Responsibility in Every Action
The Russian Railways annual report for 2020 (the version approved by the Government of the Russian Federation per the Order No. 1786-r dated June 30, 2021)
Russian Railways is the largest railway carrier in the Russian Federation, an owner and developer of common-use railway infrastructure. The company ensures transportation of vital goods to the most remote parts of the country and provides the most affordable means of transport to millions of people.

For more details see p. 58

Confidence in every project

85,600 km of railways

44,100 km of electrified lines
### Company profile

Russian Railways is the leader of Russia’s ESG-market. The Company was the first in Russia and the CIS to issue “green” Eurobonds. Russian Railways is committed to achieving the UN Sustainable Development Goals and actively contributes to the implementation of the Paris Agreement on climate change response. The Company is No. 1 in the world by energy efficiency of freight services and other performance indicators.¹

The Russian Federation is the founder and sole shareholder of Russian Railways. The Long-Term Development Programme of Russian Railways until 2025 aims to meet the strategic national goals by expanding the transport infrastructure and enhancing economic links among Russian regions.

In 2020, Russian Railways ranked fourth in the annual ESG ranking compiled by the RAEX-Europe rating agency. The Company earned high scores in the Environmental Responsibility and Social Responsibility categories.

### Russian Railways today:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1</td>
<td>In the world by freight and passenger transportation density per km of main line network</td>
</tr>
<tr>
<td>No. 2</td>
<td>In the world by freight turnover</td>
</tr>
<tr>
<td>No. 3</td>
<td>In the world by operational length of railway lines</td>
</tr>
<tr>
<td>No. 4</td>
<td>In the world by passenger turnover</td>
</tr>
</tbody>
</table>

### Russian Railways’ infrastructure accounts for:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>47.2%</td>
<td>Of total freight turnover</td>
</tr>
<tr>
<td>25%</td>
<td>Of total passenger turnover</td>
</tr>
</tbody>
</table>

¹ According to the International Energy Agency.

### Russian Railways provides a full range of services, including:

- freight transportation, locomotive traction and infrastructure;
- long-haul and suburban passenger transportation;
- rolling stock repairs;
- logistics;
- engineering;
- railway R&D.
Responsibility in every action

In 2020, Russian Railways:

- handled 1.2 bn t of cargo;
- carried 872 m passengers to their destinations;
- protected the health of passengers and employees with effective COVID-19 prevention means, in particular, by implementing remote services and setting up over 115,000 remote workplaces;
- supported shippers affected by economic slowdown;
- successfully treated nearly 9,000 COVID-19 patients at Russian Railways Group’s hospitals. The Company spent a total of ca. RUB 7 bn on anti-COVID measures in 2020;
- helped company employees save their jobs and income during the country-wide lockdown initiated to prevent the spread of coronavirus;
- launched 20 new suburban routes and 12 new long-haul routes;
- trained women as assistant engine drivers for the first time in Russia;
- commissioned new high-comfort passenger rolling stock (>1,000 railcars);
- provided assistance and escort services to 165,000 passengers with reduced mobility at more than 1,500 railway stations and stops;
- ensured scheduled departure of 99.64% of passenger trains and 93.11% of freight trains;
- developed a user-friendly mobile app for passengers and new services for shippers;
- reduced the number of railway accidents by 17%;
- attracted “green” and “social” financing, issued the first social Eurobonds and first perpetual bonds in Russia;
- approved an action plan to protect Lake Baikal and assumed additional responsibility for the protection of the unique environment in the Central Zone of Lake Baikal Protected Areas;
- allocated ca. RUB 5.5 bn for charity.

The Company’s contribution to the achievement of the UN Sustainable Development Goals (SDGs)

Protecting the health of its employees is one of the top priorities of the Company’s social policy. Health resort treatment, recreation and rest are available at corporate health resorts, holiday hotels, recreational centres and camps. The Company consistently promotes healthy lifestyle and creates opportunities for sports activities.

Russian Railways took extensive measures to protect the health of its employees and customers during the pandemic. Several of the Group’s healthcare facilities were converted for treatment of COVID-19 patients.

The Company’s professional training framework relies on 15 education centres. Our Corporate University trains specialists with higher education and secondary vocational education in cooperation with industry-based higher education institutions. The Company also provides specialised educational programmes for school and university students.

Russian Railways has zero tolerance for any types of discrimination, including gender discrimination, in recruitment, staff development and promotions. The Company consistently expands the list of railway jobs available to women. In 2021, the first women started work as assistants to engine drivers.

Russian Railways is implementing a Clear Water investment project to upgrade water supply systems and bring the quality of water supplied to consumers in line with standards set by Russian sanitation and environmental laws.
The Company’s contribution to the achievement of the UN Sustainable Development Goals (SDGs) (continuation)

The Company and its subsidiaries are the main providers of suburban passenger transportation in Russia. They are integrating suburban transport into urban transport systems and actively developing multi-modal routes and transport interchange hubs to enhance the mobility of urban population.

Company divisions use waste processing, recovery and recycling technologies to reduce the negative environmental impact of railway industry-specific waste. The Company recognises its environmental and social responsibility and fulfils a self-assumed obligation to ensure selective collection of certain types of solid municipal waste (paper, glass, plastic, metal, etc.) in its office buildings and at railway stations.

GHG emissions reduction is an integral element of Russian Railways’ corporate strategy. Shifting to innovative types of rolling stock is essential in this context. The Company also pays great attention to climate change risks.

Russian Railways is a major natural resource user operating in 77 regions of Russia. The Company makes consistent efforts to minimise its environmental footprint. In November 2020, Russian Railways approved an action plan to protect Lake Baikal and assumed additional responsibility for the protection of the unique environment in the Central Zone of Lake Baikal Protected Areas.

Russian Railways’ Collective Bargaining Agreement for 2020–2022 covers the majority of the Company’s employees. We run a number of corporate programmes supporting certain categories of personnel, including young, retired and soon-to-be-retired employees.

Efficient measures taken by the Company during the COVID-19 pandemic helped to prevent the loss of jobs and a shift to shorter working hours.

Russian Railways’ investment programme is focused on developing and upgrading the railway infrastructure and promoting high-speed and ultra high-speed railway transportation.

The Company is implementing projects to create a digital twin of the Russian railway network, develop transportation management systems based on artificial intelligence, introduce innovative rolling stock, etc., in line with its Digital Transformation Strategy and the Group’s Comprehensive Innovative Development Programme. The Group promotes partnerships with scientific institutions, manufacturing enterprises, and small and medium-size businesses based on the principle of “open innovation”.

Efficient measures taken by the Company during the COVID-19 pandemic helped to prevent the loss of jobs and a shift to shorter working hours.

Zero tolerance of corruption in any form or manifestation thereof and taking all necessary actions to ensure compliance with international and Russian anti-corruption laws are indispensable for the Company’s sustainable development. Based on the results of the Anti-Corruption Rating of Russian Business 2020, the Company’s operations were found to be fully compliant with the ISO 37001:2016 international anti-corruption standard and the provisions of the Russian Anti-Corruption Charter for Business. Russian Railways was assigned the top A1 rating as a company with the highest level of anti-corruption efforts and a minimum level of corruption risks associated with a minimum threat to investors, creditors, business partners, and other stakeholders.

In 2020, Russian Railways signed the Declaration on Sustainable Mobility of the International Union of Railways (UIC). The Company makes an active contribution to the development of sustainable “green” transport and the implementation of the Paris Agreement on climate change response. Russian Railways is both the leader and the pioneer of Russia’s sustainable finance market.
Challenge of the Year

Russian Railways’ response to COVID-19

In March 2020, Russian Railways established a dedicated task center to prevent the bringing-in and spread of the novel coronavirus infection and maintain stable operation of the railway transport in response to the general epidemiological situation and escalation of the COVID-19 pandemic. Its prompt actions, including epidemiological, organisational, medical, HR, technological and information response, helped to prevent an explosive spread of the infection, protect our employees and customers, and ensure uninterrupted transport operation.

The pandemic was a severe and objective test of our management system. All our staff, from rank and file workers to heads of regional railways, took the lead in uncertain situations, supported each other, and demonstrated their best professional and human qualities during the pandemic.

Oleg Belozerov, CEO and Chairman of the Management Board

During the pandemic, Russian Railways saw its priority tasks in protecting the health of its employees and customers, facilitating the treatment of infected patients, enhancing communication with customers, introducing new customer-friendly services, and further improving service standards. The Company successfully addressed all of the year’s challenges.

RZD-Medicine hospitals taking part in the fight against COVID-19

With the outbreak of the pandemic, several of the Company’s healthcare facilities were converted for treatment of COVID-19 patients. We also seconded medical professionals from Russian Railways’ network of regional clinics to staff those hospitals.

2020 results:

9,148 COVID-19 patients admitted to RZD-Medicine hospitals

>1 m COVID-19 tests made by RZD-Medicine laboratories

>20,000 employees of RZD-Medicine receiving hardship allowances

91.9 RUB m allocated to compensations to bring wages to an average level during the lockdown

>20,000 employees moved to working from home

115,000 employees of RZD-Medicine receiving hardship allowances

1 In accordance with Order No. 844-r of the Russian Government dated 2 April 2020.

85 volunteer response teams created

2,500 volunteers taking care of veterans

ca. 7 RUB bn spent by Russian Railways to finance anti-COVID efforts

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1 In accordance with Order No. 844-r of the Russian Government dated 2 April 2020.
With the outbreak of the pandemic, Russian Railways faced three priority tasks:

- preserving employee health;
- maintaining uninterrupted business operations;
- preventing mass lay-offs and escalation of social and psychological tension among the staff.

**Key steps taken**

- Established a dedicated task center to prevent the bringing-in and spread of the coronavirus infection.
- Introduced security measures to control access to work, such as temperature checks, providing and monitoring the use of personal protective equipment, and social distancing.
- Cancelled all mass events (conferences, forums, sports competitions) and operational meetings.
- Shifted to online meetings, conferences, and employee training.
- Paid wage compensations to employees forced to stay at home due to lockdowns to ensure they get average wage levels.
- Delivered on all of its obligations under the Collective Bargaining Agreement.
- Launched a coronavirus vaccination campaign in late 2020. Organised more than 140 vaccination points at RZD-Medicine clinics, as well as field vaccination teams. Launched a sustained information campaign to promote the importance of vaccination. As of the report date, 93,400 employees were vaccinated.

**Passenger protection**

One of the key challenges faced by Russian Railways with the onset of the pandemic was to ensure the safety of long-haul and suburban train passengers.

**Key steps taken**

- Refunded tickets, including non-refundable ones, to all passengers who cancelled their trips during the lockdown.
- In March–September 2020, passengers were refunded RUB 16.9 bn for over 7.1 million tickets.
- Provided passengers with remote options to cancel their tickets, obtain refunds for long-haul tickets and prolong their Business Travel Passes for long-distance travel.
- Introduced mandatory contactless temperature checks before gaining access to railway stations and boarding trains. Allocated premises with necessary thermometry, disinfection and personal protection equipment for temporary placement of passengers with symptoms of contagious diseases at railway stations.
- Put social distancing markings at all facilities. Developed schemes for dividing passenger flows within the premises of railway stations.
- Organised regular disinfection of premises (up to 8 times per day) and surfaces (every 2 hours). Organised inspections of ventilation systems, introduced waiting area ventilation schedules, checked the availability of sterilisation lamps, filters, and air sanitisers.
- Introduced the preferential use of online services and cashless (contactless) payments in servicing passengers and visitors.
- Reduced cancellation fees for the return of unused tickets by 100 times (to RUB 2.1).
- Implemented a quick customer response service to ensure that customers receive same-day responses.
- Users of the RZD Passengers mobile app can get assistance on any issue in a real-time chat.

**Support of shippers**

Russian Railways has been providing maximum support to carriers from the very onset of the pandemic. The Company offered a broad range of preferences and discounts to shippers.

**Key steps taken**

- Launched a legally binding electronic document management service. More than 21,000 business partners used the service and generated over 3.8 m electronic documents.
- Provided customers with free container storage services for up to 30 days at 6 container terminals for the accumulation of container trains from March 2020 to 31 March 2021.
- Offered a 5% discount for cargo handling and storage services ordered via the Freight Transportation electronic trading platform in March–August 2020.
- Launched a Hot Summer loyalty programme covering a broad range of cargoes and applicable to domestic, export and transit shipments. The loyalty programme helped the Company to resume cooperation with 34 former clients and to attract 93 new partners.
- Provided box railcars for mixed consignments at reduced prices to Federal Freight Company during the period of high alert regime. Transportation costs for shippers were reduced to the price of cargo shipment in an all-purpose car.
- Offered a preferential 90% discount to clients for the storage of crushed aggregate at 71 freight yards of the Kaliningrad, Moscow, Northern, Gorky, Privolzhsk, and West-Siberian Railways from May 2020 to the end of March 2021. The service was mainly used by companies engaged in road repairs and construction.

In the context of growing negative macroeconomic changes, the aggravation of the epidemiological situation, and the resulting risk of a decrease in traffic volumes and earnings, at the end of Q1 2020, the Management Board members and the heads of departments, business units and branches of Russian Railways resolved to waive their quarterly bonuses for Q1 2020 and donate the total amount thereof to the All-Russian Public Movement of Medical Volunteers.
The year 2020 clearly demonstrated how fragile the “sustainable” economy was, both globally and in Russia. The expansion of the COVID-19 pandemic and the exaction of measures to curb its spread disrupted the existing global cooperation chains and restricted the flow of goods. Life virtually stopped all around the planet. Closed national borders and travel restrictions led to a logical decline in the transport mobility of people and had a negative effect on the operations of passenger carriers. During lockdowns, passenger transportation dropped by up to 70%. The decrease in passenger transportation in Russia was on a par with European countries.

It should be noted that Russian Railways and foreign transport operators did their best to assist the governments in fighting against the infection, even by sacrificing their own economic interests. Thus, in Russia, the number of passenger trains remained unchanged to ensure social distancing. Air disinfection systems installed in the trains proved very efficient and became a must-have item of passenger transport equipment. In general, the whole transportation process was redesigned to comply with all mandatory requirements to passenger health protection. For example, the majority of services became contactless to minimise human contact.

Russian Railways also extended support to passenger carriers. Thus, in 2020, it deferred more than RUB 23 bn of payments due from Federal Passenger Company (FPC) and suburban carriers. There were times during 2020 when the amount of deferred payments rose above RUB 30 bn.

Despite a decrease in passenger transportation, the Company saw the opportunity to introduce state-of-the-art technologies. In 2020, it launched a number of quantum communications projects. Within three years, these technologies will provide users of railway services with access to advanced software products facilitating the interaction between the customer, the infrastructure, and the carrier.

Pavel Ivankin, President of the Institute for Railway Transport Studies

In 2020, amid the COVID-uncertainty, Russian Railways demonstrated in preserving the important instrument, i.e. the carriage process. When both freight and passenger transportation volumes are falling, a carrier is obliged to optimise its costs. Infrastructure maintenance is a costly process and the systems do not correlate with the negative growth in freight and passenger transportation.

Russian Railways’ professional team managed to organise the transportation process with minimum losses and maximum efficiency. This approach helped the Company to retain its highly qualified staff, avoid the shortening of working hours, and improve labour productivity. Russian Railways’ management capacitated in their ability to maintain high performance under heavy external pressure and implemented remote working solutions across its railway network in the shortest possible time.

Despite a strong negative impact of objective external factors, Russian Railways managed to implement infrastructure projects at its Eastern Operating Domain and the Moscow Transport Hub. Having realised that the 2020 market conditions would be short-lived, Russian Railways did not cease its efforts to improve the transportation process and introduce state-of-the-art technologies.

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## 2020 performance highlights

Macroeconomic consequences of the spread of the coronavirus infection in 2020 affected freight traffic volumes. However, their negative impact on long-haul and suburban passenger transportation was even stronger. At the same time, performance enhancement measures helped to maintain positive growth of qualitative rolling stock operation parameters, such as the schedule speed and the average daily performance of a freight train locomotive.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2020</th>
<th>+/− %</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight handling</td>
<td>mt</td>
<td>1,278.1</td>
<td>1,243.6</td>
<td>−34.6</td>
<td>−2.7</td>
</tr>
<tr>
<td>Total freight turnover, including(^1)</td>
<td>bn tkm</td>
<td>3,305.0</td>
<td>3,221.0</td>
<td>−84.0</td>
<td>−2.5</td>
</tr>
<tr>
<td>net of empty runs of third-party railcars(^2)</td>
<td>bn tkm</td>
<td>2,609.9</td>
<td>2,544.8</td>
<td>−521.0</td>
<td>−2.2</td>
</tr>
<tr>
<td>empty third-party railcars(^2)</td>
<td>bn tkm</td>
<td>703.0</td>
<td>676.2</td>
<td>−26.9</td>
<td>−3.6</td>
</tr>
<tr>
<td>Passenger turnover</td>
<td>bn pkm</td>
<td>133.4</td>
<td>78.1</td>
<td>−55.2</td>
<td>−41.4</td>
</tr>
<tr>
<td>long-haul</td>
<td>bn pkm</td>
<td>99.1</td>
<td>53.5</td>
<td>−46.6</td>
<td>−46.0</td>
</tr>
<tr>
<td>suburban</td>
<td>bn pkm</td>
<td>34.3</td>
<td>24.7</td>
<td>−9.6</td>
<td>−28.1</td>
</tr>
<tr>
<td>Passengers transported</td>
<td>m people</td>
<td>1,197.8</td>
<td>872.0</td>
<td>−325.9</td>
<td>−27.2</td>
</tr>
<tr>
<td>long-haul</td>
<td>m people</td>
<td>116.5</td>
<td>67.4</td>
<td>−49.1</td>
<td>−42.1</td>
</tr>
<tr>
<td>suburban</td>
<td>m people</td>
<td>1,081.3</td>
<td>804.5</td>
<td>−276.8</td>
<td>−25.6</td>
</tr>
<tr>
<td>Average schedule speed of freight train</td>
<td>km/h</td>
<td>41.2</td>
<td>41.6</td>
<td>0.4</td>
<td>+1.0</td>
</tr>
<tr>
<td>Average daily performance of freight locomotive</td>
<td>thousand gross tkm</td>
<td>1,610.0</td>
<td>1,677.0</td>
<td>+67.0</td>
<td>+4.2</td>
</tr>
<tr>
<td>Average gross weight of freight train</td>
<td>t</td>
<td>4,090.0</td>
<td>4,084.0</td>
<td>−6.0</td>
<td>−0.1</td>
</tr>
<tr>
<td>Average loaded freight car delivery speed</td>
<td>km/day</td>
<td>394.6</td>
<td>439.4</td>
<td>+44.8</td>
<td>+11.4</td>
</tr>
<tr>
<td>Transportation of container freight, net of empty containers(^3)</td>
<td>thousand TEU</td>
<td>3,379.9</td>
<td>3,980.0</td>
<td>+600.1</td>
<td>+17.8</td>
</tr>
<tr>
<td>Transportation of container freight, including empty containers(^3)</td>
<td>thousand TEU</td>
<td>5,009.9</td>
<td>5,799.4</td>
<td>+797.5</td>
<td>+15.9</td>
</tr>
<tr>
<td>Transit, net of empty railcars</td>
<td>mt</td>
<td>23.9</td>
<td>23.1</td>
<td>−0.8</td>
<td>−3.3</td>
</tr>
</tbody>
</table>

\(^1\) Hereinafter referred to as “total freight turnover”

\(^2\) Hereinafter referred to as “loaded freight turnover”

\(^3\) Hereinafter referred to as “empty freight turnover”
The Regulation on Key Performance Indicators of Russian Railways ("KPI Regulation") was approved by the Company’s Board of Directors on 18 December 2019 (Minutes No. 11), as prescribed by relevant directives of the Russian Government¹ and the Guidelines for KPI Application.²

The KPI Regulation provides the basis for setting Russian Railways’ key performance indicators and includes an updated list of Group-wide KPIs to be applied starting 1 January 2020.

The list of Group-wide KPIs includes both core and recommended items, such as Russian Railways’ EBITDA Margin, the Russian Railways Group’s ROIC for Unregulated Types of Activities, the Russian Railways Group’s EBITDA, Reduction of Operating Costs (Expenses), Traffic Safety across the Russian Railways Group and Virtual Performance of Russian Railways’ Infrastructure.

KPI targets are set in line with the Russian Railways’ financial plan and can be revised in accordance with any adjustments to the financial plan, budgets and/or investment programmes approved by governance bodies of the Russian Railways Group and/or Russian Railways throughout the year.

### Russian Railways’ key performance indicators – progress in 2020

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit of measurement</th>
<th>Actual for 2019</th>
<th>Target for 2020¹</th>
<th>Actual for 2020</th>
<th>% of the target</th>
<th>Change y-o-y, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Railways Group’s EBITDA¹</td>
<td>RUB bn</td>
<td>576.9</td>
<td>414.0</td>
<td>420.7</td>
<td>101.6 %</td>
<td>72.9 %</td>
</tr>
<tr>
<td>Reduction of operating costs (expenses)</td>
<td>%</td>
<td>2.8</td>
<td>≥2.0</td>
<td>2.2</td>
<td>+0.2 pp</td>
<td>–</td>
</tr>
<tr>
<td>Russian Railways’ EBITDA margin</td>
<td>%</td>
<td>22.6</td>
<td>22.0</td>
<td>22.2</td>
<td>+0.2 pp</td>
<td>–0.4 pp</td>
</tr>
<tr>
<td>Russian Railways Group’s ROIC for unregulated types of activities</td>
<td>%</td>
<td>17.3</td>
<td>5.7</td>
<td>5.8</td>
<td>+0.1 pp</td>
<td>–11.5 pp</td>
</tr>
<tr>
<td>Traffic safety across the Russian Railways Group</td>
<td>accidents per million train kilometres</td>
<td>0.86</td>
<td>0.64</td>
<td>0.544</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Virtual performance of Russian Railways’ infrastructure</td>
<td>bn virtual tkm</td>
<td>3,442.2</td>
<td>3,266.2</td>
<td>3,301.2</td>
<td>101.1 %</td>
<td>95.9 %</td>
</tr>
</tbody>
</table>

¹ Directive No. 9054p-P13 of 2 October 2019
² Approved by Decree No. 1388-r of the Government of the Russian Federation dated 27 June 2019
³ The Group-wide KPI targets for 2020 were approved by the Company’s Board of Directors on 18 December 2019 (Minutes No. 11), as adjusted by the Board of Directors on 29 December 2020 (Minutes No. 5).

### Russian Railways’ KPI targets for 2021

<table>
<thead>
<tr>
<th>No.</th>
<th>Area</th>
<th>Key performance indicator</th>
<th>Target for 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Industry-wide KPIs focused on achieving national goals</td>
<td>Investment amount, RUB bn</td>
<td>731.6</td>
</tr>
<tr>
<td>2</td>
<td>Passengers transported, m³</td>
<td>Passengers transported, m³</td>
<td>8.6</td>
</tr>
<tr>
<td>3</td>
<td>Financial KPIs</td>
<td>Revenue from core operations (revenue from transportation services + other operations under RAS, RUB bn)</td>
<td>1,929.9</td>
</tr>
<tr>
<td>4</td>
<td>Russian Railways Group’s ROIC for unregulated types of activities (under IFRS), %</td>
<td>Russian Railways Group’s ROIC for unregulated types of activities (under IFRS), %</td>
<td>5.5</td>
</tr>
<tr>
<td>5</td>
<td>Operating costs (transportation) growth in comparable prices, %</td>
<td>Operating costs (transportation) growth in comparable prices, %</td>
<td>97.8</td>
</tr>
<tr>
<td>6</td>
<td>Net debt / EBITDA of Russian Railways</td>
<td>Net debt / EBITDA of Russian Railways</td>
<td>3.8</td>
</tr>
<tr>
<td>7</td>
<td>Special KPIs</td>
<td>Adherence to passenger train schedules, %</td>
<td>98.37</td>
</tr>
<tr>
<td>8</td>
<td>Traffic safety (across the Russian Railways Group), accidents per million train kilometres</td>
<td>Traffic safety (across the Russian Railways Group), accidents per million train kilometres</td>
<td>0.496</td>
</tr>
<tr>
<td>9</td>
<td>Virtual performance of Russian Railways’ infrastructure, bn virtual tkm</td>
<td>Virtual performance of Russian Railways’ infrastructure, bn virtual tkm</td>
<td>3,610.6</td>
</tr>
<tr>
<td>10</td>
<td>Average loaded freight car delivery speed, km/day</td>
<td>Average loaded freight car delivery speed, km/day</td>
<td>441.0</td>
</tr>
</tbody>
</table>

¹ Carried by Russian Railways.
145.2 thousand freight railcars
7,108 locomotives
85,600 km of tracks
18 thousand passenger railcars
1,312 locomotives
398 pairs of express and high-speed trains

Business model

**BUSINESS LINES**

<table>
<thead>
<tr>
<th>Freight transportation</th>
<th>Passenger transportation</th>
<th>Logistics services</th>
<th>Other businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>85,600 km of tracks</td>
<td>18 thousand passenger</td>
<td>GEFCO</td>
<td>831.6 thousand</td>
</tr>
<tr>
<td>7,108 locomotives</td>
<td>1,312 locomotives</td>
<td>RZD Logistics</td>
<td>93.5 RUB bn</td>
</tr>
<tr>
<td>145.2 thousand freight</td>
<td>398 pairs of express and high-speed trains</td>
<td>UTLC ERA</td>
<td>60.1 RUB bn</td>
</tr>
<tr>
<td>railcars</td>
<td></td>
<td>RRC-1</td>
<td>323.5 RUB bn</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RRC-2</td>
<td>(0.3 % of GDP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Company TransTeleCom</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>RZDstroy</td>
<td></td>
</tr>
</tbody>
</table>

**SERVICES**

<table>
<thead>
<tr>
<th>RZD FFC</th>
<th>RZD Federal Passenger Company (long haul routes)</th>
<th>Suburban passenger companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,243.6 million tkm of freight handled</td>
<td>4.2 thousand containers</td>
</tr>
<tr>
<td></td>
<td>3,221.0 thousand tkm of freight turnover</td>
<td>242.4 thousand containers</td>
</tr>
<tr>
<td></td>
<td>78.1 thousand passengers per passenger turnover</td>
<td>417 km of tracks constructed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>291.4 km of tracks electrified</td>
</tr>
</tbody>
</table>

**REVENUE GENERATION**

<table>
<thead>
<tr>
<th>Freight transportation, passenger transportation</th>
<th>Logistics services</th>
<th>Other businesses</th>
<th>Charity expenses</th>
<th>Subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,279.2 RUB bn</td>
<td>155.7 RUB bn</td>
<td>354.3 RUB bn</td>
<td>5.5 RUB bn</td>
<td>60.1 RUB bn</td>
</tr>
</tbody>
</table>

**FINANCIAL FLOWS**

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>Proceeds from long-term borrowings</th>
<th>Perpetual bonds issue (classified as equity)</th>
<th>Repayment of long-term borrowings</th>
<th>Dividend payments</th>
<th>Investment financing</th>
<th>Charity expenses</th>
<th>Subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>420.7 RUB bn</td>
<td>267.6 RUB bn</td>
<td>313 RUB bn</td>
<td>162.7 RUB bn</td>
<td>2.7 RUB bn</td>
<td>723 RUB bn</td>
<td>5.5 RUB bn</td>
<td>60.1 RUB bn</td>
</tr>
</tbody>
</table>

**VALUE CREATION**

1. The Russian Railways Group is Russia’s largest employer.
2. The Company is the leader in passenger and freight transportation in Russia.
3. Russian Railways is No. 1 in the world by freight and passenger transportation density per km of main line network.
4. Russia’s first-ever issuer of perpetual bonds in energy efficiency globally.
Leadership in every way

The Long-Term Development Programme of Russian Railways until 2025 aims to meet strategic national development goals by expanding infrastructure and enhancing economic links among Russian regions.

