Remuneration Committee;
- Priority Investment Projects Committee.

The committees are elected by the 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, the Charter and internal documents that guarantee the rights and legitimate interests of shareholders, organising measures to settle conflicts involving violation

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

Vasily Gorev has been the Corporate Secretary of Russian Railways since September 2015.

Management Board

Members of the Russian Railways Management Board are appointed by the Company's Board of Directors (with the exception of the Chairman of the Management Board, who is appointed by the Government of the Russian Federation). As a collective executive body, the Company's Management Board handles the general management of business operations (except for matters that are reserved to the General Meeting of Shareholders or the CEO and Chairman of the Management Board as per the Federal Law On Joint-Stock Companies and the Company Charter, unless otherwise stated by the Charter).

In line with its key responsibilities, the Management Board is tasked with developing proposals on the Company's business strategy, implementing its financial and business policy, making decisions on the most important matters of its day-to-day operations and coordinating activities between its divisions, improving the effectiveness of the internal control and risk monitoring systems, and ensuring the observance of shareholder rights and their legitimate interests.

The Company's Management Board carries out its activities in accordance with the laws of the Russian Federation, the Company Charter, resolutions of the General Meeting of Shareholders and the Board of Directors, the Regulation on the Russian Railways Management Board, and the Company's internal documents.

The Management Board acts in the Company's interests and reports to the Company's General Meeting of Shareholders and the Board of Directors.

As per the Regulation on the Russian Railways Management Board approved by Order No. 265-r of the Government of the Russian Federation dated 25 February 2004, the Management Board is responsible for:

1. preparing and submitting the Company's priorities and long-term plans, including annual budgets and the investment programme, to the Board of Directors, preparing progress reports, as well as

2. developing and approving current operation plans;
2. approving internal estimated tariffs, fees and payments for work (services) performed (provided) by the Company that are not related to natural monopolies;
3. approving rules that arrange for and ensure accuracy of accounts, as well as submitting the Company's annual report and other financial statements to the relevant government authorities in a timely manner and providing information about the Company's operations to shareholders, creditors and the media;
4. submitting prospectuses of securities and other documents related to the issuance of the Company's securities to the Board of Directors;
5. arranging for implementation of long-term and current plans of the Company, as well as its investment, financial and other projects;
6. establishing the procedure for keeping an account of the Company's affiliates;
7. reviewing and coordinating the Company's draft Collective Bargaining Agreements and regulations on industry-wide private pension schemes, mandatory pension insurance, professional pension insurance and an industry-wide railway tariff agreement, as well as submitting them to the Company's CEO and Chairman of the Management Board;
8. establishing the procedure for keeping shareholders up-to-date with Company developments;
9. establishing a compensation system and incentives for the Company's employees;
10. issuing binding instructions to subsidiaries on matters specified in the charters of these companies or in their existing agreements with the Company;
11. approving the Company's internal documents on matters that are reserved to the Management Board;
12. resolving other matters related to the Company's current operations that are submitted for consideration by the Chairman of the Management Board, the Board of Directors or shareholders.