For more details see p. 30

717
RUB bn
Russian Railways’ investment programme in 2020
Letter from the Chairman of the Board of Directors

Dear Colleagues, Partners, Customers and Investors,

2020 will go down in history as an exceptionally challenging year for both the Russian and global economy. Despite the unprecedented external conditions, Russian Railways passed its durability test with flying colours. Taking into account the Company’s contribution to Russia’s overall GDP, this durability was not just a major factor in the resilience of the transport industry, but in that of the Russian economy as a whole.

Despite global transport restrictions, Russian Railways was able to leverage the main competitive advantages of rail transport: stability, reliability, technology and sustainability.

Russian Railways’ investment programme reached a total of RUB 717 bn in 2020, exceeding the previous record of 2019 by RUB 43 bn. One of the key factors in supporting the Company’s investment activities was the decision to issue perpetual bonds supported by the Government of the Russian Federation, which provided Russian Railways with additional investment resources, while maintaining a sustainable debt ratio. The total value of perpetual bonds offered last year stood at RUB 313 bn, with the green bonds accounting for RUB 100 bn out of this amount.

I would like to thank the entire Russian Railways’ team for their tireless work. In these unprecedented times, all of our railway employees have shown professionalism, organisation and efficiency, which has allowed us to provide uninterrupted and high-quality services. Despite the challenging epidemiological situation, the Company was able to resolve all of the problems we encountered in providing both commuter and long-distance services, while preventing any serious reduction in freight transportation. Meanwhile, we observed a remarkably positive trend among several product groups, including transportation of grain and container freight.

In 2021, Russian Railways and its subsidiaries face the challenge of responding to recovering demand for both freight and passenger transportation, increasing the quality of our customer services, and further developing and improving our transportation products.

Our key tasks are to provide uninterrupted commuter and long-distance services to passengers, and to maintain and further develop our rail networks in the interests of Russian citizens.

Implementing Russian Railways’ ambitious investment programme is particularly important in terms of meeting the long-term demands of the Russian economy and the further potential for growth in the rail transportation sector. In accordance with decisions made by the Russian Government and Russian Railways’ Board of Directors, the total size of this programme will exceed RUB 730 bn in 2021, while over RUB 134 bn will be dedicated to developing the Eastern Operating Domain. Ensuring we adhere to the schedule for increasing the throughput and carrying capacity of the Baikal-Amur and the Trans-Siberian main lines is vital to the national interest. The first stage towards modernising these lines should be completed in the coming year, with the second stage beginning in the same year.

The effective use of available resources and reaching established production targets are serious challenges and major priorities for the Company.

Given the scale and geography of Russian Railways’ activities, social responsibility must be a top priority. Particular emphasis is placed on strict adherence to our obligations towards our employees in terms of collective bargaining and constructive cooperation with regional authorities on social issues.

I am confident that all of the tasks facing Russian Railways as set by its stakeholder – the Russian Federation (represented by the Russian Government), as well as by Russian Railways’ Board of Directors will be completed. I wish the Russian Railways’ team, and all of our partners and customers, a fruitful cooperation.

Andrey Belousov
Chairman of the Board of Directors
Letter from the CEO and Chairman of the Management Board

Dear Partners and Colleagues,

In 2020, Russian Railways faced unprecedented challenges due to the pandemic-related restrictions in Russia and across the world. Today, we can state with confidence that the Company succeeded in achieving all of its objectives last year. We ensured a high level of transportation safety and reliability, keeping the pace of innovative development and pressing on with upgrading our infrastructure, management systems, equipment and technologies. We took prompt and effective action to provide medical support and protect the life and health of the Company’s employees and our customers. Russian Railways demonstrated high levels of resilience and solid financial performance in 2020.

Despite the 2.7% decrease in handling volumes y-o-y, we overcame the most pessimistic scenarios, with the Q4 results coming close to the 2019 indicators. In 2020, we relied as much as possible on digital interfaces to communicate with our partners. This helped attract over 300 new clients, primarily small and medium-sized businesses.

In the reporting year Russian Railways transported an all-time high of 5,800,000 containers, which translates into a growth rate of 16% for the segment, and 34.4% for transit lines. We exceeded almost all historical freight transportation indicators in the Eastern direction meeting all the targets under the Comprehensive Plan for the Carrying Capacities of the Eastern Operating Domain amounting to 144 mt. Russian Railways transported 126 mt of coal and ore from the main mineral deposits of Siberia and the Russian Far East.

Last year was extremely difficult for our passenger services. In order to protect the health of our customers we revised our procedures switching to mostly contactless interaction with passengers. The Company also carried on with efforts to modernise its rolling stock and introduce new products and services. In the reporting year, we boosted significantly our tourism offering. Our rail tours have become more accessible and are now available to the widest range of travellers. Enormously popular in Russia are our retro train tours, capitalising on the historical heritage of Russian Railways.

The Company strictly complies with the Russian President and Government orders by ensuring stable commuter transportation. In 2020, we launched 20 new commuter lines, with modern trains hitting the rails in 21 regions.

Russian Railways reconfirmed its commitment to being a responsible employer, ranking among the most attractive companies in Russia. The Company fulfilled all of its social obligations enshrined in the Collective Bargaining Agreement.

While tackling our ongoing business, we also laid the groundwork in the reporting year for the Company’s continued sustainable growth. Russian Railways strengthened its positions in safety, sustainability, speed and reliability of freight transportation among international railway companies. In Russia, we lead the industry in developing and deploying financial innovations.

2020 was a year of major investment and construction projects. Russian Railways invested an all-time high of RUB 717 bn in various initiatives. We implemented a large-scale upgrade programme for the rolling stock and work trains. Despite all restrictions, our construction services delivered the largest annual volumes in the last five years, worth approximately RUB 310 bn.

Environmental efforts have been among our priorities in recent years. Pursuant to the Russian President’s instructions, Russian Railways deployed benchmark environmental protection processes in the Central Zone of Lake Baikal Protected Areas to be rolled out across the construction and renovation projects of the entire railway network. Our consistent environmental policies have had an important role in strengthening the Company’s financial market positions.

In the reporting year, we carried on with our innovative development efforts. Thanks to the Russian Railways’ Digital Transformation Strategy we were able to make seamless remote work arrangements for tens of thousands of our employees. We continue working hard on such breakthrough technologies as autonomous trains, alternative energy sources, and quantum communications.

Dear Partners and Colleagues,

The Company’s successful performance in 2020 is based on everyday diligent work, dedication, and high professionalism of our team. Facing a tough environment, Russian Railways has proved its strength, gained invaluable experience, and is moving confidently towards new accomplishments. This experience will help us to continue delivering the goals set for the Company by Russia’s leadership.

Oleg Belozerov
CEO, Chairman of the Management Board
Strategy

Mission

The mission of the Russian Railways Group is to develop an efficient transportation business that will be competitive on the Russian and international markets and focus on effectively meeting the Group’s objectives as a national freight and passenger carrier and owner of the public railway infrastructure.

Development Strategy until 2030

The Russian Railways Group’s 2030 Development Strategy (“Russian Railways’ Strategy”) sets out the Group’s goals and objectives, defines its key priorities and describes long-term development projects.

Accomplishment of the Group’s mission will rely on the achievement of the 2030 strategic goals in five focus areas:

- transportation and logistics services;
- passenger transportation;
- railway transportation and infrastructure;
- international operations;
- social policy.

In 2020, the Strategy was implemented in line with Russian Railways’ Long-Term Development Programme until 2025.

Strategic priorities and goals across focus areas

Transportation and logistics services

The strategic priorities for development in this focus area are to build a diversified product portfolio shifting the focus from transportation services to comprehensive door-to-door solutions, consistent expansion of the offering to include 2PL, 3PL and 4PL services, and creation of global logistics chains.

Strategic goals until 2030:

- maintain leadership in Europe’s rail freight transportation and enhance the appeal of rail transport to customers;
- become one of Europe’s Top 5 companies in terms of logistics volumes;
- improve customer satisfaction by enhancing the quality of services while also maintaining competitive transportation prices;
- provide high-quality services for the global supply chains of major Russian and international customers and expand the transportation and logistics business in Eurasia.

Passenger transportation

The strategic priorities for development in this focus area are to streamline the route network and train schedules, increase speeds, use cutting-edge rolling stock, improve the product offering, digitalise customer services and business processes, and enhance the quality of traditional on-train and other related services. Another key objective is to expand the operating domain of high-speed and ultra high-speed transportation between the country’s largest metropolitan areas leveraging efficient state-of-the-art solutions.

Strategic goals until 2030:

- increase speeds, use cutting-edge rolling stock, improve the product offering, digitalise customer services and business processes, and enhance the quality of traditional on-train and other related services.

Railway transportation and infrastructure

In addition to the railway infrastructure, this focus area covers traffic management, operating and traction maintenance units. The Company’s strategic priorities in developing infrastructure are defined by its natural monopoly status and include cost cutting, unlocking of the potential to create new transportation and logistics products, upgrade of the existing network, and construction of additional profitable main tracks to meet the growing transportation needs. The need to maintain service availability to the general public, comply with government regulations on natural monopolies and provide equal opportunities to consumers distinguishes this focus area from the others.

Strategic goals until 2030:

- ensure consistent asset upgrade and asset management in the volumes of transit and container transportation;
- maintain leadership in Europe’s rail freight transportation and enhance the appeal of rail transport to customers;
- ensure promotion of the Group’s initiatives in international organisations;
- create conditions for expansion of the Russian Railways Group’s foreign projects portfolio.

Social policy

Russian Railways’ employees are the Company’s key asset instrumental in achieving its long-term growth objectives and securing a strong competitive edge. Development in this focus area builds on the unbiased assessment of added value created through employee support initiatives and efficient management of resources to provide market services. This focus area also covers social and public policies of the Group stretching beyond the workforce matters.

Strategic goals until 2030:

- meet the Top 5 of Russia’s most attractive employers;
- engage the top talent by offering competitive salaries, better working conditions and best-in-class social benefits.

Strategic goals until 2030:

- create conditions for four-fold growth in the volumes of transit and container transportation;
- ensure promotion of the Group’s initiatives in international organisations;
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Approved by the Company’s Board of Directors (Minutes No. 19 dated 23 December 2013).
Russian Railways’ Long-Term Development Programme until 2025

Russian Railways’ Long-Term Development Programme until 2025 (the “Programme”) has been approved by the Russian Government¹ and Russian Railways’ Board of Directors.²

¹ Order No. 466-r dated 19 March 2019.
² Minutes No. 14 dated 8 April 2019.
The design and deployment of large infrastructure projects are closely aligned with Russia’s Spatial Development Strategy, helping to create the transportation backbone for the national economy. To this end, the Company will need to focus extensively on expanding and improving railway infrastructure, enhancing the quality of rail freight transportation and its efficiency for shippers, bringing passenger experience to a whole new level, expanding and fine-tuning the range of passenger services, and ensuring greater safety of transportation. The Russian industry will have the infrastructure capabilities to boost output, meeting the demand for transportation services from shippers and passengers and ensuring the growth of the national economy.

The Programme’s key performance indicators reflect the main targets included in the Programme with due account of the Russian Government’s directives and a part of the incentive system for the Company’s executive management. The KPIs are subject to change if the key goals and assumptions (including the industry regulations) underlying the Programme are reviewed.

Programme implementation in 2020

The pandemic-related macroeconomic challenges in 2020 affected fullment of certain Programme KPIs, including Russian Railways’ revenue, EBITDA, EBITDA margin, passenger turnover, labour productivity growth, ROIC, virtual performance, handling, adherence to freight train schedules, length of railway tracks with exceeded limits of throughput in tonnes or useful life.

It should also be noted that the Programme KPIs were set in 2018 prior to the deterioration of the economic situation starting in Q4 2019.

Still, some KPIs were exceeded, including procurement from small and medium-sized businesses (+45.5 pp over the target), the volume of transit container transportation (90.8% over the target), which reflects Russian Railways’ efforts to expand container transportation, and the average daily performance of a freight train locomotive (+1.8% over the target), helped by measures to improve the locomotive fleet utilisation.

Achievement of selected KPI targets as part of the Long-Term Development Programme (LTDP) in 2020

<table>
<thead>
<tr>
<th>KPI (unit of measurement)</th>
<th>LTDP target</th>
<th>2020 performance</th>
<th>Target achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight handled, mt</td>
<td>1,338.8</td>
<td>1,243.6</td>
<td>−71 %</td>
</tr>
<tr>
<td>Total freight turnover, bn km</td>
<td>3,458.4</td>
<td>3,221.0</td>
<td>−6.9 %</td>
</tr>
<tr>
<td>Loaded freight turnover, bn km</td>
<td>2,727.7</td>
<td>2,544.8</td>
<td>−6.7 %</td>
</tr>
<tr>
<td>Passenger turnover, bn pkm</td>
<td>129.9</td>
<td>78.1</td>
<td>−39.9 %</td>
</tr>
<tr>
<td>Passengers transported, m people</td>
<td>1,199.6</td>
<td>872.0</td>
<td>−27.3 %</td>
</tr>
<tr>
<td>Investment programme, RUB bn</td>
<td>823.6</td>
<td>717.3</td>
<td>−12.9 %</td>
</tr>
<tr>
<td>Length of public railway lines with limited throughput, km</td>
<td>23.7</td>
<td>23.9</td>
<td>+0.8 %</td>
</tr>
<tr>
<td>Container transit volumes, thousand TEU</td>
<td>750.0</td>
<td>830.9</td>
<td>+10.8 %</td>
</tr>
<tr>
<td>Average daily performance of a freight train locomotive,</td>
<td>2,077.0</td>
<td>2,296.0</td>
<td>+1.8 %</td>
</tr>
<tr>
<td>thousand km gross</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average loaded freight car delivery speed, km/day</td>
<td>402.0</td>
<td>439.4</td>
<td>+9.3 %</td>
</tr>
<tr>
<td>Adherence to freight train schedules, %</td>
<td>74.67</td>
<td>74.26</td>
<td>−0.44 pp</td>
</tr>
<tr>
<td>Adherence to passenger train schedules, %</td>
<td>98.36</td>
<td>98.8</td>
<td>+0.44 pp</td>
</tr>
<tr>
<td>Integrated KPI for innovation efficiency</td>
<td>1.0</td>
<td>1.43</td>
<td>+43.0 %</td>
</tr>
<tr>
<td>Procurement from small and medium-sized businesses, bn</td>
<td>18.0</td>
<td>63.5</td>
<td>+45.5 pp</td>
</tr>
<tr>
<td>Russian Railways’ revenue, RUB bn</td>
<td>1,974.5</td>
<td>1,816.1</td>
<td>−8.2 %</td>
</tr>
<tr>
<td>Russian Railways’ EBITDA (under RAS), RUB bn</td>
<td>476.4</td>
<td>402.3</td>
<td>−15.6 %</td>
</tr>
<tr>
<td>Russian Railways’ net profit, RUB bn</td>
<td>48.6</td>
<td>3.3</td>
<td>−99.4 %</td>
</tr>
<tr>
<td>EBITDA margin (under RAS), %</td>
<td>241</td>
<td>22.2</td>
<td>−1.9 pp</td>
</tr>
<tr>
<td>Labour productivity growth of Russian Railways (average annual growth in 2019–2025), %</td>
<td>105.0</td>
<td>97.9</td>
<td>−71 %</td>
</tr>
</tbody>
</table>

1 Under the base case scenario of Russian Railways’ Long-Term Development Programme until 2025
2 Including the return of empty containers from Europe to China as per new logistics schemes.
3 In accordance with the Regulation on the Procedure for monitoring and assessment of development, updating and implementation of Innovation Development Programme (IDP) of joint-stock companies with government ownership, the Quality of Development (Updating) of Innovation Development Programme / Implementation of Innovative Development Programme indicator included in the Integrated KPI for innovation efficiency is assessed by the Interdepartmental Commission on Technology Development under the Government Commission for Economic Modernisation and Innovative Development based on the IDPs implementation report by federal executive authorities and independent experts (approximately, in the second half of the year following the reporting year).
4 In accordance with Russian Government Resolution No. 1352 dated 11 December 2014, the standard indicator is set at 20%.
The Company’s development prospects were assessed taking into account the following key objectives for 2021:

1. Achieve targets and implement initiatives in line with the 2030 national goals.1 Achieve targets under the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024.2 Implement five federal projects involving Russian Railways, including:
   - Development of Railway Infrastructure in the Eastern Operating Domain;
   - Development of Railway Infrastructure Serving Ports of the Azov and Black Seas;
   - Development of Railway Infrastructure Serving Ports of the North-Western Basin;
   - Development of Railway Infrastructure of the Central Transport Hub;
   - Development of High-Speed Transportation.

2. Strengthen the Company’s market position in freight transportation by improving service quality, expanding the product offering and developing freight transportation quality standards based on availability, timeliness and reliability of transportation services. Develop digital competencies and harness digital technology to improve the efficiency of transport and logistics services rendered by the Russian Railways Group and ensure that at least 90% of customer services and business processes are performed without human input.

3. Strengthen the Company’s market position in passenger transportation by providing customers with high-quality product offerings, further digitalising customer services and business processes and introducing the world’s best practices for the development of multimodal transport.

4. Ensure the suburban transport availability in cooperation with Russian regions and improve service quality in the passenger transportation segment.

5. Ensure that the Company achieves its targets and improves its operational performance, including by:
   - enhancing operating procedures;
   - harnessing unmanned technologies, innovations and tools, combining the efforts of business and science to support key priority areas in technological advancement and upgrade;
   - providing for infrastructure debottlenecking, optimising the use of traction resources (including by signing locomotive life cycle contracts) and improving station operations (including by streamlining train schedules and reducing downtime of transit railcars);
   - developing an end-to-end framework and enhancing automation systems to manage transportation;
   - promptly mitigating various adverse effects and timely adjusting budget parameters based on consistently monitored changes in the macroeconomic and market environments, as well as implementing measures to improve operational efficiency and optimise costs at all management levels of Russian Railways.

6. Achieve the 2021 targets of the Company’s Digital Transformation Strategy until 2025 to the extent determined by end customers and subject to funds allocated. Proceed with the action plan for Russian Railways’ transition to the preferred use of domestic software across key systems. Develop Russian Railways’ IT infrastructure, including efforts to:
   - achieve at least 99.9% availability of Russian Railways’ IT systems.

7. Develop Russian Railways’ human capital through a set of measures promoting continuous training, employee engagement and occupational health, as well as shaping a stable and favourable working environment.

8. Enhance traffic safety, improve the traffic safety management system and foster a traffic safety culture.

9. Make efforts to minimise Russian Railways’ environmental footprint.

10. Continue to implement overseas projects (with at least 5 projects to be run in 2021) and diversify the project portfolio, including by both building up in-house engineering and technical consulting capabilities and acquiring an interest in an engineering company, as well as promoting Russian Railways’ export-oriented portfolio in its focus markets.

11. Achieve the 2021 targets under the roadmap for the development of quantum communications across three focus areas: infrastructure, technologies and ecosystem.
Reliability in any situation

Russian Railways holds leading positions in terms of sustainability, speed and reliability of freight transportation, and ensures passengers’ comfort and safety in any season, at any time of day and in any weather.

+9.3 % increase in the average loaded freight car delivery speed compared to the Long-Term Development Programme

20 new suburban routes and 12 new long-haul routes

For more details see pp. 41, 50
The nation’s GDP dropped by 3.0% after a 2.0% growth in 2019. In Q2 2020, the Russian economy reached its lowest point, with recession amounting to 7.8% year-on-year. In Q3, the downturn was less pronounced, standing at 3.5%, and Q4 saw a contraction of 1.8%. In 2020, industrial production, which is of critical importance to the rail freight transportation sector, decreased by 2.6% after expanding by 3.4% in 2019. The contraction in extractive industries in 2020 totalled 6.9%, whereas the processing sector saw an insignificant upside (by 0.6%).

Factors that had an additional negative impact on the Russian economy in 2020 include low global prices for oil and some other goods that Russia exported. Exports of many cargoes—oil and some other goods that Russia exported in 2020 include low global prices for oil and some other goods that Russia exported—were affected by the lockdown due to the nature of their operations. In Russia, the number of SMEs and businesses in the services sector that suffered greatly from the crisis and lockdown is far lower than in developed countries. The government’s refusal to reintroduce restrictions in Q4 2020 also spurred further recovery of the national economy.

Drivers that supported the Russian economy in 2020 include the anti-crisis programme by the Russian Government, increased government spending, relatively expansionary monetary policy pursued by the Bank of Russia, and redistribution of significant funds that households were unable to spend abroad because of the closed borders in favour of domestic consumption.

However, a milder decline of the Russian economy in 2020 as compared to the global economy means that recovery will be less pronounced as well. According to the base case scenario of the Russian Ministry of Economic Development at September 2020, the Russian GDP growth in 2021 will total 3.3%, with the April 2021 forecast revising the growth rate down to 2.9%. According to the IMF outlook, the Russian GDP will add 3.8% in 2020, compared to the expected global GDP growth of 6.0%.

At the same time, the Russian economy is exposed to relatively high risks in 2021, including uncertainty about further epidemiological developments in the country and globally, geopolitical tensions and probability of new sanctions, implications of a return to the conservative fiscal policy, and probable price corrections in global commodity markets.

### Freight transportation market

According to the Russian Federal State Statistics Service, in 2020, freight turnover in Russia decreased by 4.9% y-o-y to 5,397.2 bn tkm. In particular, 2020 saw freight turnover of the pipeline transport decrease by 8%; air transport by 3.7%; inland waterways by 8.6%, and road transport by 1.3%, with sea transport being the only exception and delivering an increase of 16.2% in freight turnover.

Loaded freight turnover in the railway segment dropped by 2.2%. Railway transport expanded to account for 47.2% of the country’s total freight turnover (up 1.3 pp vs 2019), or 87% (down 0.1 pp vs 2019) with the pipeline transport excluded.

### Freight turnover by transport mode in 2020

#### Transport mode

<table>
<thead>
<tr>
<th>Mode</th>
<th>2020</th>
<th>Y-o-y change, %</th>
<th>Share in total freight turnover, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>All transport</td>
<td>5,397.2</td>
<td>-4.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Railway1</td>
<td>2,544.8</td>
<td>-2.2</td>
<td>47.2</td>
</tr>
<tr>
<td>Including the infrastructure of Russian Railways and Yakutia Railway2</td>
<td>2,544.8</td>
<td>-2.2</td>
<td>45.9</td>
</tr>
<tr>
<td>Road</td>
<td>271.8</td>
<td>-1.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Including commercial road transport</td>
<td>149.9</td>
<td>-1.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Sea3</td>
<td>42.5</td>
<td>+16.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Inland waterways</td>
<td>60.2</td>
<td>-9.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Air (transport aviation)</td>
<td>71</td>
<td>-3.7</td>
<td>0.13</td>
</tr>
<tr>
<td>Pipeline</td>
<td>2,470.2</td>
<td>-8.0</td>
<td>45.8</td>
</tr>
</tbody>
</table>

For reference:
- Share of railway transport excluding pipelines: 871
- Share of Russian Railways excluding pipelines: 871

1. Excluding intra-urban transport.
2. Freighter turnover according to Russian Railways excluding empty runs of own cargoes.
3. For reference: freight transportation by sea and inland waterways includes shipments made under freight transportation contracts by the company’s own and/or leased (chartered) vessels (including vessels leased to foreign companies (charterers) under time charter arrangement) flying the flag of the Russian Federation with the relevant shipping documents in place.
In 2020, the COVID-19 pandemic and partly cancelled regular and charter flights caused passenger turnover in air transport to go down by 52.5% y-o-y. In 2020, passenger turnover of Russian airlines on international air routes decreased by 74.2%. Domestic routes saw a considerably smaller decrease of 22.3%. The domestic flights’ share of total passenger turnover of Russian airlines rose by 26.6 pp amid reduced passenger turnover on international routes. As a result, railway transport in the deregulated segment remains under competitive pressure of air transport on domestic routes.

Position of Russian Railways in the railway industry

Freight transportation

Russian Railways is the only carrier in rail freight transportation that operates its fully owned infrastructure. Since 2011, the Russian Railways Group’s roilcar fleet intended for commercial use has been owned by the Company’s subsidiaries and affiliates. Further information on their business is available in respective sections of this report.

Passenger transportation

Russian Railways provides rail infrastructure for passenger transportation and is the only Russian company that carries out ultra high-speed passenger transportation by rail. Russian Railways’ subsidiaries and affiliates provide conventional long-haul and suburban railway transportation services. Further information on their business is available in respective sections of this report.

Passenger turnover by transport mode in 2020

<table>
<thead>
<tr>
<th>Transport mode</th>
<th>2020 share in total passenger turnover, %</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public transport total</td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Railway</td>
<td></td>
<td>25.0</td>
<td>25.1</td>
</tr>
<tr>
<td>Including Russian Railways’ infrastructure</td>
<td></td>
<td>25.1</td>
<td>25.1</td>
</tr>
<tr>
<td>Road (bus service)</td>
<td></td>
<td>25.7</td>
<td>25.7</td>
</tr>
<tr>
<td>Inland waterways</td>
<td></td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Sea</td>
<td></td>
<td>49.1</td>
<td>49.1</td>
</tr>
</tbody>
</table>

Analysis of operating results

Transportation and logistics

Russian Railways operates railway infrastructure, owns rolling stock (through its subsidiaries and affiliates) and provides both basic transportation and 3PL/4PL services. The Company is applying advanced logistics technologies, implementing an automated customer relationship management system and a uniform freight transportation service catalogue, and expanding its geography, while also continuing to develop and introduce new services for shippers.

Key initiatives in transportation and logistics under the Long-Term Development Programme

The Programme’s key initiatives in the realm of transportation and logistics services focus on:

- building long-term relations with customers, including by linking guaranteed freight volumes to infrastructure, organisational and technical initiatives designed to fully meet the customers’ transportation needs;
- improving customer feedback and ensuring high client loyalty, including by putting in place an automated customer relationship management system in the freight transportation segment in Russian Railways and across its subsidiaries and affiliates;
- creating an automated tool to maintain a uniform freight transportation service catalogue giving customers access to the entire range of freight transportation services, offerings and specifications;
- strengthening logistics capabilities to satisfy the customer demand for comprehensive services, including use of global transportation chains and outsourcing logistics for industrial facilities;
- enhancing accuracy of freight shipment schedules by improving the system of shipments with fixed departure and arrival times and reducing delivery time;
- fine-tuning transportation products and services to meet the shippers’ needs and developing new products and services;
- developing freight transportation quality standards based on availability, timeliness and reliability of transportation services, cargo safety, choice of logistics, terminal and warehousing services, and delivery speed;
- developing the RZD Express service for small and medium-sized cargo batches;
- introducing RoLa services;
- conducting a dedicated analysis and, if economically feasible, initiating gradual abolition of tariff regulation in certain sufficiently competitive transportation market segments (including container (RoLa) shipping, transportation of light petroleum products, fish, fish products, etc.);
- enhancing coordination within the Group in order to improve the performance of transportation and logistics subsidiaries and business units;
- launching electronic workflow as a tool to facilitate communication between all participants of the transportation process (including the federal executive authorities and international multimodal freight transportation players).
The pandemic forced us to change the way we interact with our customers and to increasingly rely on digital technology to render transportation and logistics services. Digitalisation strengthened our ties with partners, resulting in greater resource efficiency, lower transportation and logistics costs and stronger business sustainability. The better our interaction with transport market players is, the stronger our Company is positioned!

Alexey Shilo
Deputy CEO, Head of the Centre for Corporate Transport Services

Key achievements in 2020

- Russian Railways launched an automated on-demand freight service portfolio builder enabling customers to select freight transportation services they need in online environment.
- The electronic workflow coverage reached 86.1%.
- The Freight Transportation electronic trading platform saw the number of participants grow by 25% to over 6,000 users and that of service providers by 42.6% to 97 businesses.
- Russian Railways hit an all-time high with some 5.8 m TEU containers transported in 2020, up 15.9 y-o-y.
- In 2020, the Company implemented a project providing for double-decker train operation using the public railway infrastructure to accommodate the declared freight volumes from the key terminals of the Moscow Railway and those of the October Railway based in the Moscow agglomeration.
- Russian Railways rolled out multimodal container services along the China–Europe–China axis using the port of Kaliningrad (giving rise to two multimodal container transit routes via ports).
- The Company started using new container formats, such as open top, flexitank and tank containers.
- In July 2020, the first regular container train from the Chinese city of Shenyang (Liaoning province) arrived at the Bely Rast terminal and logistics centre as part of a pilot project.

Highlights of freight transportation using Russian Railways’ infrastructure

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit of measurement</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Change y-o-y, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handling volumes</td>
<td>mt</td>
<td>1,222.3</td>
<td>1,261.3</td>
<td>1,289.6</td>
<td>1,278.1</td>
<td>1,243.6</td>
<td>−2.7</td>
</tr>
<tr>
<td>daily average</td>
<td>thousand t</td>
<td>3,339.5</td>
<td>3,456.7</td>
<td>3,533.2</td>
<td>3,501.7</td>
<td>3,397.7</td>
<td>−3.0</td>
</tr>
<tr>
<td>Total freight turnover</td>
<td>bn tkm</td>
<td>2,997.8</td>
<td>3,176.7</td>
<td>3,304.8</td>
<td>3,305.0</td>
<td>3,221.0</td>
<td>−2.5</td>
</tr>
<tr>
<td>loaded turnover</td>
<td>bn tkm</td>
<td>2,342.6</td>
<td>2,491.9</td>
<td>2,596.9</td>
<td>2,601.9</td>
<td>2,544.8</td>
<td>−2.2</td>
</tr>
<tr>
<td>empty turnover</td>
<td>bn tkm</td>
<td>655.2</td>
<td>684.8</td>
<td>708.0</td>
<td>703.0</td>
<td>676.2</td>
<td>−3.8</td>
</tr>
<tr>
<td>Share of shipments delivered within required (contractual) period</td>
<td>%</td>
<td>96.1</td>
<td>96.7</td>
<td>97.1</td>
<td>98.4</td>
<td>99.2</td>
<td>0.8 pp</td>
</tr>
</tbody>
</table>

In August 2020, Russian Railways launched the Grain Express service, having made and dispatched on time a total of 27 pick-up trains to the port of Novorossiysk from the project start to the end of the year.

Handling volumes increased sizeably for grain (up 28.7% vs 2019), containerised cargoes (up 16.5%) and construction cargoes (up 6.1%).

In December 2020, the Company started testing scheduled shipments along the Bely Rast–Podsolnechnaya route as part of the Smart Logistics project, which is capable of competing with transportation by road at a haul distance of no more than 120 km.

In December 2020, Russian Railways arranged for a pilot multimodal express shipment as part of the Cargo Lowcoster project. It took two days to deliver a food consignment from a Kaliningrad-based manufacturer to Moscow. The Cargo Lowcoster seeks to take over freight volumes from road transport by creating alternative logistics opportunities for companies based in the Kaliningrad Region and supporting small and medium-sized businesses.
Freight transportation using Russian Railways’ infrastructure

Handling

In 2020, all the key industries in Russia and abroad were facing unprecedented adverse challenges due to the COVID-19 pandemic. Peaking in Q2 2020, it resulted in weaker demand both across key commodity markets and in terms of volumes shippers were willing to transport by rail. When the pandemic-related restrictions kicked in, many businesses were forced to promptly adapt their operations, with construction activities being suspended for several weeks in parts of Russia. In H2 2020, freight transportation performance improved on the back of economic recovery after the lockdown was eased up partially. However, critically important was Russian Railways’ timely response with a set of measures aimed at supporting shippers and making organisational, logistical and economic adjustments to the transportation management process.

In total, 2020 saw 1,243.6 mt of freight handled by Russian Railways (0.8% above the target but down 2.7% vs 2019). Handling volumes declined for crude oil and petroleum products (down 10% vs 2019), ferrous metals (down 10.0%) and hard coal (down 5.0%), but increased for grain (up 28.7%), containerised cargoes (up 16.5%), construction cargoes (up 6.5%), chemical and mineral fertilisers (up 3.7%).

The reporting year saw lower handling volumes across the board. Domestic and export handling volumes decreased by 3.8% and 0.9%, respectively, while the share of domestic transportation in the handling breakdown dropped marginally by 0.7 pp to 60.9% and that of export handling volumes decreased by 2.6% vs 2019, to 37.6%.

In terms of tariff classes, low-margin cargoes dominated the freight shipment structure, gaining 0.3 pp since 2019. The shares of mid- and high-margin cargoes grew by 0.2 pp and decreased by 0.5 pp, respectively. The most expensive cargoes (Class III) were the most sensitive to changing market conditions with a drop of 7.7%, while Class II and Class I freights only fell by 2.1% and 2.2%, respectively.

However, it has to be noted that the Company reported a loss of RUB 45.7 bn in 2020, mainly driven by cost volumes transported from the Kuzbass region to the Far Eastern ports of the Vanino–Sovetskaya Gavan hub.

Dynamics of loading volumes, mt

<table>
<thead>
<tr>
<th>Year</th>
<th>Hard coal</th>
<th>Construction cargoes</th>
<th>Crude oil and petroleum products</th>
<th>Iron and manganese ore</th>
<th>Ferrous metals</th>
<th>Industrial commodities</th>
<th>Chemical and mineral fertilisers</th>
<th>Cement</th>
<th>Timber</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1243.6</td>
<td>20.3</td>
<td>16.3</td>
<td>16.3</td>
<td>16.3</td>
<td>16.0</td>
<td>15.0</td>
<td>10.5</td>
<td>9.6</td>
<td>3.2</td>
</tr>
<tr>
<td>2019</td>
<td>1278.1</td>
<td>11.5</td>
<td>10.5</td>
<td>10.5</td>
<td>10.5</td>
<td>11.5</td>
<td>11.5</td>
<td>11.5</td>
<td>11.5</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Handling by transportation type

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2020</th>
<th>Change in volume, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mt</td>
<td>share, %</td>
<td>mt</td>
</tr>
<tr>
<td>Handling</td>
<td>1,278.1</td>
<td>100.0</td>
<td>1,243.6</td>
</tr>
<tr>
<td>Domestic</td>
<td>788.2</td>
<td>61.7</td>
<td>757.9</td>
</tr>
<tr>
<td>Export, including</td>
<td>478.3</td>
<td>37.4</td>
<td>473.9</td>
</tr>
<tr>
<td>via ports</td>
<td>316.5</td>
<td>24.8</td>
<td>331.7</td>
</tr>
<tr>
<td>via border crossings</td>
<td>161.4</td>
<td>12.6</td>
<td>142.2</td>
</tr>
<tr>
<td>Import and transit</td>
<td>11.6</td>
<td>0.9</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Handling volumes evolution in 2020, mt

<table>
<thead>
<tr>
<th>Cargo type</th>
<th>2019</th>
<th>2020</th>
<th>Change in volume, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>1,278.1</td>
<td>1,243.6</td>
<td>−2.6</td>
</tr>
<tr>
<td>Crude oil and petroleum products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hard coal</td>
<td></td>
<td>−18.7</td>
<td></td>
</tr>
<tr>
<td>Ferrous metals</td>
<td></td>
<td>−13.3</td>
<td></td>
</tr>
<tr>
<td>Timber</td>
<td></td>
<td>−1.3</td>
<td></td>
</tr>
<tr>
<td>Industrial commodities</td>
<td></td>
<td>−1.3</td>
<td></td>
</tr>
<tr>
<td>Cement</td>
<td></td>
<td>−0.6</td>
<td></td>
</tr>
<tr>
<td>Iron and manganese ore</td>
<td></td>
<td>−0.4</td>
<td></td>
</tr>
<tr>
<td>Ferrous scrap metals</td>
<td></td>
<td>−12.3</td>
<td></td>
</tr>
<tr>
<td>Chemical and mineral fertilisers</td>
<td></td>
<td>−16.9</td>
<td></td>
</tr>
<tr>
<td>Contaminated cargoes</td>
<td></td>
<td>−16.2</td>
<td></td>
</tr>
<tr>
<td>Grain</td>
<td></td>
<td>−11.5</td>
<td></td>
</tr>
<tr>
<td>Construction cargoes</td>
<td></td>
<td>−7.6</td>
<td></td>
</tr>
</tbody>
</table>

Export handling by cargo type in 2020, %

<table>
<thead>
<tr>
<th>Cargo type</th>
<th>2020</th>
<th>Change in volume, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard coal</td>
<td>19.2</td>
<td></td>
</tr>
<tr>
<td>Crude oil and petroleum products</td>
<td>42.1</td>
<td></td>
</tr>
<tr>
<td>Chemical and mineral fertilisers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferrous metals</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Iron and manganese ore</td>
<td>9.6</td>
<td></td>
</tr>
<tr>
<td>Timber</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3.2</td>
<td></td>
</tr>
</tbody>
</table>
Freight turnover

In 2020, total freight turnover accounted for 3,221 bn tkm (down 2.5% y-o-y), where loaded turnover declined by 2.2% to 2,544.8 bn tkm and empty turnover dropped by 3.8% to 676.2 bn tkm.

The decrease in freight turnover was lower compared to handling volumes and mainly attributable to the rising average haul, which was prompted by higher export volumes going to Russian ports and increased transit container shipments driven by the return of empty containers from Europe to China as per new logistics schemes. The domestic, export and transit loaded turnover contracted by 4.8% (to 968.3 bn tkm), 0.5% (to 1,401.4 bn tkm) and 4.5% (to 63.2 bn tkm), respectively. However, import turnover rose by 1.6% to 112 bn tkm.

In terms of cargo types, in 2020, the shares of other cargoes, chemical fertilisers and ores grew by 1.2 pp and 0.1 pp, respectively, while those of ferrous metals and mineral and construction cargoes added 0.3 pp each. The shares of crude oil and petroleum products and coal, two major contributors, decreased by 1.2 pp each, compared to 2019.

Average haul, km

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Change</th>
<th>y-o-y, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded</td>
<td>1,754</td>
<td>1,800</td>
<td>1,835</td>
<td>1,851</td>
<td>1,862</td>
<td>0.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Empty</td>
<td>1,199</td>
<td>1,236</td>
<td>1,274</td>
<td>1,269</td>
<td>1,256</td>
<td>−1.0</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Total freight turnover breakdown, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
<th>Domestic</th>
<th>Export</th>
<th>Import</th>
<th>Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>38.0</td>
<td>55.1</td>
<td>1.9</td>
<td>1.8</td>
<td>0.4</td>
</tr>
<tr>
<td>2019</td>
<td>43.7</td>
<td>56.1</td>
<td>1.9</td>
<td>1.8</td>
<td>0.4</td>
</tr>
<tr>
<td>2018</td>
<td>42.5</td>
<td>56.1</td>
<td>1.9</td>
<td>1.8</td>
<td>0.4</td>
</tr>
<tr>
<td>2017</td>
<td>45.4</td>
<td>53.6</td>
<td>1.7</td>
<td>1.8</td>
<td>0.5</td>
</tr>
<tr>
<td>2016</td>
<td>46.7</td>
<td>52.8</td>
<td>1.6</td>
<td>1.9</td>
<td>1.2</td>
</tr>
</tbody>
</table>

PERFORMANCE OVERVIEW

In 2020, the range of cargoes transported in containers exceeded 3,400 items, which was made possible in reliance on new container formats, such as open top, flexitank and liner bag containers.

Russian Railways focuses on expanding RoLa routes. In 2020, it started testing RoLa shipments between Kalingrad and St Petersburg, Moscow/Sanogorsk and Vorkuta.

Developing transit transportation in 2020

In 2020, transit container transportation rose by 16.1% y-o-y to 2.4% y-o-y. Total income from transit transportation volumes increased for ferrous metals (up 46%), consumer and industrial goods (up 28%), chemicals and soda (up 24%), food (up 33%).

In 2020, transit container transportation through Russian Railways’ network reached 800.6 thousand TEU. Container transit, including the return of empty containers from Europe to China under the new logistic arrangements, totalled 830.9 thousand TEU. Container and RoLa shipments between Kaliningrad and St Petersburg, Moscow/Sanogorsk and Vorkuta.

Container traffic through Russian Railways’ network in 2020

<table>
<thead>
<tr>
<th>Direction</th>
<th>Transportation volumes, thousand TEU</th>
<th>Change y-o-y, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>2,320.4</td>
<td>+16.6</td>
</tr>
<tr>
<td>Export</td>
<td>1,453.0</td>
<td>+13.5</td>
</tr>
<tr>
<td>Import</td>
<td>1,235.5</td>
<td>+15.6</td>
</tr>
<tr>
<td>Transit</td>
<td>800.6†</td>
<td>+37.6</td>
</tr>
<tr>
<td>Total, including</td>
<td>5,799.4</td>
<td>+15.9</td>
</tr>
<tr>
<td>loaded containers</td>
<td>3,980.0</td>
<td>+17.8</td>
</tr>
</tbody>
</table>

Performing logistics services

Operating in a highly competitive and volatile market, Russian Railways seeks to provide comprehensive services across all transportation types and expand its customer offering. Advanced 3PL/4PL logistics technologies lie at the centre of our business, ensuring our ability to serve the maximum number of consumers.

Container and RoLa solutions

In 2020, the loaded container traffic grew by 3.8% to 3.98 m TEU, with its share in total transportation volumes rising to 68.6% (up 1% vs 2019). In terms of cargo types, transportation volumes increased for ferrous metals (up 46%), consumer and industrial goods (up 28%), chemicals and soda (up 24%), food (up 33%).

In 2020, transit container transportation rose by 16.1% y-o-y to 2.4% y-o-y. Total income from transit transportation volumes increased for ferrous metals (up 46%), consumer and industrial goods (up 28%), chemicals and soda (up 24%), food (up 33%).

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GEFCO

Based in France, GEFCO is a global provider of 3PL/4PL logistics solutions and services. With 350 operational sites all over the world and a footprint spanning over 150 countries, the company is among Europe’s Top 10 logistics operators. Russian Railways holds a 75% stake in GEFCO.

The company’s revenue in 2020 dropped by 20% y-o-y to EUR 3.805 bn. Net profit for the same period totalled EUR 84.9 m, down 28% y-o-y. The company’s performance was impaired by the shutdown of car and component making plants, including those owned by the shutdown of car and component making plants, including those owned by Group PSA, GEFCO’s key customer, as a result of the COVID-19 outbreak and the related restrictions imposed on its focus markets in Europe.

RZD Logistics

RZD Logistics is the largest multimodal logistics operator in the CIS and the Baltics established as part of the development of the logistics business of the Russian Railways Group and one of Russia’s leading players in logistics outsourcing for industrial facilities with a comprehensive supply chain management service offering. The company arranges freight transportation to more than 50 regular delivery destinations in Russia, Europe and China and provides logistics services for foreign trade in Eurasia (the CIS, the Baltics, China, Japan, Vietnam, India, and the European Union). It services over 160 cities in Russia and the CIS, 46 locations in China and seven destinations in Europe. The company keeps expanding its network which now exceeds 16,000 routes.

In 2020, RZD Logistics rendered transportation and logistics services for a total of RUB 33.4 bn (down 8% y-o-y, under RAS), while its net profit amounted to RUB 21.6 m.

UTLC ERA

United Transport and Logistics Company – Eurasian Rail Alliance (UTLC ERA) develops transit railway container services in Russia, Kazakhstan and Belarus. UTLC ERA is a joint venture of Russian Railways, Belarussian Railway and Kazakhstan Temir Zholy, with each founder having an equal shareholding of 33.33%.

In 2020, its transportation volumes increased by 64% y-o-y to 546.9 thousand TEU, accounting for 5.5% of total trade between China and Europe. UTLC ERA accounted for 9% of all transit services along the China–Europe–China axis. In 2020, its revenue was RUB 49.3 bn and net profit stood at RUB 4.3 bn.

The growth mainly results from concerted efforts by shareholders seeking to increase the service speed and minimise technical delays throughout UTLC ERA’s 1,520 mm gauge network. In 2020, the transit time between the borders of China and Europe amounted to 5–6 days, with the highest speed of 1,384 km/day achieved by the Altynkol–Baltiysk train in July 2020.

Improving the quality of transportation services

FT ETP progress in 2020

The Freight Transportation electronic trading platform (FT ETP) currently connects over 97 service providers (up 42.6% vs 2019), including:
• 82 rolling stock operators,
• 8 stevedores;
• 3 terminal and warehouse operators, including the Moscow-based Central Directorate for Management of the Terminal & Warehouse Complex (Russian Railways’ subsidising).

In 2020, the Company developed an enhanced FT ETP interface for interaction with service providers (rolling stock and port terminal operators) and launched a cloud service, thus helping them save on in-house IT services.

Managing the terminal and warehouse infrastructure

In 2020, the Central Directorate for Management of the Terminal & Warehouse Complex (Russian Railways’ subsidising) embarked on the CD Freight Forwarder project which aims to minimise customer involvement in the cargo delivery process. The project kicked off in June 2020 when a team of logistics experts was set up to develop and market new products and services. Total income from the project grew fivefold by the end of 2020, resulting in 447 freight forwarding contracts signed and 123 new customers acquired.

Activities of the Consumer Council on Operations of Russian Railways

The Consumer Council on Operations of Russian Railways and its subsidiaries and affiliates is a working body of the Russian Government Commission on Transport in charge of public scrutiny of Russian Railways and the Consumer Council mainly interact through the Company’s representatives that attend meetings of the Council and its committees to consider Russian Railways’ key activities.

In 2020, the Consumer Council focused on:
• regulatory framework improvements affecting railway operations and development;
• tariff regulation for railway services;
• financial projects and the investment programme of Russian Railways;
• customer satisfaction surveys in freight and passenger transportation;
• major investment projects of Russian Railways, including their process and price audits;
• transport safety enhancement.

Improving the quality of transportation services

To attract customers and provide easier access to its services and infrastructure, Russian Railways opened sales offices across all its network in Russia. The Company is currently operating 69 regional and local sales offices. In the reporting period, sales offices attracted around 3,000 new railway customers.

Russian Railways employs a multi-channel monitoring system to collect customer feedback. According to VCIOM, as at September 2020, Russian Railways’ consolidated customer satisfaction index in the freight transportation segment remained moderately positive at 61% (up 1.4 pp vs December 2019 through February 2020).
Passenger transportation

The primary objective of Russian Railways is to provide all Russian regions with affordable passenger transportation. Along with suburban transportation comprising multimodal routes, the Company is developing long-haul passenger services, including high-speed and ultra high-speed transportation between metropolitan areas. Russian Railways carries out long-haul and suburban transportation in 77 and 66 regions of Russia, respectively.

Key focus areas of the Long-Term Development Programme

In line with the Long-Term Development Programme, the Company intends to fully maintain the volume of socially significant transportation, including through implementing initiatives in Russia's Far East.

Key initiatives for the long-haul passenger transportation development:

• building an efficient route network and train schedule;
• developing high-speed rail transportation through operation of Lastochka and Strizh trains as well as trains with double-decker railcars;
• providing customers with high-quality product offerings;
• digitising customer services and business processes;
• offering innovative products in trains;
• improving the customer experience;
• introducing the world’s best practices for the development of multimodal transport.

Key initiatives for the suburban passenger transportation development:

• integrating suburban transport into the urban transport environment of metropolitan areas;
• ensuring long-term mutual obligations of all participants of suburban transit systems under the regional tariff and budgetary policies of the Russian Federation;
• adopting regulatory decisions aimed at securing equal opportunities for the development of the suburban passenger transportation vs other transport modes;
• launching multimodal transportation (with the possibility of building an integrated route network for several transport modes) along with the comprehensive development of a bus transportation services within the Group;
• defining economic incentives for upgrading rolling stock and infrastructure facilities;
• introducing suburban transportation standards for accessibility, quality and safety of passenger transportation;
• enhancing the Central Transport Hub;
• reducing the interval between passenger trains on certain routes, including the Moscow Central Circle.

Key initiatives for the railway station development:

• creation of multifunctional intermodal and transport interchange hubs integrated with the modern urban environment and infrastructure;
• efficient use of railway station areas (including synergies and cooperation with bus stations).

Key achievements in 2020

In 2020, the Company transported 872 m people.

Moscow Central Diameters were named the best regional infrastructure project winning the 7th Formula for Movement national award for accomplishments in transportation and transport infrastructure.

New rolling stock hit the rails on suburban routes in 21 regions. Sakhalin had its entire rolling stock upgraded.

We launched 20 new suburban routes.

In 2020, we continued to renew our passenger rolling stock and procured 1,051 cars, with Russian Railways purchasing 371 cars, Federal Passenger Company buying 648 cars, including 175 double-deckers, and SPCs acquiring 32 cars, including 8 RA3 cars and 24 locomotive traction cars.

We developed a new open sleeping car concept to enhance the customer experience.

Russian Railways continued to expand its high-speed long-haul network by launching new Lastochka routes.

The Company renovated and repaired 184 facilities as part of its railway station development programme.

Russian Railways opened new Smart Hotels at 25 railway stations and innovative Priority Pass lounges at 6 stations.

The RZD Passengers mobile app has been downloaded over 5 m times and earned high scores from the Apple and Google stores (4.9 and 4.5, respectively). In December 2020, the mobile app became the best performing sales channel, occasionally accounting for 50% of all e-tickets sold for Russian Railways’ trains.
In 2020, most regions opted not to increase rail fares.

Progress on multimodal routes and hubs in 2020

In line with international best practices, the most successful approach to the integration of urban passenger systems is the creation of transport interchange hubs that link together different modes of transport, including railway, underground and land transit systems. Such hubs are designed to ensure seamless passenger experience and efficiency of the transportation systems both in terms of technology and economics. Multimodal suburban routes are currently provided by 56 SPCs.1

1 Altai Suburb, Bokut SPC, Bashkortostan SPC, Volga–Vyatka SPC, Kuzbass Suburb, Moscow–Tver SPC, Saratov Region SPC, Kirovograd SPC, Perm Suburban Company.

Passenger transportation in 2020

In 2020, passenger transportation performance was affected by the epidemiological situation in Russia, national border closures, cancellation of all international flights and the consequences of restrictions and lockdowns. In April through early May, the passenger transportation collapsed by more than 75 y-o-y (with suburban and long-haul transportation plummeting by 65% and 79.8%, respectively). In October, the passenger transportation dropped by 36.2% y-o-y (with suburban and long-haul transportation declining by 24.4% and 41%, respectively). In total, 2020 saw the passenger transportation fall by 41% y-o-y to 78.1 bn pkm (with long-haul and suburban transportation going down by 46% and 28%, respectively).

In 2020, the Company transported some 872 m people (down 27.2 y-o-y), with long-haul and suburban transportation contracting by 42.1% and 25.6%, respectively.

In 2020, passenger transportation collapsed by 25.6% (with suburban and long-haul transportation contracting by 42.1% and 25.6%, respectively).

Moscow Central Diameters

Moscow Central Diameters (MCDs) is the largest project of the Central Transport Hub seeking to develop high-capacity commuter rail lines connecting Moscow suburbs with the city centre. This is a joint project by Russian Railways, the Ministry of Transport of the Russian Federation, and the governments of Moscow and the Moscow Region, which aims to combine suburban routes and the Moscow Metro.

The first two diameter routes from Odintsovo to Lobnya and from Nekotkino to Podolsk were launched in late 2019. The next two diameter routes from Zelenograd to Ramenskoye and from Aprelevka to Zheleznodorozhny are set to be launched by late 2025. MCD halts:

- operating hours: from 5:30 am to 10 pm without breaks;
- travel intervals: 5–6 minutes during peak hours;
- integrated ticket offering for city and suburban routes;
- free transfer between MCC and the Moscow Metro during a 90-minute ride;
- new comfortable large trains;
- new infrastructure: continuous welded rails for a smooth ride;
- new comfortable Ivolga 2.0 trains;
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During Transport Week 2020¹, annual business events held by Ministry of Transport of the Russian Federation, which includes a series of nationwide and international events focused on transport issues. Moscow Central Diameters were named the best regional infrastructure project winning the 7th Formula for Movement national award for accomplishments in transportation and transport infrastructure. 

Long-haul passenger transportation

Long-haul transportation services are provided by seven carriers:

- Federal Passenger Company;
- Grand Service Express;
- TransClass Service;
- Sakhalin Passenger Company;
- Kubsoss Suburb;
- High-Speed Transportation Directorate (branch of Russian Railways).

In 2020, the combined share of long-haul transportation services provided by Russian Railways’ subsidiaries and affiliates and private companies reached 92.6% (including 97.8% with Russian Railways’ subsidiaries and affiliates and 4.8% with private companies), while that of High-Speed Transportation Directorate stood at 0.3%.

Passenger trains achieved a 98.8% adherence to their schedules (up 0.79 pp y-o-y).

Federal Passenger Company’s performance


In 2020, Federal Passenger Company and High-Speed Transportation Directorate (branch of Russian Railways) provided high-speed trains on Moscow to Nizhny Novgorod, Smolensk, Voronezh, Belgorod, St Petersburg, and other routes. Russian Railways serves Moscow–St Petersburg, Nizhny Novgorod–Moscow–St Petersburg, St Petersburg–Bologoye, Moscow–Ivanovo and many other routes.


¹ Annual business event held by Ministry of Transport of the Russian Federation, which includes a series of nationwide and international events focused on transport issues.

Federal Passenger Company served direct and transit routes in eleven countries of Europe and Asia – Germany, France, Poland, Austria, the Czech Republic, Monaco, Italy, Finland, China, Mongolia, and North Korea.

In response to the COVID-19 outbreak, the governments of Russia and foreign countries imposed national emergency measures in February through March 2020, with all international passenger transportation by rail being suspended in March².

In total, 2020 saw 12.2 m passengers transported in the international segment, which accounted for only 19% of those transported in 2019.

High-speed passenger transportation

High-speed transportation services are provided by Federal Passenger Company and High-Speed Transportation Directorate (branch of Russian Railways). Federal Passenger Company’s high-speed trains operate on Moscow to Nizhny Novgorod, Ulan-Ude, Chong, Tatarakaya, Soongorok.

Ivanovo boasts its unique railway station, Russia’s seventh largest hub and most prominent constructivist landmark. The project aimed to preserve its architectural design, while also turning it into a tech-savvy and comfortable transport environment accessible to all categories of passengers, including people with reduced mobility.

Sosnovgorok now features Russia’s first modular building as a passenger railway station that was designed using Building Information Modeling (BIM) technology with digital representations of its architectural, structural and engineering specifications. The new building accommodates a waiting space with rest areas and ticket offices, as well as0 waiting rooms for passengers with children.

Accessibility for people with reduced mobility

Russian Railways focuses on making a growing number of stations and trains fully accessible. As at the end of 2020:

- 103 railway stations were fully accessible, which accounts for 8% of all railway stations, with other railway stations partially accessible.
- Long-haul trains included administrative locomotive carriages specifically designed for passengers with disabilities, with 88% of administrative cars accessible to such people.
- Up to 20% of suburban electric trains were adapted for people with reduced mobility.

100% of high-speed and ultra-high-speed passenger trains were fully accessible.

¹ Russian Government’s Order No. 763-r dated 27 March 2020.

² ANNUAL REPORT − 2020 RUSSIAN RAILWAYS
RZD Bonus loyalty programme

RZD Bonus is Russian Railways’ loyalty programme that enables long-haul passengers to earn points by making trips and exchange them for tickets. The programme currently covers 6 m users.

In 2020, the Company revised its scope with a view to including suburban transportation and other passenger services.

Customer service

The Company aims to offer its customers a new level of service quality in a timely manner. Russian Railways Unified Information Service Centre provides information on the Company’s passenger services. In 2020, the Centre handled 9.8 m queries (down 7% vs 2019).

Benefits of the Centre:
- single entry point across the entire railway network;
- uniform quality standards on par with global benchmarks;
- key communication channels automated;
- remote ticket refund option available to passengers aged 65 or older.

In 2020, the Company put an emphasis on developing contactless digital services and expanding ticket issuing channels. Integrated ticket offering for city and suburban routes is available in St Petersburg, Rostov-on-Don, Ufa, Samara, Nizhny Novgorod and Moscow.

Given the growing demand for domestic tourism in 2020, Russian Railways started promoting new tourist routes combining a rail ride and an excursion, as well as rail tours by hotel trains. The Russian Railways Group currently offers over 50 tourist routes, including the Buskazela Mountain Park, a ride along the Trans-Siberian Railway, weekend retro trains departing from Moscow, St Petersburg and Irkutsk, New Year trips to Veliky Ustyug and Kostroma, and many more.

The quality of passenger services provided by Russian Railways is measured by the customer satisfaction index (CSI), which is based on opinion surveys conducted by both the Company’s own resources in line with the approved methodology and by VCIOM, resulting in an all-round assessment.

Due to the pandemic, the Company conducted three surveys in 2020. In Q4 2020, Russian Railways’ consolidated customer satisfaction index across eight focus areas rose to 83.2 points in long-haul transportation (vs the target of 81.3 points) and 81.3 points in suburban transportation (vs the target of 75.3 points).

Russian Railways’ mobile app for passengers

The RZD Passengers mobile app has all a traveller would need and more:
- long-haul and suburban train schedules;
- ticket sold for long-haul and suburban trains;
- refund for tickets purchased via the website or mobile app;
- help information about railway stations;
- actual train information;
- Russian Railways’ help information and news.

The RZD Passengers mobile app is one of the Company’s best IT products. By now, it has been downloaded over 5 m times and earned high scores from the Apple and Google stores (4.9 and 4.5, respectively). In December 2020, the mobile app became the best performing sales channel, occasionally accounting for 50% of all e-tickets sold for Russian Railways’ trains.

1 The Integrated Methodology for Evaluating Passenger Satisfaction in Rail Transportation (approved by Russian Railways’ Order No. 227/r dated 7 February 2018).
railway transportation and infrastructure

Key focus areas of the Long-Term Development Programme

Key initiatives in rail transportation and infrastructure development include:
- developing operating domain-centred transportation management principles across the Russian Railways network;
- creating dedicated infrastructure for passenger and freight transportation;
- boosting efficiency of low intensity railway lines;
- enhancing transportation efficiency through quality improvements in utilisation of the rolling stock;
- developing marshalling yards;
- improving management of the freight car fleet;
- bolstering utilisation efficiency of为主线 and shuntering locomotives and locomotive crews;
- upgrading railway tracks applying new technology and using elements and structures of equally high quality to reduce costs associated with the infrastructure maintenance life cycle;
- introducing automation equipment with moving blocks within sections, including a distributed computer-based interlocking system at stations with identification of main tracks, differentiated departure sections and automatic cab signalling;
- establishing extended guarantee sections ensuring safe passage of freight trains;
- creating an operating domain-centred model for operation of work trains and diagnostic machinery;
- removing energy-related restrictions;
- preparing infrastructure facilities for passage of heavy-duty and long trains;
- streamlining planning for repairs and maintenance of infrastructure facilities and associated scheduling processes;
- improving train composition planning and train passage management systems;
- using natural gas as a motor fuel, gradually expanding the use of gas powered locomotives (gas turbine locomotives, gas powered diesel locomotives used in shuntering operations), while also working to improve design and increase efficiency at locomotive plants when developing modern servicing stations and LNG refuelling mechanisms.

Russian Railways’ goals for developing railway infrastructure until 2025:
- achieve an increase in the throughput capacity of the Baikal–Amur and Trans-Siberian Railways to 180 mt by 2024;
- boost the throughput capacity of the rail infrastructure serving ports of the Azov and Black Seas;
- reduce container travel times from the Far East to Russia’s western border to seven days and achieve a fourfold increase in the transit container traffic by 2024;
- develop high-speed and ultra-high-speed railway services between and within major cities and metropolitan areas;
- develop transportation services between regional administrative centres and other cities of major economic activity;
- create multimodal freight transportation and logistics hubs.

Key achievements in 2020

The Company handled 1.2 bn t of cargo.

We exceeded the last year’s export volumes by more than 11 mt of coal (up 7.6% y-o-y).

Handling of containerised cargoes grew by 16.5% vs 2019.

Total freight turnover amounted to 3,221.0 bn tkm.

The loaded car delivery speed rose to 439.4 km/day, up 11.4% vs 2019.

The share of shipments delivered within required period increased by 1 pp vs 2019, reaching 99.4%.

In 2020, 46,300 trains (up 6.6% y-o-y) were dispatched as scheduled with fixed departure and arrival times.

A total of 2,400 trains (up 24.8% y-o-y) were dispatched as part of the Freight Express service.

The Company dispatched 29,200 trains weighing over 7 kt (up 21% vs 2019).

In 2020, we renovated over 5,500 km of tracks and laid more than 2,000 sets of turnouts, which helped keep down the length of railway tracks with exceeded limits of throughput, reduce the length of permanent speed limit sections and increase the train speed on 1,100 km of tracks.

Russian Railways ensured that 63% of track overhauls using new materials and 57% of full replacements and intermediate overhauls were carried out on traffic-free sections. In 2020, diagnostic machinery performance improved by 16% y-o-y, with the share of incident detections by mobile diagnostic tools quadrupling to 21% over the past five years.

It was in 2020 that we had a chance to assess our own circumstances and improve existing routines. In this challenging environment, we did our best to make the most of available resources and ensure uninterrupted use of our railway network. We managed to deliver on the Comprehensive Plan for Upgrading and Expanding Core Infrastructure through the concerted efforts of all business units aimed at infrastructure debottlenecking and improvements in transportation technologies.

Anatoly Krasnoshchek
First Deputy CEO of Russian Railways
Russian Railways’ infrastructure highlights in 2020

<table>
<thead>
<tr>
<th>Item</th>
<th>2020 performance</th>
<th>% vs 2019</th>
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</thead>
<tbody>
<tr>
<td>Average weight of freight train, t</td>
<td>4,084.0</td>
<td>−0.1</td>
</tr>
<tr>
<td>Schedule speed of freight train, km/h</td>
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<td>+1.0</td>
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<tr>
<td>Average operating speed, km/h</td>
<td>46.6</td>
<td>+0.4</td>
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<tr>
<td>Average daily performance of freight locomotive, thousand tkm gross</td>
<td>1,677.0</td>
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<tr>
<td>Average daily performance of freight train locomotive, thousand tkm gross</td>
<td>2,216.0</td>
<td>+3.6</td>
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<td>Per unit electricity consumption for train traction, kWh/10,000 tkm gross</td>
<td>106.2</td>
<td>−1.2</td>
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<tr>
<td>Per unit fuel consumption for train traction, kg of reference fuel/10,000 tkm gross</td>
<td>55.5</td>
<td>+0.1</td>
</tr>
</tbody>
</table>

Improving the efficiency of infrastructure

Repairs and upgrade of infrastructure facilities

In 2020, the Company spent RUB 127.1 bn on all types of track repairs and renovated 5,480.8 km of tracks, with the Eastern Operating Domain accounting for over a quarter of all repairs.

Track overhaul and maintenance in 2020 helped:
- increase the speed of passenger and freight trains on 1,115.6 and 1,119.3 km of tracks, respectively;
- increase the average speed of passenger and freight trains by 0.2 km/h (to 93.6 km/h) and 0.1 km/h (to 73.5 km/h), respectively;
- improve track condition assessment by 1 point y-o-y to 33 points;
- reduce equipment failures by 27% (247,700 in 2020 vs 338,300 in 2019);
- keep the length of railway tracks with exceeded limits of throughput or useful life flat vs 2019 at 23,900 km.

Renovation of the Kozinsky viaduct

In 2020, Russian Railways completed the renovation of the Krasnoyarsk Railway’s 326 m long Kozinsky viaduct. We had to replace the 50-year-old bridge at a height of 65 m on the most challenging pass of the Dzheb-Sheetinkino section in the Western Sayan mountain gorge. We relied on unique high-rise operations to replace bridge spans one by one, which involved laying a temporary track on each installed bridge span for heavy-duty machines to roll on to assist with further replacements.
A new railway bridge across the Akhtuba River

In 2020, Russian Railways built a new railway bridge across the Akhtuba River in the Krasnoyarsky District of the Astrakhan Region. The new bridge is a key to boosting the throughput capacity of the rail infrastructure serving ports of the Azov and Black Seas. Its launch helps eliminate the last single-track bottleneck between Baskunchak and Astrakhan thus enabling heavy-duty freight traffic. The bridge crossing will also increase the throughput capacity of the North-South corridor en route to Moscow and Kazakhstan.

With the new bridge opened, freight traffic is expected to reach 20 million tons with its throughput capacity set to rise to 153 train pairs per day. The bridge crossing is 2.35 km long and consists of 8 pillars and 7 spans. The bridge was inaugurated on 19 February 2021, when the Privolzhsk Railway turns 150.

In 2020, Russian Railways invested RUB 3 bn in the construction of reinforced concrete panels for ballastless track. Russian Railways also laid 149 Freight Express trains, 53 coal trains, 30 timber trains, 8 Cargo Lowcaster trains.

Improving performance at operating domains

To this end, the Company strives to streamline train composition planning coupled with schedule improvements. In 2020, the share of full train shipments rose by 1.5 pp (to 53.3% of all dispatched loaded freight cars), which helped reduce yard operations by 4,000 cars per day vs 2019.

Developing infrastructure to support growing transit container volumes

In 2020, the Company updated its action plans to enhance the throughput and carrying capacity of its infrastructure to deliver a fourfold increase in transit container traffic by 2025.

The average speed of transit container trains in 2020 stood at 1,074 km/day, or 75% above the target set in the Comprehensive Plan for Upgrading and Expanding Core Infrastructure (998 km/day). Russian Railways hit an all-time high with some 5.8 m TEU containers transported in 2020, up 15.9 y-o-y.

Higher traction stock efficiency

Traction stock in 2020

In 2020, Russian Railways spent RUB 94.3 bn on traction stock purchases, with all locomotives made in Russia. The Company procured 566 locomotives, including:

- 328 mainline electric locomotives, including 294 freight and 34 passenger locomotives;
- 238 diesel locomotives, including 154 shunting, 80 freight mainliners and 4 passenger locomotives.

Train traction accounts for the bulk of Russian Railways’ fuel and energy expenses, so energy saving initiatives are high on the agenda. Over 4,000 locomotives have been equipped with automatic train operation systems that control their movement and minimise energy consumption. In 2021, the project will be rolled out across the entire railway network.

In 2020, Russian Railways’ timetable provided over 900 special routes, including:

- 149 Freight Express trains, 53 coal trains, 1,495 container trains, 16 RoLa trains
- 328 mainline electric locomotives, including 294 freight and 34 passenger locomotives
- 238 diesel locomotives, including 154 shunting, 80 freight mainliners and 4 passenger locomotives
- 42,400 runs by push-pull trains.

Developing heavy-duty traffic

Heavy-duty traffic and higher weight standards of freight trains are key to optimising the transportation process in terms of increasing the carrying capacity, enhancing performance of locomotives and locomotive crews and reducing energy consumption for train traction.

Russian Railways continues to develop heavy-duty traffic. Following pilot tests in 2020 and thanks to new locomotive purchases, the Company managed to increase allowable weight limits on more than 46 sections. The average train weight across the network increased by 11 t vs the plan on the back of composition and operation of heavy-duty and push-pull freight trains, including:

- 161,900 runs by trains weighing over 6 kt;
- 42,400 runs by push-pull trains.

Streamlining the freight traffic schedule

The main function of the train schedule is to maximise the infrastructure efficiency for the required throughput and carrying capacity, ensure the target volume of freight traffic and increase the schedule and mean speed.

Russian Railways’ timetable provides for over 900 special routes, including 595 container trains, 16 RoLa trains, 149 Freight Express trains, 53 coal trains, 30 timber trains, 8 Cargo Lowcaster trains.

In 2020, Russian Railways managed to exceed the plan by half. The Company commissioned Central Transport Hub development works (101.4% of the plan) as part of the Comprehensive Plan for Upgrading and Expanding Core Infrastructure.

To achieve this, the Company focused on:• improving train schedules and reducing train loads,• increasing the share of full train shipments,• reducing yard operations,• streamlining train composition planning,• balancing traffic on key routes, which helped streamline train composition planning across the network.

As a result, the share of full train shipments rose by 1.5 pp (to 53.3% of all dispatched loaded freight cars), which helped reduce yard operations by 4,000 cars per day vs 2019.

Improving performance at operating domains

To this end, the Company strives to streamline train composition planning coupled with schedule improvements. In 2020, the share of full train shipments rose by 1.5 pp (to 53.3% of all dispatched loaded freight cars), which helped reduce yard operations by 4,000 cars per day vs 2019.

Higher traction stock efficiency

Traction stock in 2020

In 2020, Russian Railways spent RUB 94.3 bn on traction stock purchases, with all locomotives made in Russia. The Company procured 566 locomotives, including:

- 328 mainline electric locomotives, including 294 freight and 34 passenger locomotives;
- 238 diesel locomotives, including 154 shunting, 80 freight mainliners and 4 passenger locomotives.

Train traction accounts for the bulk of Russian Railways’ fuel and energy expenses, so energy saving initiatives are high on the agenda. Over 4,000 locomotives have been equipped with automatic train operation systems that control their movement and minimise energy consumption. In 2021, the project will be rolled out across the entire railway network.

In 2020, Russian Railways’ timetable provided over 900 special routes, including:

- 149 Freight Express trains, 53 coal trains, 1,495 container trains, 16 RoLa trains
- 328 mainline electric locomotives, including 294 freight and 34 passenger locomotives
- 238 diesel locomotives, including 154 shunting, 80 freight mainliners and 4 passenger locomotives
- 42,400 runs by push-pull trains.

Developing heavy-duty traffic

Heavy-duty traffic and higher weight standards of freight trains are key to optimising the transportation process in terms of increasing the carrying capacity, enhancing performance of locomotives and locomotive crews and reducing energy consumption for train traction.

Russian Railways continues to develop heavy-duty traffic. Following pilot tests in 2020 and thanks to new locomotive purchases, the Company managed to increase allowable weight limits on more than 46 sections. The average train weight across the network increased by 11 t vs the plan on the back of composition and operation of heavy-duty and push-pull freight trains, including:

- 161,900 runs by trains weighing over 6 kt;
- 42,400 runs by push-pull trains.
In a whole new environment, the Russian Railways Group keeps feet firmly on the ground as a global business. Our services won strong customer recognition for their high reliability, while transit transportation volumes entrusted with us grew by a third compared to 2019. The most sophisticated infrastructure facilities we are building in the Republic of Serbia received the highest praise from the country’s government. With over 100 initiatives being implemented in cooperation with international industry organisations, we are geared to work towards even more ambitious projects.

Sergey Pavlov
First Deputy CEO of Russian Railways

Foreign projects and international cooperation

Russian Railways operates in Europe, Asia, Africa, and Latin America. Its key business lines abroad include transit freight transportation, international logistics, and overseas infrastructure projects. The key companies of the Russian Railways Group engaged in its operations abroad are RZD International, South Caucasus Railway, UTLC ERA, GEFCO, and RZD Logistics.

Key focus areas of the Long-Term Development Programme

- railway design, construction (upgrade), electrification, and subsequent operation;
- consulting (development of concepts, strategies, railway development programmes, feasibility studies, and business plans);
- railway facility management;
- supplies of railway machinery, equipment and materials;
- comprehensive transport and logistics services (establishing joint operations, acquiring stakes in national logistics companies, etc.);
- expanding international passenger transportation routes and assessing the possibility to establish joint operations in the passenger segment (including for the purpose of entering the European market);
- transit freight transportation to key international destinations;
- personnel training and education;
- development of IT services, cloud applications, and digital strategies;
- working out financial solutions for foreign projects.

In 2020, Russian Railways' container transit totalled 830.9 thousand TEU, 10.8% above the target of 750 thousand TEU.

We continued to implement infrastructure projects in the Republic of Serbia, with two existing contracts running as scheduled and to the full extent and another one being explored.

The Company continued to honour its commitments under railway management agreements in Mongolia and Armenia. In 2020, Ulaanbaatar Railways hit an all-time high in freight transportation (30 mt), including container transit along the China–Europe route via Russia.

Russian Railways promoted its initiatives through international organisations, including the OSJD, the UIC, and the Council for Rail Transport of the Commonwealth Member States.

Oleg Belozerov, CEO and Chairman of the Management Board of Russian Railways, signed the UIC Declaration on Sustainable Mobility. Russian Railways contributes to the SDG Rail Index on the UIC Sustainability Platform.

The Company developed and approved its export-oriented portfolio, while its Management Board adopted a marketing concept to promote it in foreign markets.

Key achievements in 2020

- In 2020, Russian Railways container transit totalled 830.9 thousand TEU, 10.8% above the target of 750 thousand TEU.
- We continued to implement infrastructure projects in the Republic of Serbia, with two existing contracts running as scheduled and to the full extent and another one being explored.
- The Company continued to honour its commitments under railway management agreements in Mongolia and Armenia. In 2020, Ulaanbaatar Railways hit an all-time high in freight transportation (30 mt), including container transit along the China–Europe route via Russia.
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- The Company developed and approved its export-oriented portfolio, while its Management Board adopted a marketing concept to promote it in foreign markets.

1 Including the delivery of empty containers from Europe to China as per new logistics schemes.
Foreign operations and key international projects

The long-term priorities of Russian Railways’ business abroad are outlined in the Foreign Operations Strategy approved by the Company’s Management Board. The Strategy was aligned with the Long-Term Development Programme and Russian Railways’ Action Plan to Deliver against the Russian President’s Address to the Federal Assembly in 2018–2020.

In 2020, the Russian Railways Group managed to maintain high business volumes and further expand its global footprint. The Company exceeded all targets in terms of transit transportation by implementing initiatives aimed at creating efficient transportation routes and customer-centric transport services. To this end, Russian Railways joins efforts with over 10 international organisations to improve the regulatory framework and work out strategic development priorities.

In 2020, the Company met its targets in terms of revenue from foreign operations and EBITDA.

Cooperation with CIS and Baltic states within the 1,520 mm gauge network

The Council for Rail Transport of the Commonwealth Member States remains the key international body ensuring the technological continuity and practical interaction across the 1,520 mm gauge network. In 2020, the Council held two meetings in absentia. The 73rd meeting of the Council approved the draft roadmap for implementing a concerted (coordinated) transport policy in 2021–2023, which provides for the use of electronic navigation seals for goods in transit.

Cooperation with countries in the Asia-Pacific region

In 2020, the Company continued its cooperation with Chinese partners, mostly China Railway, in developing container transport, enhancing digitalisation, expanding the range of cargoes transported, etc.

Given the Russian Government’s resolution to subsidise transit routes, we took consistent steps to engage foreign customers and attract additional cargo traffic to the Trans-Siberian Railway. November saw the first full-length container train dispatched from Japan to Europe. In 2020, Russian Railways opened a representative office in Japan to expand its presence in the region’s most promising market.

Development of international transport corridors

The SeptemHonor Working Group (Gomulka, Poland; Belorus, Kazakhstan; Mongolia, China; Russia) in charge of transit promotion focused on streamlining business procedures, increasing the service speed, developing end-to-end timetables for container trains, including those based on automated solutions, and further digitalising the transportation process.

As part of our transportation and logistics initiatives to promote the International North–South Transport Corridor, we are working to launch a regular container service from India to Russia. The authorised logistics operators agreed on basic fares and guaranteed delivery times for transportation of Indian cargoes by container trains.

Cooperation with international organisations

Russian Railways’ membership in international organisations was a key to strengthening its image as a green company. The Company’s contribution to the goals of sustainable development and climate agenda includes participation in the work of the UN organisations and the International Union of Railways (UIC).

On 15 July 2020, Oleg Belozorov, CEO and Chairman of the Management Board of Russian Railways, signed the UIC Declaration on Sustainable Mobility, which proclaims railway companies’ commitment to reducing specific energy consumption and CO₂ emissions, achieving carbon neutrality by 2050, and reaching sustainable development goals. In doing so, the Company opted for an active contribution to the development of sustainable green transport and the implementation of the Paris Agreement on climate change response.

Russian Railways contributes to the SDG Rail Index on the UIC Sustainability Platform, which aims to create a rating system for railway companies based on their contribution to the achievement of sustainable development goals. SDG Rail Index is likely to facilitate easier access to green bonds and sustainable finance instruments for railway undertakings.

During the pandemic, Russian Railways, as well as more than 60 other UIC members and representatives of 44 international organisations, were actively involved in the activities of the COVID-19 Task Force established by the UIC Headquarters. These efforts resulted in 8 recommended practices to combat the pandemic.

Following negotiations, the OSJD member countries agreed to extend virtually all international passenger and direct train routes running between them before the pandemic-related restrictions were imposed. This will help resume international railway traffic in a fast-track and simplified procedure should the national governments decide to do so.

A key project being implemented part of the UIC Asia-Pacific Regional Assembly, INTERTRAN helps reduce the cargo handling time in intermodal shipping from ports of Japan, China and South Korea through the port of Tokyo by four days. The project was initiated by Russian Railways in 2017. The technology may be used in intermodal shipping support fully electronic and can be used by any operators and freight forwarders. In 2020, the Company continued to roll out the INTERTRAN technology across all its container handling stations.

Overseas infrastructure projects

Despite the pandemic challenges, the Company honoured all its contractual obligations under the ongoing infrastructure projects.

In the Republic of Serbia, key construction phases were completed on the two most sophisticated infrastructure facilities on the Belgrade–Novi Sad–Zrenjanin–Smederevo corridor. The core viaduct structures erected in the Donube floodplain and the two bore tunnels connected at Čortanovci-Tunnel. Under the second contract, the Company started constructing a single dispatch centre for train traffic control in Serbia and designing the renovation of the Vojvode–Braće–Montenegro border. The Company opened a centre of excellence in Belgrade to further promote Russian rail technology and expertise. The Serbian leaders inspected the construction site and highly appreciated Russian Railways’ efforts. Negotiations are ongoing on the terms of the third contract.

Work continued under way to create a new transport corridor, which includes broad gauge railway extension to Brodski Vrh and Vienne.

The Company continued to honour its commitments under railway management agreements in Mongolia and Armenia. In 2020, Ulaanbaatar Railways achieved strong performance in freight traffic, with transportation volumes amounting to 30 m (up 6.6% y-o-y) and freight turnover reaching 19 100 ton km (up 9.1% y-o-y).

Projects in Egypt, Vietnam, India and other countries were being reviewed, too.

The Russian Railways Group developed and approved its export-oriented portfolio to strengthen its positions in focus markets. The portfolio currently includes over 150 products and services. The Company’s Management Board adopted a marketing concept to promote it. Russian Railways was also working to create a digital environment for international project management and develop an incentive scheme for business efforts abroad.

1 In line with Russian Railways’ Action Plan to Deliver against the Russian President’s Address to the Federal Assembly in 2018–2020 (Russian Railways’ Order No. 635r dated 20 March 2020).

2 Russian Railways acts as trust manager in respect of a 50% stake of the Russian Federation in Ulaanbaatar Railways.

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PERFORMANCE OVERVIEW
Traffic safety

The strategy seeks to develop a safety management system throughout the life cycle of infrastructure facilities and rail vehicles and to create a methodological framework for transportation safety management by introducing digital platforms and improving the offering of quality, highly reliable and safe services.

Traffic safety priorities include:
- improving the reliability and safety of equipment that is part of infrastructure and rolling stock;
- reducing the likelihood of traffic accidents;
- preventing or reducing fatalities and injuries;
- reducing property damage and other losses;
- preventing any adverse impact on the environment.

The reporting year saw the number of traffic accidents and incidents involving the Company’s railway infrastructure fall 17% against 2019 to 2,401, including a 13% decrease in accidents caused by Russian Railways (to 797).

In 2020, the Company recorded 204 traffic accidents across its railway network, down 18% y-o-y, with collisions at rail crossings 26% less severe. In 2020, the Company achieved traffic safety targets set by Russian Railways’ Management Board final meeting for 2019, with a 15% improvement to the estimates (0.544 cases per million train kilometres vs the target of 0.64).

In 2020, Russian Railways fully implemented the programmes to ensure train traffic safety and bring its infrastructure in line with operations and maintenance requirements. Investments in boosting traffic safety totalled RUB 2.0 bn, down 44% y-o-y.

In 2020, as part of its Transport Safety of Infrastructure Projects and Transportation Safety investment projects, the Company furnished 100 facilities with transport safety equipment to ensure compliance with transportation security laws. On top of that, the Company purchased security screening equipment for railway stations in St Petersburg to be engaged in providing transportation services during the 2021 UEFA European Football Championship, and the Syktyvkar railway station which will serve as a transportation hub during the 2022 Bandy World Championship.

In 2020, Russian Railways organised security at 7,338 facilities and arranged for the protection of 400 facilities. Over the year, the Company increased the number of facilities protected by transport security units by 32.7% y-o-y, engaging 396 dedicated railway guard teams.
The expansion and upgrade of railway transport fixed assets is indispensable for the balanced economic development of a nation, establishment of the domestic production base, unlocking of the industrial potential, and promotion of the country's territorial integrity and security. The implementation of the investment programme is a key enabler to deliver on the strategic goals and objectives of the Russian Railways Group.

No. 204 dated 7 May 2018 that aim to make substantial positive changes to the rail infrastructure across the country. Russian Railways investment activities provide RUB 8 bn in worth of economic benefits to Russia.

As approved by the Russian Railways Board of Directors, the 2020 investment programme totalled RUB 704.1 bn, including:
- RUB 583.1 bn of the Company’s own funds;
- RUB 121.0 bn of the government support.

The spending on the Russian Railways 2020 investment programme stood at RUB 717.3 bn (101.9% of the approved plan).

In 2020, Russian Railways continued its work towards achieving the goals established in the Transport Section of the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024 (the “Comprehensive Plan”) and Russian President’s Decree No. 204 dated 7 May 2018.

The priority of the Russian Railways investment programme in 2020 is to achieve the targets set in the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024 and Russian President’s Decree No. 204 dated 7 May 2018.

The Company’s investment programme is designed to:
- ensure uninterrupted transportation service;
- embrace the most promising projects in terms of both commercial and budget efficiency;
- minimise federal government spending on investment projects.

To evaluate project feasibility, Russian Railways applies a comprehensive approach involving assessments of investment efficiency for project participants and measurements of budget and social and economic efficiency for the Russian Federation. The above assessments are performed in line with the Methodology for Evaluating the Social and Economic Impacts.1 In addition, the Company uses the Procedure for Calculating the Russian Railways Group’s Contribution to the GDP of the Russian Federation.2 The procedure requires, among other things, to take into account social and economic factors when conducting the assessments. The balanced criteria for an investment project to be considered feasible are a payback period of up to 20 years and an IRR of at least 10%.

The project progress in 2020:
- in 2020, transit container shipping times on the Europe to Western China route were reduced to 2.0 days vs the 2.2 days’ target (1.2 days faster than in 2019);
- in 2020, transit container shipping times on the West to East route improved to 7.8 days vs the 8.0 days’ target (1.1 days faster than in 2019);
- in 2020, the transit container traffic totalled 830.9 thousand 20-foot equivalent units (TEU) vs the targeted 680 thousand TEU (increase by 212.7 thousand TEU vs 2019).

In 2020, Russian Railways continued its work towards achieving the goals established in the Transport Section of the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024 (the “Comprehensive Plan”) and Russian President’s Decree No. 204 dated 7 May 2018.

Investment programme approaches

Development and renovation of the rail infrastructure serving ports of the North-Western basin

The project is aimed at increasing the carrying capacity of the rail infrastructure in the North-Western operating domain to 145.6 mt in 2020 and to 177 mt in 2030.

In 2020, the Company completed RUB 56.7 bn worth of works (87% vs 2020 plan).

Development and renovation of the rail infrastructure serving ports of the Azov and Black Seas

The project is aimed at developing and renovating the rail infrastructure serving ports of the Azov and Black Seas by 2024 (+50.1 mt vs 2015).

In 2020, the Company completed RUB 15.2 bn worth of works (101% vs 2020 plan).

Upgrade of the Baikal–Amur and Trans-Siberian main lines to increase throughput and carrying capacities (phase 1)

The project is aimed at developing and upgrading the rail infrastructure to create additional 55 to 66 mtc carrying capacity on routes to sea ports and Far East border crossings in 2021 vs 2012.

In 2020, the Company completed RUB 56.7 bn worth of works (87% vs 2020 plan).

In 2020, Russian Railways shipped 125.8 mt of coal and ore from the main mineral deposits, which is above the upper end of the target set in the project plan.

In 2020, the total carrying capacity of the Baikal–Amur and the Trans-Siberian main lines stood at 144.0 mt vs the 144.0 mt target.

Upgrade of the Baikal–Amur and the Trans-Siberian main lines (phase 2)

The project is aimed at increasing the carrying capacity of the Baikal-Amur and the Trans-Siberian main lines to 180 mt by 2024.

In 2020, the Company completed RUB 10.3 bn worth of works to develop design specifications and estimates (127% vs 2020 plan).

The project is aimed at developing the rail infrastructure on the far approaches to the ports of the Azov and Black Seas, enabling an increase in freight carriage through the Saratov Transport Hub of at least 49.2 mt vs 2015.

In 2020, the total carrying capacity on the approaches to the Saratov Transport Hub of the Privolzhskaya Railway was 75.6 mt.

In 2020, the Company completed RUB 0.4 bn worth of works to develop design specifications and estimates (79% vs 2020 plan).

The project is aimed at diverting passenger trains from the Kazan and Paveletskaya routes of the Moskovskaya Railway, and increasing the throughput capacity of the Uzlovaya–Yelets section to 65 train pairs by 2030.

In 2020, the Company completed RUB 0.4 bn worth of works (100% vs 2020 plan).

Electrification of the Ozherelye–Uzlovaya–Yelets section (adjustments required for passenger transportation)

The project is aimed at laying the foundation for the development of high-speed and ultra high-speed railway services between major cities.

In 2020, the Company completed RUB 2.1 bn worth of works (100% vs 2020 plan).

Construction of a western bypass at the Saratov Transport Hub with the expansion of the Lipovskiy–Kurdyum section

The project is aimed at strengthening the rail infrastructure to achieve the planned passenger transportation volumes at the Central Transport Hub.

In 2020, the Company completed RUB 99.3 bn worth of works (101% vs 2020 plan).
Other comprehensive rail infrastructure development projects

**Development of the railway hub of the St Petersburg transport system**

The project is aimed at developing the St Petersburg Railway Hub in light of the projected increase in freight and passenger transportation volumes by 2030.

In 2020, the Company completed RUB 0.9 bn worth of works (97% vs 2020 plan).

**Development of the railway section Morozovskaya–Volgodonskaya**

In 2020, the project moved from the investment phase to the operation phase.

**Development of the railway section Morozovskaya–Tsimlyanskaya**

In 2020, the Company completed RUB 1.5 bn worth of works (101% vs 2020 plan).

**Development of the Tobolsk–Surgut–Korotchaevo railway section**

The project is aimed at ensuring the transportation of the expected volumes of hydrocarbons from the Yamalo-Nenets and Khanty-Mansi autonomous areas by gradually ramping up the throughput and carrying capacity of the Tobolsk–Surgut railway section to 66 train pairs per day.

The construction of the second main track throughout the Tobolsk–Surgut railway section was completed. As required by the approved design documents, the throughput capacity of the section is now 66 train pairs per day.

In 2020, the Company completed RUB 0.8 bn worth of project works (92% vs 2020 plan).
Construction of the Prokhorovka–Zhuravka–Chertkovo–Bataysk line

Prokhorovka–Zhuravka–Construction of the

In 2020, the Company completed passenger and freight main line section infrastructure at the Moscow–Rostov

The project is aimed at developing the passenger and freight main line section infrastructure at the Moscow–Rostov

In 2020, spending on the project totalled RUB 8.7 bn (100% vs 2020 plan).

The project is aimed at ensuring the development of track infrastructure and equipping the marshalling yards with comprehensive mechanisation and automation systems.

In 2020, the Company completed RUB 17 bn worth of works (100% vs 2020 plan).

Other rail infrastructure development projects

Construction of second tracks, extension of station tracks, and development of railway hubs and border crossing stations

The project is aimed at increasing the throughput and handling capacities of the key railway routes with a view to allowing passage of freight trains with a unified mass of 6,300 t and length of 71 standard cars.

In 2020, the Company completed RUB 4.8 bn worth of works (100% vs 2020 plan).

Development of marshalling yards

The project is aimed at ensuring the development of track infrastructure and equipping the marshalling yards with comprehensive mechanisation and automation systems.

In 2020, the Company completed RUB 17 bn worth of works (100% vs 2020 plan).

Digitalisation and lean technologies

This section of the investment programme includes projects aimed at:

• developing and supporting the IT infrastructure that ensures uninterrupted industrial processes within the Company;
• upgrading and developing the primary transport telecommunication environment;
• introducing modern digital radio systems and upgrading the fixed assets;
• creating digital twins and using innovative traffic control, traffic safety and energy- and resource-saving technologies in rail transport.

In 2020, the investment expenses amounted to RUB 10.4 bn (98% vs 2020 plan).

Conformance of infrastructure to regulatory standards

The above investment projects involve works to ensure conformance of the rail infrastructure to the regulatory standards by introducing transport safety equipment and installing environmental protection systems at the Company’s facilities (water purification and air cleaning equipment, waste disposal and neutralisation equipment).

In 2020, the investment expenses amounted to RUB 10.4 bn (98% vs 2020 plan).

Upgrading the fixed assets

This section of the investment programme includes Russian Railways projects aimed at:

• improving the infrastructure and retrofitting freight yards and terminals;
• refurbishing the fuel storages and warehouses;
• refurbishing and erecting buildings, structures and critical infrastructure facilities (heat and power, water supply and sewage, lighting) used for process and utility needs of the railway;
• renovating track maintenance equipment, diagnostic facilities and train cars intended for maintenance and support of reconstruction (upgrade) and overhaul works, and works to build new railway tracks, and upgrading the fixed assets of maintenance sections and automation and telecontrol tools;
• developing electricity supply facilities of Russian Railways.

In 2020, the investment expenses amounted to RUB 250.1 bn (100% vs 2020 plan).
Ultra High-Speed Line 1: Moscow–St Petersburg

In 2020, the Company started engineering surveys and developed area planning and design documents to build the Moscow–St Petersburg ultra high-speed line. The railway line will run through 6 constituent entities of the Russian Federation: federal cities of Moscow and St Petersburg, and Leningrad, Novgorod, Tver and Moscow regions. The ultra high-speed line will serve an area with nearly 30 million people.

In 2020, the investment expenses amounted to RUB 152.7 bn (99% vs 2020 plan).

The length of the railway line (including the upgraded existing infrastructure sections on the approaches to Moscow and St Petersburg) will be about 679 km. The travel time between Moscow and St Petersburg will be reduced by 1.7 times (to 2 h 15 min – 2 h 19 min).

Passenger infrastructure upgrade

This section of the investment programme includes Russian Railways projects aimed at implementing measures to enhance the accessibility of passenger services in all regions of Russia by improving the quality of service, developing new products and services, introducing digital services, and creating a comfortable transport environment for all categories of passengers.

In 2020, the investment expenses amounted to RUB 8.4 bn (102% vs 2020 plan).

Other projects

This section contains projects to deliver improvements in the social sphere and to support the establishment of Russian Railways' subsidiaries and affiliates.

In 2020, the investment expenses amounted to RUB 34.0 bn (100% vs 2020 plan).

Ultra high-speed lines

The updates to the Russian High-Speed and Ultra High-Speed Lines Programme until 2036 continue into 2021. The Programme is scheduled for approval in 2021. It defines the procedure for implementing 15 high-speed and ultra high-speed railway projects until 2036, creating a high-speed and ultra high-speed rail infrastructure framework, and consolidating key centres of economic growth in Russia into a single network.

Rolling stock renewal

The projects covered by this section are aimed at renewing the rolling stock to ensure uninterrupted cargo and passenger transportation, train traffic safety and achievement of the targets relating to passenger traffic and cargo turnover, as defined by the Development Strategy of the Russian Railway Transport until 2030.

In 2020, the investment expenses amounted to RUB 152.7 bn (99% vs 2020 plan).

The ultra high-speed line will serve an area with nearly 30 million people.

The project will create >250 thousand new jobs, including 35 thousand jobs to build the line.

For 7 years of works commissioned by the construction industry including metropolitan area entrances RUB 1.5 tn for the construction industry.

GDP growth (by 2050) RUB 8,013 bn.

Pursuant to Russian President’s Instruction No. Pr 623 dated 10 April 2019.

GDP growth and passenger transportation data sourced from Infrastructure Economics Centre.
Innovation driven development

The Russian Railways Group’s R&D activities and innovation driven development follow the priorities set forth in the Company’s Long-Term Development Programme until 2025, as well as the Group’s Research and Development Strategy until 2025 and further until 2030 (the “White Book”), in line with the country’s strategic development goals and global R&D trends.

The Group’s Comprehensive Innovative Development Programme (the “CIDP”) lays the groundwork for implementing the Long-Term Development Programme. The programme currently in place is the CIDP until 2025. It includes 11 groups of key projects and proposals for streamlining innovation activities and establishes partnership mechanisms underpinned by open innovation principles.

Key areas of the Group’s innovation driven development:
- developing a customer-focused transportation and logistics system in a unified transportation space;
- establishing and implementing dynamic transportation management systems using artificial intelligence;
- implementing innovative systems to automate and mechanise station processes;
- setting requirements for the construction and deployment of innovative rolling stock;
- developing and implementing advanced equipment and technologies for track maintenance infrastructure, railway automation and telematics, electrification and power supply, innovative information and telecommunication technologies;
- developing traffic safety management system and risk management methods associated with the transportation safety and reliability;
- developing and implementing equipment and technologies for promoting high-speed and ultra high-speed railway transport;
- promoting technologies for heavy-duty freight traffic management;
- improving energy efficiency of operations;
- implementing the best available technologies in environmental protection;
- promoting the quality control system.

The Group aims to lead the way in unlocking innovation across the economy by fostering collaboration with the national scientific institutions, industrial enterprises, small and medium-sized businesses, and other stakeholders that are a part of the national innovation system. To this end, it has placed significant focus on taking forward the open innovation principles.

The Group’s innovation driven activities

All business units of Russian Railways are engaged, to a various extent, in innovation. They plan and implement innovation projects aimed at boosting the Company’s Long-Term Development Programme. The Group’s branches take part in innovation projects and activities and overseeing that is responsible for selecting innovation projects aimed at boosting innovation. They plan and implement innovation projects aimed at boosting innovation driven development projects in 2020

In 2020, innovation projects delivered the following outcomes:
- an increase in profitability, quality of service and passenger satisfaction attributable to Lostochno electric trains, new rolling stock for freight traffic (innovative gondola cars), innovative rolling stock for passenger transport (double-decker cars) and expanded use of double-decker trains;
- improved passenger train service on the Moscow Central Circles and throughout the Moscow Central Diameters contributing to the development of the Moscow Transport Hub;
- reduced operating costs, increased traffic safety, optimised expenses achieved through the implementation of innovation projects to introduce AI-powered traffic control systems, develop an automated train traffic prediction system based on simulation modelling, create and put in place virtual coupling – a wireless inter carriage link technology, and introduce the technology of driving freight trains without assistant;
- enhanced traffic safety thanks to constant monitoring of rolling stock movement and the condition of infrastructure facilities, including by using predictive analytics;
- higher information security, new technical diagnostic tools for the infrastructure and rolling stock;
- a unified corporate hardware and software environment to enable the transition to minimum manning solutions for maintenance and commercial acceptance of rolling stock at marshalling yards, and introduction of modern automation systems for station processes;
- increased train traffic safety and transport safety, high operational readiness to carry guaranteed volumes of freight and passenger transportation;
- improved information and transport security and more effective management of resources, risks and reliability across the life cycle of railway infrastructure facilities and rolling stock;
- optimised fuel and energy consumption and efficient transportation thanks to new generation locomotives;
- reduced adverse impacts on the environment (decreased discharge of insufficiently treated waste water and greenhouse gas emissions) enabled by innovative technologies.

In 2020, Group invested a total of RUB 197.43 bn in innovation projects, including R&D. The funding planned for 2021 stands at RUB 170.03 bn.

Key innovation driven development projects in 2020

Below are the innovation projects implemented as part of the CIDP in 2020:
- A unified processes model was designed for the Northern Lattitudinal Railway.
- Technical requirements were developed for long-distance double-decker electric trains.
- As part of the project to increase the speeds at the Moscow – Nizhny Novgorod section, a new traffic management technology was introduced on 17 EP20 locomotives.
- Using a DMR-RUS channel to transmit critical information, it enables their operation at speeds of over 150 km/h.
- The Company put into permanent use an automated traffic management system on the Moscow Railway and on unmanned locomotive system for shunting operations on the Oktjabrskskaya Railway (Luhskaya station).
- Following the results of tests carried out at the Severny, Kupyshishkevskaya and Svartlovskaya Railways, Ledekol – specialised equipment for instant removal of ice from pedestrian surfaces (LLC Baraban Scientific and Technical Company) – proved its effectiveness in demand for the equipment across the network is estimated at 111 units.
- Tests were complete on the integrated pneumatic hydro-pulse cleaning technology used in heat engineering equipment (R-Techno LLC) to be included in the Russian Railways investment programme for 2021.
- A downhole sensor for measuring the content of petroleum products in waste water (Kzienenergoexport Institute LLC) successfully passed trials on the Moscow Railway.

In 2020, as part of the project to introduce automatic movement control on electric trains, acceptance tests were completed for the automatic control system on Lostochno ES20-136, on electric train equipped with a machine vision system that runs on the Moscow Central Circle. On top of that, an ES20-136 electric train powered by machine vision was purchased for subsequent tests with Riform-136. This step is expected to facilitate a transition to fully automatic operation. It is implemented in sync with the development of design documents for a prototype of Lostochno electric train that will operate in a fully automatic mode, which will continue into 2021.

1 Approved by the Company’s Board of Directors (Minutes No. 13 dated 20 February 2019).
The Company’s Digital Transformation Strategy until 2025 (the “Strategy”) is aligned with the Long-Term Development Programme in terms of timing, financial metrics, activities and targets. The financial metrics of the Strategy are in turn aligned with the Company’s three-year investment programme. Apart from the integration of digital technology, the digital transformation projects are geared towards improving business processes, updating regulations and creating a digital culture within the Company.

Projects implemented as part of the Russian Railways’ Digital Transformation Strategy

The digital transformation in Russian Railways will be focused on the following 8 digital platforms:
- multimodal passenger transportation;
- multimodal freight transportation;
- transportation and logistics hubs;
- local infrastructure operator;
- logistics operator in e-commerce;
- transportation management;
- business support processes;
- traction stock.

These platforms will be leveraged to develop digital services and improve the effective use of the existing digital assets such as data from information systems to reduce the operating costs or generate additional income. Such services will be geared towards both internal users (end customers, Company’s employees) and external customers (mainly passengers and freight forwarders). The Strategy provides for implementation of 55 projects based on the use of high-potential and ta-end technologies, including the Internet of Things, “big data”, distributed ledgers (blockchain), artificial intelligence, virtual and augmented reality, advanced data transmission solutions (such as quantum communications).

In 2020, the Company implemented the following major digital transformation projects:
1. International intermodal container service as part of the INTERTRAN project using paperless technology on the Ningbo port (China) – Vladivostok port (Russia) – Kolyudichi station (Belarus) route.
2. Russian Railways launched a new website with all passenger information available on the home page – tickets, bonus programme, promos, contact details. The Company’s mobile services have been growing, with 14.7 m long-distance tickets and 2 m suburban tickets issued via the Russian Railways Passengers mobile app.
3. The Company launched document exchange through the interdepartmental electronic document management system (MEDO) and established interaction with the Federal Tax Service switching to the tax monitoring regime.
4. An automated service builder was developed for the Eastern Operating Domain.
5. The Company completed the development of internal digital tools, such as the Employee Service Portal with 10 new services becoming available. At the present moment, employees of Russian Railways have access to more than 40 digital services, and the number of users exceeded 500 thousand.
6. A career portal of Russian Railways was launched. It is visited by more than 100 thousand people monthly, including both the Company’s employees and external users interested in vacancies with the Company.
7. As part of the improvement of the Foreign Projects automated system, the Company introduced services offering additional features with regard to foreign projects of Russian Railways.
8. As part of the Digital Railway Station project, execution control and planning modules were put into commercial operation at the Kinel station of the Kuybyshevskaya Railway and the Chebyshevsk Main Station of the South Urals Railway.
10. An automated service builder was launched to meet the needs of freight transportation customers.
11. The Company deployed new software modules for the Intelligent Railway Transport Management System (the “IRTMS”) and developed the core functionality for the IRTMS project in the Eastern Operating Domain.
12. A blockchain-powered service for managing rail track life cycle was introduced.
13. The Company completed the first stage of works pertaining to the development of the life cycle management system for infrastructure facilities of Russian Railways based on Building Information Modeling (BIM) technology.

The development of quantum communications in Russia will contribute to creating an integrated secure infrastructure for the digital economy and the public administration system, which is particularly important in the face of modern information security threats. The main users will include Russian Railways, as an operator of essential transport infrastructure, telecom operators, government bodies, financial institutions, healthcare organisations, operators of critical infrastructure, and organisations operating intellectual property.

Russian Railways established a Steering Committee for the Implementation of the Quantum Communications Roadmap to serve as a coordinating body. It also created the Quantum Communications Steering Section as part of the Russian Railways Scientific and Technical Council that will act as an expert council bringing together major science and industry leaders.

Quantum communications

As defined by the Russian Government in the Digital Economy of the Russian Federation national programme, Russian Railways acts as the company responsible for the development of the quantum communications sector. Russian Railways together with the leading research centres and the expert community prepared a roadmap that was approved by the Procuracy of the Government Commission on Digital Development, Use of Information Technologies to Improve the Quality of Life and the Conditions for Doing Business in August 2020.

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Analysis of financial results

Despite the pandemic’s major impact and related restrictions, the Company implemented its investment programme to the maximum to support Russia’s economy in 2020. This was driven by our strong efforts to increase the internal efficiency, as well as corporate governance improvements and the successful use of new financial instruments (including perpetual bonds).

In these circumstances, we managed to deliver a positive financial result, with losses in line with our expectations and the Group-wide KPI targets achieved in full.

Vadim Mikhailov
First Deputy CEO of Russian Railways

In 2020, Russian Railways acted promptly to address the unfavourable situation that emerged in a challenging macroeconomic environment amid the spread of COVID-19 and related restrictions, with timely decision-making supporting its response.

A major decline in economic activity amid the pandemic-related restrictions translated into substantially lower demand for railway transportation. Freight handling and turnover (including empty runs of own railcars) were 2.7% and 2.5% lower, respectively, than in 2019.

In passenger services, performance was mainly affected by the critical epidemiological situation. Passenger turnover shrank by 41.4% to 78.1 bn pkm as the Company transported 872 million people (down 27.2% y-o-y).

During these challenging times, Russian Railways provided strong support to ensure business continuity for its subsidiaries, customers, and partners. We also paid all the necessary federal, regional and local taxes, levies and insurance fees.

Income from transportation reduced by 16% y-o-y, but was up 1% compared to the plan. Freight operations showed a 0.5% decline (up 12% vs the plan), with the revenue rate growth of 2% amid changes in the freight transportation structure. Passenger operations deteriorated by 15.8%.

Outstanding debt at the end of 2020 amounted to RUB 1,513.8 bn. In 2020, Russian Railways raised long-term financing in the primary market for a total of RUB 452.3 bn, including RUB 313 bn as a part of the perpetual bond issue supported by the Russian President – an impressive result for a complex financial instrument issued for the first time. Typically, new instruments placed on the local market during a year bring in RUB 20 bn or less.

An adverse macroeconomic environment created by the pandemic-related restrictions did not prevent us from generating a net profit of RUB 0.3 bn thanks to cost optimisation and robust debt portfolio management to beat our own expectations of a RUB 3.3 bn loss. In 2020, Russian Railways’ EBITDA was RUB 402.3 bn – just 3.6% lower than in the previous year (up 3% vs the plan).

The Company’s investment programme reached an all-time high, with capex in excess of RUB 717 bn for the year.

**Russian Railways’ key financial and economic results under RAS, RUB bn**

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2020 Change vs plan</th>
<th>Change y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>1,848.1</td>
<td>1,776.5</td>
<td>102.1</td>
</tr>
<tr>
<td>Income from transportation, infrastructure, and locomotive traction services</td>
<td>1,641.9</td>
<td>1,597.8</td>
<td>101.1</td>
</tr>
<tr>
<td>Freight transportation</td>
<td>1,503.4</td>
<td>1,478.1</td>
<td>101.2</td>
</tr>
<tr>
<td>Infrastructure services</td>
<td>110.6</td>
<td>95.3</td>
<td>101.2</td>
</tr>
<tr>
<td>Freight</td>
<td>4.0</td>
<td>4.8</td>
<td>105.2</td>
</tr>
<tr>
<td>Long-haul</td>
<td>72.4</td>
<td>55.0</td>
<td>100.9</td>
</tr>
<tr>
<td>Suburban</td>
<td>34.2</td>
<td>35.6</td>
<td>104.2</td>
</tr>
<tr>
<td>Passenger transportation</td>
<td>27.9</td>
<td>24.4</td>
<td>101.2</td>
</tr>
<tr>
<td>Long-haul</td>
<td>21.7</td>
<td>13.1</td>
<td>93.4</td>
</tr>
<tr>
<td>Suburban</td>
<td>6.2</td>
<td>11.3</td>
<td>99.9</td>
</tr>
<tr>
<td>Income from other operations</td>
<td>206.2</td>
<td>178.7</td>
<td>98.1</td>
</tr>
<tr>
<td>Dividends from subsidiaries and affiliates</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Analysis of income and expenses

#### Income from transportation

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2020</th>
<th>Change vs plan</th>
<th>Change y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenses</td>
<td>1,681.8</td>
<td>1,684.2</td>
<td>1,695.8</td>
<td>11.6</td>
</tr>
<tr>
<td>Expenses in transportation, infrastructure and locomotive traction services</td>
<td>1,498.5</td>
<td>1,519.2</td>
<td>1,515.9</td>
<td>−3.3</td>
</tr>
<tr>
<td>Freight transportation</td>
<td>1,350.1</td>
<td>1,366.2</td>
<td>1,364.7</td>
<td>−1.5</td>
</tr>
<tr>
<td>Infrastructure services</td>
<td>122.3</td>
<td>125.5</td>
<td>123.5</td>
<td>−2.0</td>
</tr>
<tr>
<td>Freight</td>
<td>3.6</td>
<td>4.3</td>
<td>4.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Long-haul</td>
<td>76.8</td>
<td>69.4</td>
<td>68.6</td>
<td>−0.8</td>
</tr>
<tr>
<td>Suburban</td>
<td>41.9</td>
<td>51.8</td>
<td>50.3</td>
<td>−15</td>
</tr>
<tr>
<td>Passenger transportation</td>
<td>26.0</td>
<td>27.5</td>
<td>26.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Freight</td>
<td>4.0</td>
<td>4.6</td>
<td>4.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Long-haul</td>
<td>21.7</td>
<td>13.1</td>
<td>12.2</td>
<td>−0.9</td>
</tr>
<tr>
<td>Suburban</td>
<td>10.4</td>
<td>11.3</td>
<td>11.2</td>
<td>−0.1</td>
</tr>
<tr>
<td>Expenses in other operations</td>
<td>183.4</td>
<td>164.9</td>
<td>179.8</td>
<td>14.9</td>
</tr>
<tr>
<td>Total sales revenue</td>
<td>166.3</td>
<td>159.7</td>
<td>117.3</td>
<td>25.0</td>
</tr>
<tr>
<td>Profit from transportation, infrastructure, and locomotive traction services</td>
<td>143.4</td>
<td>126.5</td>
<td>24.9</td>
<td>−44.0</td>
</tr>
<tr>
<td>Profit from other operations</td>
<td>22.9</td>
<td>13.8</td>
<td>19.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Result from other income and expenses</td>
<td>183.4</td>
<td>164.9</td>
<td>179.8</td>
<td>14.9</td>
</tr>
<tr>
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<td>13.8</td>
<td>19.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Result from other income and expenses</td>
<td>183.4</td>
<td>164.9</td>
<td>179.8</td>
<td>14.9</td>
</tr>
<tr>
<td>Income from other operations</td>
<td>183.4</td>
<td>164.9</td>
<td>179.8</td>
<td>14.9</td>
</tr>
</tbody>
</table>

#### Changes in income from transportation

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2020</th>
<th>Change vs plan</th>
<th>Change y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from transportation</td>
<td>1,641.9</td>
<td>1,597.8</td>
<td>1,615.3</td>
<td>17.5</td>
</tr>
<tr>
<td>Freight transportation</td>
<td>1,503.4</td>
<td>1,478.1</td>
<td>1,495.3</td>
<td>17.2</td>
</tr>
<tr>
<td>Passenger transportation</td>
<td>27.9</td>
<td>24.4</td>
<td>23.5</td>
<td>−0.9</td>
</tr>
<tr>
<td>Freight</td>
<td>4.0</td>
<td>4.8</td>
<td>4.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Long-haul</td>
<td>21.7</td>
<td>13.1</td>
<td>12.2</td>
<td>−0.9</td>
</tr>
<tr>
<td>Suburban</td>
<td>10.4</td>
<td>11.3</td>
<td>11.2</td>
<td>−0.1</td>
</tr>
<tr>
<td>Infrastructure services</td>
<td>110.6</td>
<td>95.3</td>
<td>96.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Freight</td>
<td>4.0</td>
<td>4.6</td>
<td>5.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Long-haul</td>
<td>21.7</td>
<td>13.1</td>
<td>12.2</td>
<td>−0.9</td>
</tr>
<tr>
<td>Suburban</td>
<td>10.4</td>
<td>11.3</td>
<td>11.2</td>
<td>−0.1</td>
</tr>
</tbody>
</table>

In 2020, income from transportation totalled RUB 1,615.3 bn, down RUB 26.6 bn y-o-y (up 1.1% vs the plan).

Income from freight transportation

In 2020, income from freight transportation totalled RUB 1,495.3 bn, down RUB 8.1 bn y-o-y (up 1.2% vs the plan). The change from the previous year is attributable to the following:

- A 2.5% decline in freight turnover (negative effect on income: RUB 38.2 bn);
- A 3.5% indexation of freight tariffs (positive effect on income: RUB 49.3 bn);
- Adverse trends in the freight transportation structure carried over from 2020 (negative effect on income: RUB 8.5 bn);
- Tariff incentives within price limits that were set in 2020 but did not exist in 2019 (negative effect on income: RUB 10.7 bn, mainly attributable to coal exports and revised base tariffs following an order of the Federal Antimonopoly Service on shipping producer gases to certain destinations).

At the end of 2020, the revenue rate was RUB 4.64 per 10 tkm, representing an increase of 2.1% compared to the previous year.

Income from long-haul passenger transportation

In 2020, income from long-haul passenger transportation totalled RUB 12.2 bn, down RUB 9.5 bn, or 43.6%, y-o-y as the number of long-haul passengers transported by Sapsan, Allegro, and Lastochka trains shrank by 28.6% due to pandemic-related restrictions.

Income from suburban passenger transportation

In 2020, income from transportation services provided by Russian Railways within the Moscow Central Circle amounted to RUB 11.3 bn, up RUB 5.1 bn, or 81.7%, due to the transition to a four-minute interval service from 21 November 2019 and a corresponding increase in transportation operations.
## Transportation expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2020</th>
<th>Change vs plan</th>
<th>Change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>target actual</td>
<td>+/− %</td>
<td>+/− %</td>
<td></td>
</tr>
<tr>
<td>Transportation expenses</td>
<td>1,498.5</td>
<td>1,519.2</td>
<td>−3.3</td>
<td>+17.5 +1.2</td>
</tr>
<tr>
<td>Payroll expenses</td>
<td>453.5</td>
<td>470.6</td>
<td>−5.2</td>
<td>−1.1 +11.9 +2.6</td>
</tr>
<tr>
<td>Social expenses</td>
<td>129.2</td>
<td>134.6</td>
<td>−2.0</td>
<td>+3.3 +2.6</td>
</tr>
<tr>
<td>Material expenses</td>
<td>544.4</td>
<td>507.5</td>
<td>+6.8</td>
<td>+1.3 −30.1 −5.5</td>
</tr>
<tr>
<td>Fuel</td>
<td>52.8</td>
<td>52.3</td>
<td>+4.8</td>
<td>+9.1 +4.3 +8.1</td>
</tr>
<tr>
<td>including for train traction</td>
<td>113.1</td>
<td>104.6</td>
<td>−3.0</td>
<td>−2.9 −11.5 −10.2</td>
</tr>
<tr>
<td>Electricity</td>
<td>175.6</td>
<td>170.9</td>
<td>+5.8</td>
<td>+1.6 −1.9 −1.1</td>
</tr>
<tr>
<td>including for train traction</td>
<td>156.7</td>
<td>152.4</td>
<td>+2.6</td>
<td>+1.7 −1.7 −1.1</td>
</tr>
<tr>
<td>Other material expenses</td>
<td>203.0</td>
<td>179.7</td>
<td>+2.3</td>
<td>−1.3 −21.0 −10.3</td>
</tr>
<tr>
<td>Depreciation</td>
<td>240.1</td>
<td>262.7</td>
<td>−0.2</td>
<td>−0.1 +22.4 +9.3</td>
</tr>
<tr>
<td>Other expenses</td>
<td>131.2</td>
<td>143.9</td>
<td>−2.7</td>
<td>+1.8 +10.0 +7.6</td>
</tr>
</tbody>
</table>

### Cost optimisation

Russian Railways has been working to streamline its business via a Programme to Improve Operational Efficiency and Optimise Costs\(^1\), as well as by other means.

In 2020, the Company's initiatives to improve operational efficiency and optimise costs produced an effect of RUB 42.7 bn, including RUB 38.8 bn in transportation and RUB 3.9 bn in other operations. This offset much of the price pressure on our expenses. We also managed to reduce costs by RUB 90 bn compared to the initial plan approved by the Board of Directors.

### Cost optimisation produced an effect of

RUB 42.7 bn

### Breakdown of transportation expenses in 2020, RUB bn

\(^1\) Drafted following a meeting held by Prime Minister Dmitry Medvedev on 2 December 2016 (Minutes No. DM-P9-7pr), this Programme seeks to help fulfil the Russian President’s Decree No. 204 On National Goals and Strategic Objectives of the Russian Federation through 2024 dated 7 May 2018.

## The overall effect was a result of initiatives in the following categories:

1. **Higher asset management efficiency**

   **RUB 13.5 bn**

   The key effects were from:
   - optimisation of the traction rolling stock through its better utilisation in freight, shunting, and service operations
   - lower infrastructural restrictions, better track maintenance and repair practices
   - higher efficiency of property, plant and equipment maintenance and repair management
   - streamlined fixed assets with those inactive put on care and maintenance, non-core asset optimisation

2. **Introduction of cutting-edge technologies and innovations**

   **RUB 0.8 bn**

   Our key objectives, initiatives and performance targets in innovation are based on the Company's strategic development goals. Cutting-edge technologies and innovations are introduced under the Comprehensive Innovative Development Programme of the Russian Railways Group and the Digital Transformation Strategy of Russian Railways as approved by its Board of Directors.

3. **Assessment and optimisation of operating expenses**

   **RUB 6.8 bn**

   The key effect in this category was from the Energy Savings and Energy Efficiency Programme and our lean production initiatives, which seek to streamline every process by reducing or eliminating losses of all kinds while also minimising costs.

4. **Improvements in labour productivity**

   **RUB 9.8 bn**

   The key effects in this category were from new and improved equipment, digitalisation, workflow changes, organisational measures, unmanned technologies in train service management, better workflows in infrastructure management, multi-skilling, expanded roles, and flexible working arrangements.

5. **Other initiatives**

   **RUB 11.8 bn**

   The key effects in this category were from regional property tax preferences and initiatives to streamline the procurement and supply chain management system.
Income from other operations

In 2020, the Company's income from other operations decreased by 4.1% y-o-y to RUB 197.8 bn, while profit reduced by 21.5% to RUB 17.9 bn on lower demand and due to pandemic-related restrictions. The negative impact from the latter was partially offset by a wider range of services and their promotion.

Other income and expenses

In 2020, the financial result from other income and expenses was a negative RUB 112.9 bn compared to a negative RUB 68.0 bn in the previous year. While interest expenses and expenses under the Company's Collective Bargaining Agreement were the biggest, it was negative exchange differences of RUB 37.1 bn caused by a weaker rouble that ultimately led to the deterioration vs 2019, when the local currency appreciated to bring about RUB 14.6 bn in positive exchange differences.

Adjusted for these differences, the total effect vs the previous year was a positive RUB 6.8 bn thanks to an RUB 11 bn, or 1.4 times, increase in dividends from subsidiaries and affiliates.

Government support of Russian Railways in 2020

In 2020, Russian Railways received RUB 129.96 bn from the government budget and the National Wealth Fund, including RUB 84.18 bn from the federal budget (of which RUB 35.6 bn was allocated from the budget of Moscow via inter-budget transfers), RUB 45.0 bn from the National Wealth Fund, and RUB 0.79 bn from regional budgets and extra-budgetary funds.

Taxes and insurance fees

The total amount of taxes and insurance fees accrued in RAS accounting statements for 2020 stood at RUB 294.8 bn, or 91.0% of the previous year's figure, including:
- RUB 18.6 bn (54.1%) owed to the federal budget;
- RUB 119.1 bn (88.1%) owed to regional and local budgets;
- RUB 157.1 bn (107.7%) owed to extra-budgetary funds.

Russian Railways’ financial results based on its consolidated IFRS financial statements for 2020

2020 was a year of significant challenges which made us think outside the box amid restrictions imposed to combat the COVID-19 spread. At the same time, the Russian Railways Group provided a timely response to the situation to ensure stable transportation and the Group’s financial resilience. In 2020, its income totalled RUB 2,279 bn, down 9.1% y-o-y, primarily due to a drop in the operating performance of the passenger transportation segment, and EBITDA stood at RUB 421 bn. The Group financed its investment projects, inter alia, through perpetual bonds, thus curbing the growth of its debt portfolio.

Vadim Mikhailov
First Deputy CEO of Russian Railways

The consolidated IFRS financial statements of Russian Railways include the operating results of 189 subsidiaries as at 31 December 2020. In 2020, the Group’s income fell by 9.1% y-o-y to RUB 2,279.2 bn, with income from freight transportation and infrastructure services decreasing by 4.2% (by 2.2% on a comparable basis, excluding TransContainer’s 2019 results, with a 2.7% drop in handling volumes), and income from passenger transportation and logistics services going down 41.7%, due to imposed restrictions, and 8.1%, respectively. The Group’s operating expenses for the year decreased by 4.1% y-o-y to RUB 2,251.6 bn, which translated into sales profit after subsidies and EBITDA at RUB 87.7 bn and RUB 420.7 bn, respectively. The Russian Railways Group incurred a net loss of RUB 52.9 bn in 2020.

In the reporting year, Russian Railways became the undisputed leader in financial innovation as it had made the first-ever placement of perpetual and social bonds among Russian companies. On top of that, the Company remains the only borrower representing Russia in the global market of public green financing and the largest ESG borrower locally, given its commitment to sustainable development and eco-friendlyness.

Thanks to the measures taken, the Russian Railways Group reduced its net debt to RUB 1,610 bn from RUB 1,739 bn as at the end of 1H 2020. The increase compared to 2019 (RUB 1,436 bn as at 31 December 2019) is mainly due to the growth in the rouble equivalent of foreign currency-denominated borrowings amid the weakening of the national currency against major currencies. At the same time, the Group sticks to a conservative approach as regards increasing its leverage in the long run to ensure a high level of financial stability.
Debt policy

Russian Railways uses debt to finance its investment and operating activities. The Company relies on long-term borrowings to fund its investment programme and refinance outstanding liabilities, while short-term borrowings provide flexibility in managing the current liquidity.

Russian Railways’ debt portfolio as at 31 December 2020

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2020</th>
<th>Target</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of FX-denominated debt</td>
<td>36.3 % At or below 40%</td>
<td>Foreign currency-denominated liabilities in the Company’s debt portfolio add to its exposure to FX fluctuations. However, the interest rate on foreign currency-denominated borrowings is much lower than on rouble borrowings. Hence, one of the debt policy’s primary objectives is to find balance between foreign currency- and rouble-denominated borrowings.</td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>15.1 % At or below 20%</td>
<td>Short-term liabilities offer greater flexibility in managing the debt portfolio.</td>
<td></td>
</tr>
<tr>
<td>Average maturity</td>
<td>6.7 7 years</td>
<td>The Company works to increase and maintain the average maturity of the debt portfolio that would be consistent with the long payback period of investment projects financed by such borrowings.</td>
<td></td>
</tr>
</tbody>
</table>

The Company drew down bilateral short-term (from several days to one year) bank and intra-group loans throughout the reporting year for the day-to-day management of liquidity and refinancing of liabilities. The reporting year also saw the Group significantly reduce its short-term liabilities by issuing perpetual bonds, with short-term loans and borrowings standing at RUB 52.3 bn as at the year-end.

Russian Railways’ debt portfolio breakdown by currency,1 RUB bn

Maturity schedule of Russian Railways’ debt portfolio,2 RUB bn

1 Principal debt. As at 31 December of the relevant year.
2 Principal debt. Debt obligations as at 31 December 2020. FX payments calculated on the basis of the FX rates as at 31 December 2020.
Global capital markets

In 2020, Russian Railways reaffirmed its leadership in the sustainable finance market as March saw it successfully offer another issue of 6-year 0.84% CHF-denominated green Eurobonds worth 250 m. The placement featured the lowest-ever coupon among the Company’s Eurobonds in various currencies. It also marked an all-time record among CHF-denominated Eurobond issues of Russian and CIS issuers. The deal’s green label helped secure strong investor demand, and it success is all the more remarkable given an increased volatility in international capital markets caused by the spread of the coronavirus.

In November 2020, as part of its ongoing efforts to optimise the currency breakdown of its debt portfolio, the Company performed an early redemption of CHF-denominated Eurobonds maturing in 2021. As a result of the tender offer, the Company purchased EUR 250 m worth of bonds.

December 2020 saw Russian Railways reaffirm its status as an innovator in the capital markets. After defining the deal parameters, the Company closed the book for Russia’s debut issue of social bonds. The 7.25-year securities worth RUB 25 bn were priced at 6.598%, a record-low yield for RUB-denominated 5+ years Eurobonds. This is the longest-dated public offering of RUB-denominated Eurobonds in the history of Russian issuers. The Company will use the proceeds in social projects to improve transport accessibility, healthcare and education.

A real breakthrough for Russian corporates, the deal broke the record in terms of maturity, size and pricing. The issue was prepared in accordance with the International Capital Markets Association’s Social Bond Principles, and certified for compliance by Sustainalytics, a leading independent ESG expert and rating agency.

On top of that, Russian Railways continued to diversify its financing sources. In 2020, it received loans from international development institutions to finance development projects and reduce the negative impact of the coronavirus pandemic.

Over the year, an equivalent of ca. RUB 100 bn was raised using global instruments.

For the materials on green and social bonds see the Company’s website.

Russian Railways is the leader in responsible financing in Russia

We are the only company representing Russia in the international green bond market, and also the largest ESG borrower in the domestic market. Russian Railways places green and social bonds in accordance with Russian and international principles of sustainable financing and uses the proceeds to finance environmental and social projects pursuant to the published sustainability project financing and social finance frameworks.
Projects financed by social bonds

Russian Railways will use the proceeds from social financing instruments, including social bonds, to fund projects in line with its Social Finance Framework and the UN Sustainable Development Goals.

Compliance of projects financed by social bonds with UN SDGs

<table>
<thead>
<tr>
<th>Key projects</th>
<th>UN Sustainable Development Goals (UN SDGs)</th>
<th>Target group of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable transport infrastructure and transport accessibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Commuter Train</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of railway station infrastructure and accessibility for people with limited mobility</td>
<td>Affordable transport infrastructure and transport accessibility</td>
<td></td>
</tr>
<tr>
<td>Construction and reconstruction of railway lines for passenger transportation</td>
<td>Affordable transport infrastructure and transport accessibility</td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare services, including construction, reconstruction and maintenance of healthcare facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underserved, owing to the lack of quality access to healthcare in Russian regions</td>
<td>Healthcare</td>
<td></td>
</tr>
<tr>
<td>Russian population as a whole</td>
<td>Healthcare</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational services, including construction, reconstruction and maintenance of educational facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underserved, owing to the lack of quality access to education in Russian regions</td>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Children and young people</td>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Other social projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protecting people from COVID-19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key projects</td>
<td>Other social projects</td>
<td></td>
</tr>
<tr>
<td>Russian population as a whole</td>
<td>Other social projects</td>
<td></td>
</tr>
<tr>
<td>Infected people</td>
<td>Other social projects</td>
<td></td>
</tr>
<tr>
<td>People affected by natural disasters</td>
<td>Other social projects</td>
<td></td>
</tr>
<tr>
<td>Target group of population</td>
<td>Other social projects</td>
<td></td>
</tr>
</tbody>
</table>

About the project to purchase Lastochka electric trains

The Lastochka is an electric high-speed passenger train based on the Siemens Desiro platform. It is used for both suburban and long-haul transportation. The purchase of these trains qualifies as a Clean Transportation Project in line with the Green Bond Principles.

As proven by the Company’s indicative measurements of the environmental impact from Lastochka trains, rail passenger transport boasts a significant advantage over motor vehicles. In 2020, CO₂ emissions from Lastochka trains were 7.8 times lower than those from motor vehicles used to transport the same number of passengers.

Total spending on Lastochka trains:
- 2017 – RUB 15 bn;
- 2018 – RUB 18.7 bn;
- 2019 – RUB 21.4 bn;
- 2020 – RUB 20.4 bn.
Indicative CO2 emissions from Lastochka electric trains vs motor vehicles, kt CO2

<table>
<thead>
<tr>
<th>Year</th>
<th>Lastochka electric trains</th>
<th>Motor vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>21,830.2</td>
<td>2,330.6</td>
</tr>
<tr>
<td>2017</td>
<td>21,763.1</td>
<td>1,100.0</td>
</tr>
<tr>
<td>2018</td>
<td>19,151.5</td>
<td>870.3</td>
</tr>
<tr>
<td>2019</td>
<td>91.4</td>
<td>655.6</td>
</tr>
<tr>
<td>2020</td>
<td>65.6</td>
<td>419.5</td>
</tr>
</tbody>
</table>

**Passengers transported by Lastochka electric trains**, m people

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow Central Circle</td>
<td>21,830.2</td>
<td>21,763.1</td>
<td>19,151.5</td>
<td>91.4</td>
<td>65.6</td>
</tr>
<tr>
<td>Suburban transportation</td>
<td>21,830.2</td>
<td>21,763.1</td>
<td>19,151.5</td>
<td>91.4</td>
<td>65.6</td>
</tr>
<tr>
<td>Subtotal</td>
<td>43,660.4</td>
<td>43,526.2</td>
<td>38,302.9</td>
<td>102.8</td>
<td>71.2</td>
</tr>
</tbody>
</table>

**Russia's first-ever issue of perpetual green bonds**

Certified for compliance with both Russian and international green financing standards. During book-building, the Company received bids from pension funds, insurance and management companies, and banks, which enabled us to reduce our guidance range thrice (the first coupon rate was set at 7.25%, with all other coupons equal to the 5-year OFZ yield + 1.65%) and increase the deal size to RUB 100 bn. This is the largest local bond placement in the Company's history and Russia's landmark green offering by size recognised by Cbonds as the Deal of the Year in the ESG category.

In October 2020, the Company placed a RUB 80 bn issue of perpetual green bonds with the first coupon priced at 7.25% and all other coupons equal to the 5-year OFZ yield + 1.65%. In November 2020, Russian Railways offered a RUB 33 bn issue of perpetual bonds with the first coupon priced at 7.3%.

**Share capital and dividends**

**Share capital**

Russian Railways has been included in the list of strategic companies approved by Russian President's Decree No. 1009 dated 4 August 2004.


The Company's charter capital consists of the properties of Russian federal railways. As at 31 December 2020, the Company's charter capital amounted to RUB 2,440,639,343,000 It is comprised of 2,330,639,343 ordinary registered shares with a nominal value of RUB 1,000 each and 110,000,000 preference registered shares with a nominal value of RUB 1,000 each.

**Dividend policy**

In 2020, Russian Railways paid dividends on preference shares for 2019 pursuant to Order No. 2509-r of the Government of the Russian Federation dated 30 September 2020. The preference shareholders received RUB 2,671 m for 2019, which is 4.99% of the RAS net profit.

**Distribution guidance for the 2020 net profit**

In 2020, Russian Railways earned RUB 0.3 bn in net profit. Pursuant to Clause 42, Section 6 of the Company's Charter, this 5% of net profit for the reporting period, is to be allocated to reserve capital.

**Net profit distribution in 2015–2019, RUB bn**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>0.3</td>
<td>6.5</td>
<td>17.5</td>
<td>18.4</td>
<td>53.6</td>
</tr>
<tr>
<td>Reserve capital</td>
<td>0.02</td>
<td>0.3</td>
<td>0.9</td>
<td>0.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Dividends accrued on</td>
<td>0.3</td>
<td>5.1</td>
<td>8.8</td>
<td>13.4</td>
<td>2.7</td>
</tr>
<tr>
<td>ordinary shares</td>
<td>0.3</td>
<td>5.1</td>
<td>8.8</td>
<td>13.4</td>
<td>–</td>
</tr>
<tr>
<td>preference shares</td>
<td>0.005</td>
<td>0.005</td>
<td>0.005</td>
<td>0.007</td>
<td>2.7</td>
</tr>
</tbody>
</table>

In 2019, RUB 2,672.8 m was allocated to reserve capital. No other allocations were made.


Despite a challenging macroeconomic situation and the transportation companies’ ratings declining as a result of the pandemic, the Russian Railways’ credit ratings assigned in 2020 by international and national rating agencies were maintained at the investment level.

In February 2020, Moody’s reaffirmed the rating of Russian Railways at the investment grade of Baa2 with a stable outlook, one notch above Russia’s sovereign outlook. In June, the agency changed the outlook to negative to reflect the impact of the pandemic on the transportation industry as a whole, while confirming the Baa2 grade.

In June 2020, amid a worsening epidemiological situation, S&P reaffirmed the Company’s final rating at BBB- investment grade with a stable outlook.

In August 2020, Fitch reaffirmed the Russian Railways’ credit rating at the investment grade of BBB with a stable outlook, one notch above the basic rating.

In November, amid lingering macroeconomic challenges and uncertainty about the pace of recovery of the Russian and global economies, the Company held additional online meetings with ACRA and S&P analysts, also attended by representatives of the Ministry of Finance of the Russian Federation. Representatives of the Russian Railways’ shareholder commented on issues related to the railway development strategy and support measures from the state. The participation of the shareholder’s representatives in the dialogue with the rating agencies is of great importance for the Company.

Soon after the three-way dialogue, ACRA reaffirmed the rating of Russian Railways at AAA(RU), the highest level of the issuer’s credit rating, with a stable outlook. In December 2020, Expert RA also reaffirmed the Company’s credit rating at the same highest level – ruAAA with a stable outlook. Thus, the Company maintains an additional independent assessment of its high credit quality as a borrower from national rating agencies.

In the reports issued during the year, the agencies recognised the negative impact of the COVID-19 pandemic on the Company’s operations and noted the importance of timely and sufficient support from the state, which, among other things, included the approval of a perpetual bond placement. In addition, the agencies noted high levels of liquidity and diverse sources of borrowings.

**Rating agencies and investors**

**Russian Railways’ credit ratings**

Despite a challenging macroeconomic situation and the transportation companies’ ratings declining as a result of the pandemic, the Russian Railways’ credit ratings assigned in 2020 by international and national rating agencies were maintained at the investment level.

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**Credit ratings of the Russian Federation and Russian Railways as at the end of 2020**

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Agency</th>
<th>Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
<td>Standard &amp; Poor’s</td>
<td>BBB-</td>
<td>stable</td>
</tr>
<tr>
<td></td>
<td>Moody’s</td>
<td>Baa3</td>
<td>stable</td>
</tr>
<tr>
<td></td>
<td>Fitch</td>
<td>BBB</td>
<td>stable</td>
</tr>
<tr>
<td>Russian Railways</td>
<td>Standard &amp; Poor’s</td>
<td>BBB-</td>
<td>stable</td>
</tr>
<tr>
<td></td>
<td>Moody’s</td>
<td>Baa2</td>
<td>negative</td>
</tr>
<tr>
<td></td>
<td>Fitch</td>
<td>BBB</td>
<td>stable</td>
</tr>
<tr>
<td></td>
<td>ACRA</td>
<td>AAA(RU)</td>
<td>stable</td>
</tr>
<tr>
<td></td>
<td>RAEX</td>
<td>ruAAA</td>
<td>stable</td>
</tr>
</tbody>
</table>

With account of the measures taken to curb the spread of COVID-19, Russian Railways continued its dialogue with Russian and foreign financial investors in 2020 through one-on-one telephone calls and through participating in online industry conferences. In November 2020, the Company took part in VTB Capital’s 12th Annual Investment Forum “Russia Calling!” held online.

**Disclosure and reporting policy**

Russian Railways is committed to ensuring full transparency of its operations in line with applicable legal requirements and the interests of investors and other stakeholders. Information is disclosed pursuant to the Regulation on the Information Policy adopted by Russian Railways’ Board of Directors.

Russian Railways discloses its accounting and financial statements in line with Russian (RAQ) and international (IFRS) standards. As an issuer of securities traded on the Moscow Exchange, it also makes online disclosures in accordance with the Russian securities market laws.

The Company’s annual report provides essential details about its operations in line with regulatory requirements and is submitted to the shareholder in preparation for the general meeting. The corporate website offers a wealth of information about the Company, including access to its internal regulations. Some essential information relevant for foreign stakeholders is disclosed in English.
Caring about everyone’s future

Russian Railways is committed to the principles of the UN Global Compact and actively contributes to the development of “green” transport. A priority focus is the policy of social responsibility towards employees, community, and the state.

For more details see p.104

RUB 100+ BN
amount of guarantees and benefits under the Collective Bargaining Agreement

RUB 4 BN
investments in environmental protection
Sustainable development management

Russian Railways is the largest issuer of sustainability bonds in Russia and the only Russian representative on the international green finance market since 2019. In March 2020, it successfully offered another issue of CHF-denominated green Eurobond, with the proceeds used to purchase Lastochka electric trains. In September, Russian Railways issued the first perpetual RUB-denominated green bonds, and in December it became the first Russian company to place RUB-denominated global bonds to cover social needs.

Russian Railways’ successful commitment to sustainability is proven by the Company’s high positions in ESG rankings of reputable international agencies, such as RAEX Europe, MSCI and Sustainalytics. Russian Railways is ranked on a par with the leading European railway companies: SNCF and Network Rail.

Alongside the Global Compact, the Company complies with the principles of socially responsible business practices enshrined in the Social Charter of the Russian Business Federation, local laws and regulations of the Russian Federation, local laws and regulations, and the principles of socially responsible business practices contained in the UN Global Compact. The Company is a regular contributor to the RSPP’s Corporate Practices Collection. In pursuing its corporate social responsibility policy, the Company complies with international treaties, laws and regulations of the Russian Federation, local laws and regulations, and the principles of socially responsible business practices contained in the UN Global Compact.

In terms of sustainability, it is to achieve the UN Sustainable Development Goals (SDGs) that focus on efficient use of limited resources, implementation of environmentally friendly and resource-saving technologies, and support social and cultural stability, as well as integrity of biological and physical ecosystems. The Company’s commitment to the 17 UN SDGs is reflected in its efforts to ensure economic stability, environmental safety, and social security.

Russian Railways’ strategic priority in terms of sustainability is to achieve the UN Sustainable Development Goals (SDGs) that focus on efficient use of limited resources, implementation of environmentally friendly and resource-saving technologies, and support social and cultural stability, as well as integrity of biological and physical ecosystems. The Company’s commitment to the 17 UN SDGs is reflected in its efforts to ensure economic stability, environmental safety, and social security.

Social policy

The year 2020 became a tough challenge for the Russian economy and healthcare system. For the Group, the priority was to be a team and for each employee personally. However, we managed to achieve the key targets and implement the scheduled projects. Our Company is first and foremost a team of professionals committed to the common cause of railway transportation development. It is this unity of our employees that enabled us to make decisions ensuring seamless operations and attainment of our goals amid the COVID-19 outbreak.

The key strategic goals of the social policy are:

• to make the Group an employer of choice;
• to recruit and retain the Group personnel with the required skills;
• to manage the headcount in an efficient manner, with due account for new equipment and cutting-edge technologies;
• to implement the competency-based approach to HR management;
• to build a talent pool;
• to ensure continuous personnel development;
• to foster corporate culture;
• to manage the personnel in an efficient manner and provide social support;
• to offer healthcare services.

The Company is a member of the National Network of the Participants to the Global Compact for Implementing the Principles of Responsible Business in Corporate Practice Association.

Social development is regulated by the following documents at Russian Railways:

• Russian Railways’ Collective Bargaining Agreement for 2020–2022 stipulating the social and labour relations between the employees and Russian Railways;
• the Company’s Code of Business Ethics establishing the corporate standards and rules of business conduct mandatory for the Board of Directors and all employees, and setting out the relations with shareholders, government authorities, legal entities and individuals;
• Regulation on Private Pension Schemes for Employees of Russian Railways covering the relations between the employees and Russian Railways within the framework of non-governmental pension plans;
• Russian Railways Housing Policy Concept until 2020;
• Regulation on Professional Training at Russian Railways;
• Russian Railways’ Code of Business Ethics.

The Company complies with international treaties, laws and regulations of the Russian Federation, local laws and regulations, and the principles of socially responsible business practices contained in the UN Global Compact.

The key strategic goals of the social policy are:

• to make the Group an employer of choice;
• to recruit and retain the Group personnel with the required skills;
• to manage the headcount in an efficient manner, with due account for new equipment and cutting-edge technologies;
• to implement the competency-based approach to HR management;
• to build a talent pool;
• to ensure continuous personnel development;
• to foster corporate culture;
• to manage the personnel in an efficient manner and provide social support;
• to offer healthcare services.

1 Approved by Russian Railways’ Order No. 943r dated 6 May 2015.
2 Approved by Russian Railways’ Order No. 2580r dated 22 March 2019.
4 Russian Railways’ Housing Policy Concept until 2020.
5 Russian Railways’ Code of Business Ethics.
6 Russian Railways’ Code of Business Ethics.
8 Russian Railways’ Code of Business Ethics.
Russian Railways’ key ethical principles

Make people our top priority. People are the Company’s main asset. We see real people – employees, passengers, and clients – behind the statistics. Everything that we do is about people’s welfare and comfort.

Do our best. We work hard to perform our duties to the letter, deliver on all promises, achieve the targets, while having zero tolerance to any kind of corruption, and measuring up to the privilege of being part of Russian Railways.

Be proud to work at Russian Railways. Every Russian Railways employee feels honoured to be part of a company that has a unique history, rich traditions and ambitions for the future. We respect traditions and pay tribute to industry veterans. We strive to maintain and augment Russian Railways’ reputation as a rapidly growing national transportation company.

Promote teamwork. Being part of a team means being considerate and honest with colleagues, managers and subordinates, putting the Company’s interests before our own. Mutual trust and well-coordinated teamwork are our main strengths.

Relay an experience. We learn from our predecessors to use their experience in a creative way to excel in what we do and develop professional skills and competencies, and pass it on to young talent.

Performance under the Collective Bargaining Agreement in 2020

Russian Railways’ Collective Bargaining Agreement is an important motivation framework within its recruitment and retention framework. Its key functions include:

- social protection of employees;
- maintaining social stability among employees;
- boosting Russian Railways’ attraction as an employer;
- developing social partnership.

Despite the economic disturbances at the national and global level, in 2020 the Company delivered on all of its obligations under the Collective Bargaining Agreement. There were no collective labour disputes. The decisions on securing employment and personnel earnings ensured social stability among employees, enabling the Company to maintain its status as a socially responsible employer. Russian Railways delivered on its obligations for 2020 under the Collective Bargaining Agreement 2020–2022.

Supporting specific personnel groups

Supporting women

The Company has a Coordination Council tasked with improving the conditions of work, leisure, and social support of women. The Council regularly holds onsite meetings with female employees and organises videos conferences with railway coordination councils to collect feedback from female employees and discuss any concerns they might have.

In 2020, the Company completed its three-year Action Plan to improve the conditions of work, leisure, and social support of women at Russian Railways. In 2020, we performed the following activities under the Plan:

- improved sanitary conditions and amenities for women;
- ensured that women could work as assistants to some traction stock operators;
- carried out the annual survey of the working conditions of Russian Railways’ female employees. The findings were that 76.7% women were satisfied with their employment at the Company (against 72% in 2019);
- increased the number of women receiving corporate benefits packages to 17,433 (against 4,675 in 2018, and 10,940 in 2019);
- transferred over 58,000 women to flexible working hours and remote work to protect them during the COVID-19 pandemic;
- provided a “woman’s leave” to over 17,000 female employees in 2020 (under the Russian Railways’ Collective Bargaining Agreement, a woman is entitled to an unpaid stay off once a month for personal reasons);
- carried out an online corporate social event for female employees in November 2020. How To Be Successful and Happy.

Russian Railways’ youth policy in 2020

The share of employees under 35 years of age accounts for 38.3% of the total headcount at Russian Railways. This makes social support of young talent even more important.

2020 saw over 800 activities and projects carried out as part of Russian Railways’ Youth target programme (2016–2020) in order to ensure comprehensive development and acquisition of industry-specific competencies by young employees. The findings for improvement of Russian Railways’ operations, and build a corporate culture for the young. Ca. 250,000 young employees across the Company’s footprint took part in the events.

Russian Railways’ Youth target programme (2021–2025) was adopted to ensure efficient implementation of the corporate youth policy, and to build a talent pool of committed young employees in line with the priorities of Russian Railways.

Stage 4 of the Young Leaders exchange programme was held in partnership with VR Group (Finnish Railways) within the framework of the effective memorandum on talent development cooperation.

Another key event of 2020 was the PROyouth online education forum aimed to involve the Company’s young employees in discussing and implementing the Russian Railways’ Youth (2021–2025) programme. The forum was attended by ca. 1,500 young employees and over 100 experts and resulted in over 450 projects in six areas of the target programme. Twelve best projects proposed by the participants were included in the target programme action plan 2021.

Supporting retired and soon-to-be-retired employees

Corporate pension system

All the Company’s employees can benefit from the corporate non-government pension system. In terms of its goals and purpose, a private (corporate) pension is an additional measure of social support to workers regardless of the state pension system. Its strategic target is to ensure a replacement rate of at least 40% of an employee’s lost earnings. Russian Railways’ corporate pension is operated by the Blagosostoyanie Private Pension Fund.

The total number of the Company’s retirees rose to 208,000 persons in 2020. Over 310,000 retired employees receive corporate pension. In 2020, pensions were granted to 11,065 Russian Railways employees, the average corporate pension 2020 being RUB 8,938. The average corporate pension was RUB 8,936, or RUB 122 higher 2019.

Social support for non-working retirees of railway enterprises

The Company’s social responsibility efforts include benefits to senior retirees of railway enterprises.

Non-working retirees receive medical care at Russian Railways’ corporate health insurance programmes; corporate medical insurance, health insurance programmes, and high-cost treatment according to the list of services stipulated by the Company. We grant free railway transportation to non-working retirees annually, as stipulated by the Company. In 2020, corporate benefits of the Company included health resort recreation of 5,200 non-working retirees.

The Company developed and adopted the target programme Russian Railways’ Veterans (2021–2025) aimed to enhance the living standards and expectancy of the veterans’ lives by establishing a comprehensive support system.
HR management

A key focus of the HR policy is to develop Russian Railways’ human capital through a set of measures promoting continuous training, employee engagement and occupational health, as well as shaping a stable and favourable working environment.

In 2020, the Company approved its Human Capital Development Programme until 2025. It was developed to achieve the ambitious targets of comprehensive development in the railway sector set by the Long-Term Development Programme until 2025. In line with the Long-Term Development Programme, HR management processes are centred on:

- enhancing the existing crucial HR practices;
- implementation of advanced HR technologies.

In 2020, in order to develop the current approaches, the Company:

- approved the Programme of Russian Railways’ Interaction with Railway Universities until 2025;
- approved the Programme of Employee Development and Training System I until 2025;
- was implementing the Master-Club Programme for the Management Board members, directors, heads of Russian Railways’ departments and branches, as well as regional railways and directorates;
- was implementing the Digital Transformation Leaders educational programmes;
- improved the features of the distance learning system to enhance its usability and administration.

There are two external factors that will shape the Company’s HR management framework in the long run. The first one is the emergence of next generation employees with completely different job expectations. The other one is automation, which helps boost the volume of data processed, making all processes faster and simpler. At the same time, the market sees new types of jobs that increasingly require employees to develop digital competencies.

In accordance with Russian Railways’ Code of Business Ethics, heads of the Company’s branches and business units ensure equal rights and opportunities for all persons when they apply for a job or work their way up the career ladder, regardless of their gender, age, race, nationality, language, origin, financial and employment status, place of residence, religious and political beliefs, and other traits.

The Company identifies the tasks set by the national government as a priority area, including several instructions of the Russian President on preservation of jobs and earnings of individuals in the context of the lockdown measures. In order to achieve this, the Company suspended headcount optimisation, and refrained from introducing large-scale part-time work arrangements from March to September 2020.

In 2020, the headcount of Russian Railways reduced by 2.6% y-o-y to reach 723,500 persons.

The year 2020 saw a minor reduction in the shares of workers (to 30.5% from 30.7% в o-y) and employees aged under 35 (38.3% against 39.8% in 2019). The share of employees with higher education increased by 0.8 pp to 33.6% of the total headcount by 31 December 2020. The proportion of employees with secondary vocational education amounted to 28.1% (up 0.1 pp y-o-y). At the same time, the share of employees with secondary (complete and incomplete) and first-level professional education reduced to 38.3% against 39.2% y-o-y.

External forces reducing railway transportation volumes in 2020 prevented the Company from meeting the targets of labour productivity growth. Therefore, the Company’s Board of Directors endorsed its proposal to abolish the established annual target of increasing labour productivity by 5%. Nevertheless, Russian Railways managed to contain the decline in labour productivity, despite the adverse macroeconomic impact. In 2020, labour productivity of transportation dropped by 2.1%, the target being 2.9%.

In 2020, the headcount of Russian Railways reduced by 2.6% y-o-y to reach 723,500 persons.

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The employee turnover rate reduced by 0.4 pp to reach 6.2%.

In 2020, the Company formed a contingency payroll provision in the amount of RUB 1.134 bn to ensure salary contingency payroll provision in the context of the lockdown measures. In order to achieve this, the Company suspended headcount optimisation, and refrained from introducing large-scale part-time work arrangements from March to September 2020.

In 2020, the headcount of Russian Railways reduced by 2.6% y-o-y to reach 723,500 persons.

The year 2020 saw a minor reduction in the shares of women (to 30.5% from 30.7% в o-y) and employees aged under 35 (38.3% against 39.8% in 2019). The share of employees with higher education increased by 0.8 pp to 33.6% of the total headcount by 31 December 2020. The proportion of employees with secondary vocational education amounted to 28.1% (up 0.1 pp y-o-y). At the same time, the share of employees with secondary (complete and incomplete) and first-level professional education reduced to 38.3% against 39.2% y-o-y.
Employee remuneration and incentivisation

By offering a competitive salary, the Company promotes work in the railway industry and prevents the outflow of skilled professionals. In 2020, we adjusted salaries by 3% as per the Collective Bargaining Agreement. By 2% in March and by 1% in October.

The average monthly salary across all Russian Railways’ operations increased by 4.9% y-o-y to RUB 61,375, while real company-wide salaries grew by 1.5%.

The Company’s wages are 20% above the country’s average and exceed the pay level across nearly all Russian regions (except for the Yamal-Nenets Autonomous Area and the Sakhalin Region).

The Company keeps incentivising its employees for implementation of cost-efficient projects. In 2020, it allocated RUB 318.2 m to remuneration of 16,700 persons for these achievements.

Salary

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<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Average monthly salary across all operations, RUB</td>
<td>46,852</td>
<td>50,404</td>
<td>54,934</td>
<td>58,504</td>
<td>61,375</td>
</tr>
<tr>
<td>Y-o-y growth, %</td>
<td>+5.3</td>
<td>+7.7</td>
<td>+9.0</td>
<td>+6.5</td>
<td>+4.9</td>
</tr>
</tbody>
</table>

Management and office workers training

According to the Russian Railways Human Capital Development Programme until 2025, the main goal of white-collar employees training development is to boost efficiency by ensuring accessibility, quality, and focus of educational opportunities aimed to build all kinds of corporate and professional competencies.

In 2020, over 211,000 managers and office workers received training, including over 110,000 trained at the Russian Railways Corporate University.

The Russian Railways Corporate University is in charge of developing the Company managers’ corporate competencies. Its portfolio covers over 250 advanced professional training and retraining programmes, including comprehensive MBA-level corporate programmes to build management competencies.

Training and self-training are also available to employees via the Distance Learning System. In 2020, we updated its functions to improve usability and administration. The number of distance learning courses available to all Russian Railways’ employees has exceeded 200.

In order to ensure continuous development of Russian Railways’ employees using a distance self-education platform, we carried out preliminary activities for the Knowledge Hour project. It aims to develop corporate and professional competencies within a fixed limit of one working hour. The 2020 preliminary stage of the project defined eight pilot areas and five groups for distance courses development, as well as the procedure for setting the Knowledge Hour time. Over 200 distance learning courses were created.

Employee training and development

Employee training and development system, from entry level to top management. In the context of the 2020 pandemic, distance learning was in the highest demand. Timely conversion of the training programmes to the online format was among the key factors enabling the Company to meet all its education-related targets in 2020.

The Company’s corporate education system was highly acclaimed by the international community in 2020. Educational initiatives of the Russian Railways Corporate University won prestigious awards from the European Foundation for Management Development and the International Association of Facilitators. It showed well-deserved appreciation of the Corporate University celebrating its 10th anniversary.

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Employee training and development

First female assistants to drivers start working at Russian Railways

In 2020, women received the opportunity to master the driver’s profession for the first time in Russia. Only men could be employed in this capacity, until in July 2019 the Ministry of Labour and Social Protection expanded the list of professions available to women.

In 2020, Russian Railways announced enrolment of women in the training programme for assistants to operators (the first stage required to master the profession of the driver) at its Moskovsky, Sverdlovsky and Oktyabrsky education centres and the High-Speed Train Personnel Training Centre.

The assistant driver is a co-driver of the train. Their responsibilities include monitoring instrument readings, controlling the locomotive operation, traffic lights, signals and signposts to ensure maximum traffic safety.

Over 50 women were enrolled in this programme, and 43 of them graduated in 2020. The 24-week course included on-the-job training at operating locomotive and power car sheds. All the graduates have been employed by the Company in the positions they were trained for, starting January 2021.
Training and development of technical workers

The corporate vocational education system is based on 15 education centres with 67 branches covering the whole country, from Kaliningrad to Sakhalin. In 2020, the Company approved the Programme of Employee Development and Training System Improvement until 2025.

The centres’ educational programmes and curriculums comply with professional standards. In 2020, the Company developed eight new professional standards for railway industry occupations and updated 15 existing ones. Overall, Russian Railways has 92 professional standards covering 203 positions and professions in railway transportation.

In 2020, the Company trained 46,600 employees in key jobs, where 30,050 gained the professional skills for the first time, and 16,400 persons were retrained. Also, 207,300 employees upgraded their skills at training centres, technical schools, and colleges. The Federal Transportation Inspection Service held theoretical examinations for locomotive driving licences, and 6,485 persons trained at the Company centres passed them.

A milestone of 2020 in personnel development was the first-ever enrolment of women in training to become assistant engine drivers.

Employee healthcare

Protecting the health of its employees is one of the top priorities of the Company’s social policy. Health resort treatment, recreation and leisure activities are available at 60 corporate health resorts, holiday hotels, recreational centres and camps across Russia (from Kaliningrad to the Far East). Despite epidemiological complications, 53,500 employees and their family members received recreational services in 2020.

Promotion of sports and healthy lifestyle

Russian Railways adopted its Healthy Lifestyle Concept for 2020–2025, outlining a single corporate policy in this area. Action plans have been approved to implement this Concept across the Company’s footprint. They are implemented in line with the schedules, taking into consideration the current epidemiological situation and regional restrictive measures. The regional rail transport taken together carried out approximately 6,000 activities in all areas of the Concept. Health training sessions are run for Russian Railways’ employees.

As part of the Collective Bargaining Agreement, the Company holds annual events aimed at improving health and promoting sports and fitness among its employees and their families. Major competitions include championships in cross-country skiing, football, chess, badminton, table tennis, basketball and cross-country running. With the restrictive measures, the reporting year saw 51,000 people take part in the Company’s sports events.

The implementation of new instruments and measures to prevent workplace injuries within Russian Railways’ health and safety management system helps to reduce the annual workplace injury frequency rates regardless of severity.

Russian Railways is a member of the Vision Zero global campaign, which has completely reshaped corporate approaches to health and safety management. This strategy requires actors at all levels, from executives to employees, to act with awareness in order to prevent any work-related accidents.

The core document that sets out the Company’s goals and objectives in this field is the Health, Environmental, Industrial and Fire Safety Policy of the Russian Railways Group, updated in 2020. Upon joining the Vision Zero global campaign, Russian Railways extended the Policy with a view to running occupational injuries and health impairment prevention activities, as well as introducing an occupational safety culture in order to integrate the Vision Zero concept into its health and safety practices. Russian Railways developed the Vision Zero Implementation Programme for 2019–2021.

The reporting year saw the following reductions in workplace injuries across the Company vs 2019:

- overall injury rate (total number of injuries) down by 22% to 119 employees;
- fatal injury rate (number of fatal injuries) – by 30% to 14 employees;
- severe injury rate (number of severe injuries) – by 5% to 41 employees.

The workplace injury frequency rate dropped as follows:

- overall (number of injuries per 1,000 workers) – by 20%, to 0.172;
- fatal (number of fatal injuries per 1,000 workers) – by 29%, to 0.020.

Changes in workplace injury rates at Russian Railways

As at 31 December 2020, 91% units of Russian Railways’ branches most prone to injuries kept showing their commitment to ensuring occupational safety. No cases of occupational fatalities have been recorded there for over five years.

ANNUAL REPORT − 2020 RUSSIAN RAILWAYS

1 Approved by Russian Railways’ Order No. 1179/r dated 13 June 2019
Evolution of workplace injury metrics at Russian Railways, number of injuries, persons

Non-occupational injuries in the traffic area

In 2020, Russian Railways reduced the y-o-y levels of non-occupational injuries:
- total injuries – by 305 persons, down 13.4% (from 2,254 to 1,949 persons);
- including fatal injuries – by 215 persons, down 13.9% (from 1,552 to 1,337 persons);
- injuries of non-adults – by 22 persons, down 15.5% (from 142 to 120 persons);
- including fatal injuries of non-adults – by 15 persons, down 16.7% (from 90 to 75 persons).

Primary causes of non-occupational injuries include:
- unauthorised walking along railway tracks with a train approaching – 87.9%;
- running the red lights at a pedestrian crossing – 6.8%;
- unauthorised attempts to climb (jump off) a platform – 3.4%.

Labour conditions and occupational safety improvement


Key health and safety indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and safety improvement expenses, RUB m</td>
<td>18,715.5</td>
<td>20,121.1</td>
<td>22,596.1</td>
<td>23,914.6</td>
<td>28,542.1</td>
</tr>
<tr>
<td>Workplace injury frequency rate (number of injuries per 1,000 employees)</td>
<td>0.30</td>
<td>0.25</td>
<td>0.23</td>
<td>0.21</td>
<td>0.17</td>
</tr>
<tr>
<td>Number of workplaces with hazardous working conditions, thousand</td>
<td>95</td>
<td>88</td>
<td>84</td>
<td>81</td>
<td>79</td>
</tr>
<tr>
<td>Improved working conditions, thousand workplaces</td>
<td>32.0</td>
<td>37.0</td>
<td>41.0</td>
<td>40.6</td>
<td>40.6</td>
</tr>
</tbody>
</table>

Environmental protection

Despite the unprecedented external challenges of 2020, Russian Railways retained its global leading positions in energy efficiency and sustainability among international companies. In its technological advancement, the Company keeps prioritising contribution to the achievement of sustainable development goals, which, in terms of environmental safety, focus on promoting resource/energy saving technologies, eliminating environmental damage accumulated as a result of railway operations of previous years, efficient use of natural resources, and preservation of natural systems.

Sergey Kobzev
Deputy CEO, Chief Engineer

Russian Railways is a major natural resource user operating in 77 regions of Russia. The Company has set its priorities in the rational use of natural resources and improving environmental safety until 2025 in line with the basic principles of state environmental development policy for the period through 2030. Consistent with government’s environmental priorities, Russian Railways’ efforts are focused on improving environmental safety, ensuring rational use of resources and preserving natural systems.

1 Approved by the Russian President on 30 April 2012 and by the Russian President’s Decree No. 204 On National Goals and Strategic Objectives of the Russian Federation through 2030 dated 7 May 2018
2 Approved by Russian Railways’ Order No. 102/1 dated 31 January 2020.
Russian Railways’ key environmental initiatives in 2020

In 2020, Russian Railways approved the Environmental Strategy through 2030, which reflects the Company’s commitment to the UN global goals and national sustainable development goals.

As part of the Environmental Strategy implementation, significant steps were taken to enhance the environmental management framework, adopt resource-saving technologies and environmental best practices, and reduce the environmental footprint of the Company’s business units.

Russian Railways’ contribution to the goals of sustainable development and climate agenda include participation in the task forces of the UN organisations and International Union of Railways (UIC). In July 2020, Oleg Belozerov, CEO and Chairman of the Management Board of Russian Railways, signed the UIC Declaration on Sustainable Mobility, which proclaims railway companies’ commitment to reducing specific energy consumption and CO₂ emissions, achieving carbon neutrality by 2050, and reducing the environmental footprint of the Company’s business units.

Air protection and noise exposure reduction

As part of the corporate Environmental Strategy, the Company cut its emissions from stationary sources in 2020 by 13% y-o-y.

For the purpose of noise control and reducing emissions in residential areas, the Company draws noise maps for ranking risks and developing a priority action plan to respond to them. Other factors contributing to noise reduction include continuous welded rails; grinding of rails and interlocked turnouts; turnaround replacement; use of anti-vibration pads; aluminothermic welding of rails; installation of noise protection screens as part of railway upgrade and construction.

Russian Railways always looks for innovative solutions to reduce noise levels.

Waste management

Up to 80% of the waste generated by Russian Railways is decontaminated, reused or recycled. Most of the ferrous and non-ferrous scrap metals and used petroleum products are handled by waste processing professionals. Waste is also reused within the Company, including waste hazard classes 5 and 2-4 as per the waste management license obtained by Russian Railways. In 2020, the share of the production and consumption waste that was decontaminated, reused or recycled in the total waste generation increased by 0.3 p.p. y-o-y.

In 2020, Russian Railways generated 1,468 Mt of production and consumption waste, of which 0.064 Mt was disposed of or decontaminated by the Company’s units. 1,477 Mt of waste was transferred to third parties, including:
- 1,065 Mt for subsequent disposal;
- 0.165 Mt for decontamination;
- 0.246 Mt for dumping.

In late 2019, to develop the GHG Strategy through 2020 and potentially through 2030 and the Climate Doctrine of the Russian Federation, Russian Railways responsibly implements a programme for reducing GHG emissions in its operations.

GHG emissions management is an element of Russian Railways’ corporate strategy. Russian Railways submits annual data for GHG emission assessment for the purpose of CDP reporting and attends working group meetings of the Russian Union of Industrialists and Entrepreneurs (RSPP) and the Ministry of Economic Development. The Company takes part in discussions on federal regulations, submitting proposals and comments based on specifics of the railway transport.

In late 2019, to develop the GHG Strategy through 2020 and potentially through 2030, the Company follows the Environmental Strategy of the Company through 2020 and potentially through 2030 and the Climate Doctrine of the Russian Federation. Russian Railways always looks for innovative solutions to reduce noise levels.

Reducing environmental impact

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In 2020, the Company’s investment in environmental projects amounted to RUB 4.4 bn.

Action plan to protect Lake Baikal

In November 2020, Russian Railways and the Ministry of Natural Resources and Environment approved the Action Plan for environmental protection in Lake Baikal’s natural territory during the construction and upgrade of the BAM and Trans-Siberian Railway infrastructure.

Its key elements include:
- a unified environmental monitoring system to oversee the works in Baikal’s natural territory (stationary environmental laboratories, video recording units, local stationary posts and mobile control units);
- cleaning up the shores of Lake Baikal between the villages of Baikal and Talovka (361 km);
- reducing the negative impact on the territory of the Slyudyanskoye Lake and Shamansky Cape regional natural monuments;
- switching 14 heating units for track labourers from furnaces to electric energy;
- developing a separate waste collection system;
- restoration of 20 ha of forests;
- engaging fire trains in extinguishing forest fires near the railway infrastructure.

The construction and upgrade of infrastructure facilities required to increase the throughput capacity of the BAM and Trans-Siberian Railway covers 144 facilities in Lake Baikal’s natural territory, 47 of which are already in progress. 69 facilities have received the approvals of the state environmental and technical review boards. An environmental certificate covering compensatory measures and environmental monitoring and control data is provided for each facility.
### Energy efficiency and conservation

**Biodiversity conservation**

The Company pays great attention to the conservation of biodiversity in railway infrastructure areas and next to railway stations. Parts of tracks often crossed by animals are equipped with reflective tape, and are monitored together with forestry and hunting sector representatives.

1,522 t of paper, plastic, and glass were delivered for disposal in 2020.

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**Waste decontamination, reuse and recycling (%)**

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<tbody>
<tr>
<td></td>
<td>83.2</td>
<td>82.9</td>
<td>81.7</td>
<td>78.5</td>
<td>77.6</td>
</tr>
</tbody>
</table>

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**Energy intensity of the Russian Railways’ operations, kJ / virtual tkm net**

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</thead>
<tbody>
<tr>
<td></td>
<td>66.7</td>
<td>67.7</td>
<td>68.7</td>
<td>69.7</td>
<td>72.4</td>
</tr>
</tbody>
</table>

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**Energy efficiency and energy intensity of the Russian Railways’ operations**

<table>
<thead>
<tr>
<th>Target</th>
<th>Target for 2020</th>
<th>Actual for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in the energy intensity of operations, %</td>
<td>–0.6</td>
<td>–1.0</td>
</tr>
<tr>
<td>Energy efficiency improvement, %</td>
<td>0.6</td>
<td>1.0</td>
</tr>
</tbody>
</table>

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Russian Railways maintains leadership in energy efficiency and environmental friendliness among global freight and passenger railway companies. Russia ranks first globally in terms of energy efficiency in rail freight transportation, outperforming European railways, as well as those in China, India, Japan and the USA. As regards energy efficiency in passenger transportation, Russia comes in fourth after India, China, and Japan.
In the reporting year, the Energy Efficiency Programme helped to achieve fuel and energy savings of 8,566.4 TJ, or RUB 5.3 bn.

In 2020, initiatives implemented by the Company’s divisions as part of the Energy Efficiency Programme saved:
• 814.7 m kWh of electricity for RUB 142 m.
• 13.6 mcm of natural gas for RUB 74 m.
• 21.9 kt of coal for RUB 49 m.
• 13.6 mcm of natural gas for RUB 74 m.
• 69.6 k Gcal of heat energy for RUB 2,982 m.

Energy efficiency improvement of the stationary power facilities saved more than RUB 1.7 bn. This included:
• activities to boost energy efficiency of thermal generation and heating systems facilities, which served to save fuel and energy resources in the amount of RUB 369.2 m;
• introduction of LED devices, energy-efficient lighting fixtures and control devices, optimisation of the lighting operation patterns at the station railyards, terminals, technical and administrative buildings, and warehouses, with the resulting economy of RUB 256.3 m;
• initiatives aimed to improve energy efficiency of the workflow and infrastructure, resulting in fuel and energy savings in the amount of RUB 448.9 m.

Despite a decline in the capacity for fuel and energy saving, the rate of Russian Railways’ energy intensity reduction is quite stable against the benchmarks set by the UIC (kJ/tkm), largely due to Russian Railways’ investments in energy saving.

In 2020, the investment project on introduction of resource-saving technologies in railway transport covered the launch of 12.5 technical facilities to the amount of RUB 1.3 bn (98% of the target), including:
• 858 resource-efficient locomotive onboard systems;
• IoT-based energy-efficient lighting systems, including those at 4 station railyards and track maintenance stations;
• 164 high-mast lighting units using advanced lighting devices;
• 15 heat pumps at the domains of the Privolzhsk and North Caucasus railway regions;
• 858 resource-efficient locomotive onboard systems.

The activities improving energy efficiency of the transportation process served to save 5213 m kWh of electric power and 34.5 kt of diesel fuel, accounting for over RUB 3.7 bn. The bulk of savings (54.6%) was achieved by improving traffic management procedures, for example, using energy efficient firm-time slots, including installation of automatic locomotive operation and driver information systems, reduction in train downtime at intermediate stations and in the empty-run ratio.

The initiatives improving locomotive operation saved 177.7 m kWh of electricity and 16.0 kt of diesel fuel for the amount exceeding RUB 11 bn.

Russian Railways puts social responsibility at the heart of its corporate strategy. The objectives and core principles of the charity activities are set forth in the Charity and Sponsorship Policy.1 Under this Policy, charity predominantly covers regions of the Company’s footprint and prioritises institutions, foundations, and performance groups working with Russian Railways. Relations with local communities are governed by the Russian Railways Group’s regional policy.2

In 2020, our charity initiatives focused on:
• financial support to the COVID-19 response initiatives (aid to the All-Russian Public Movement of Medical Volunteers, contribution to the All-Russian fundraiser to assist home schooling);
• assistance in remeasurement of the areas affected by a flood in the Irkutsk Region (financial contribution to school construction in Tulun, helping to transport children from the region to summer vacation sites and back);
• targeted aid to retired railway employees, honoured railway employees, and veterans of World War II, as well as celebration of the 75th anniversary of the victory in the war;
• fostering education, research and professional skills development, including assistance to industry-specific universities and colleges. Apart from rendering monetary aid, the Company provided equipment and materials;
• donations to children’s charities, disabled persons, disadvantaged population, including support of the Children’s Hospice autonomous non-profit organisation, So-Edinenie Support Fund for the Deaf-Blind and Obereg autonomous non-profit organisation;
• supporting environment-related causes;
• supporting charitable projects for restoration and conservation of Russian historical and architectural landmarks;
• promoting mass sports, physical training and healthy lifestyle.

Charity

1 Approved by the Company’s Board of Directors on 8 November 2016.
2 Approved by the State Secretary, Vice President Anatoly Mescheryakov on 10 June 2016, No. 395.

The charity spending in 2020 amounted to around RUB 5.5 bn.
Efficiency in every decision

The Company focuses on implementing best corporate governance practices and boosting decision-making efficiency. Instructions of the President and Government of the Russian Federation are of critical importance.

Russian Railways is 100% state owned.

For more details see p. 124.
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 2020, Russian Railways updated the Charter and Regulation on the Board of Directors to improve the Company’s corporate governance quality, reflect changes in the Russian laws, and take into account the recommendations of the Bank of Russia’s Corporate Governance Code and the Moscow Exchange’s corporate governance requirements for bond issuers. The proposed amendments are based on best practices and seek to redistribute the competences of Russian Railways’ governance bodies, update criteria for transactions requiring the consent of Company’s Board of Directors and Management Board, and optimise the Board of Directors’ competence in relation to Russian Railways’ controlled entities.

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. 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.

The Board of Directors of Russian Railway approved the new versions of the Charter and Regulation on the Board of Directors and submitted the documents to federal executive authorities to arrange for adopting relevant government regulations.

In 2020, the Board of Directors reviewed the corporate governance practice at Russian Railways recognising the action plan (“road map”) to implement the provisions of the Corporate Governance Code as generally fulfilled.

Corporate governance system

The 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.

BOARD OF DIRECTORS
Elected by Russian Railways’ shareholder. Pursues a policy that supports the Company’s dynamic growth, improves sustainability and increases profits.

CHIEF EXECUTIVE OFFICER – CHAIRMAN OF THE MANAGEMENT BOARD
Appointed by the Government of the Russian Federation.

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.

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

1 As defined by Federal Law No. 29-FZ On the Specifics of Administration and Disposal of Railway Transport Property dated 27 February 2003.
2 Minutes No. 20 dated 30 July 2020 and No. 22 dated 23 September 2020.
3 Minutes No. 19 dated 24 July 2020.
4 Approved by the Company’s Board of Directors (Minutes No. 18 dated 12 December 2016).
General Meeting of Shareholders

The supreme governance body of Russian Railways is its General Meeting of Shareholders. As all of the Company’s shares belong to the sole shareholder, the Russian Federation, represented by the Russian Government, 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 directors and chairmen of the boards of directors and chairmen of the boards of management of the Company controlled entities;
- 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 of the end of a financial year;
- determining the proceedings at 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 2020, one Annual General Meeting of Shareholders and five Extraordinary General Meetings of Shareholders were held. Russian Railways’ Annual General Meeting of Shareholders adopted the following resolutions:

- approval of the annual report, balance sheet and income statement for 2019;
- distribution of net profit and losses based on financial performance in 2019;
- payment of dividends to the holders of Russian Railways’ preference shares based on performance in 2019 and remuneration to members of the Board of Directors and Audit Commission;
- determination of the Board of Directors and Audit Commission composition and appointment of their members;
- approval of the auditor for 2020.

Russian Railways’ Extraordinary General Meetings of Shareholders adopted the following resolutions:

- on determining the number and election of the Board members of Russian Railways, as well as early termination of their office;
- on increasing the Company’s charter capital;
- on issuing perpetual bonds;
- on determining the number and election of Members of the Board of Directors, Management Board, and Audit Commission;
- on approval of internal documents announcing the charter capital.

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

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 2020, the Board determined the voting position of the Company (its representatives) at meetings of the governance bodies of its controlled entities on the following matters:

- approval of the agenda for general meetings of shareholders;
- election of members of the boards of directors and chairman of the boards of directors;
- approval of annual reports for 2019, approval and adjustment of budgets for 2020, 2021–2022;
- approval of material transactions;
- dividends payments;
- participation in and withdrawal from other legal entities.

Furthermore, the Board of Directors regularly reviewed procurement reports for 2019 and 2020, reports on the disposal of non-core assets, as well as reports on the allocation of funds for charity and sponsorship activities.

In 2020, Russian Railways implemented an action plan to improve the efficiency of the Board of Directors. In particular, the following documents were developed and approved by the Board:

- Onboarding Procedure for Newly Elected Members of the Board of Directors;
- Procedure for the Preparation and Submission of Materials and Information to Russian Railways’ Board of Directors and the Committees of the Board of Directors.

The Board of Directors also approved the Regulation on Internal Audit, which provides for the functional subordination of the Head of Internal Audit to the Board of Directors. The Board approved the candidate for the Head of Internal Audit and the terms of their remuneration.

In 2020, the composition of the Board of Directors underwent a number of changes. In March 2020, Russian Railways’ sole shareholder decided to terminate the powers of the Board of Directors before expiry. It was resolved that the new Board would comprise 14 directors, and 12 new board members were elected.

Directors who left the Board:

- Maxim Akimov;
- Grigory Berezhkin;
- Andrey Zhelezkin;
- Dmitriy Potrushev;
- Vladimir Pushkov;
- Mikhail Rostroman.

Newly elected directors:

- Andrei Belousov;
- Maxim Reshetnikov;
- Alexey Sazanov;
- Ilya Fazlullin;
- Sergey Frank;
- Dmitriy Chernyshenko.

Andrey Belousov was elected Chairman of Russian Railways’ Board of Directors.

In September 2020, when the sole shareholder was making the decisions that fall within the competence of the Annual General Meeting of Shareholders, the number and composition of the Board of Directors did not change. As at 10 December 2020, Russian Railways’ Board of Directors comprised 14 members.

- Elected Members of the Board of Directors:
  - Andrey Belousov;
  - Vladimir Puchkov;
  - Arkady Dvorkovich;
  - Alexey Sazanov;
  - Ilya Fazlullin;
  - Sergey Frank;
  - Dmitriy Chernyshenko.


2. Abstained.
3. Abstained.
4. Abstained.
5. Abstained.
6. Abstained.
7. Abstained.
8. Abstained.
10. Abstained.
11. Abstained.
12. Abstained.
Participation of the Board of Directors in sustainable development management

Sustainable development management is an essential part of the Board’s activities. Within its scope of authority, the Board of Directors reviews and approves the basic internal documents and monitors their implementation.

In 2020, the Board adopted the following resolutions on social and environmental matters:

• approved the Group’s Comprehensive Innovative Development Programme until 2025, which includes, among other things, the achievement of 2025 KPIs for energy efficiency, safety and reduction of greenhouse gas emissions;
• approved a RUB 370 bn perpetual bond programme, with the first in Russia issue of green bonds placed in September 2020;
• approved Russian Railways’ investment programme for 2021–2023, which provides for a number of investment projects to improve the lives of Russian residents, create a comfortable and safe environment for life and development of tourism (the Ultra High-Speed Railway Lines project, infrastructure development projects at Central and St Petersburg transport hubs);
• resolved to donate social, educational, sports and cultural facilities to municipal and regional public law entities.

Amid the COVID-19 pandemic, Russian Railways’ Board of Directors supported the executive bodies’ proposals aimed at mitigating the damage from the restrictions introduced in the spring and summer of 2020. Russian Railways refused to limit working hours for its staff, safeguarding a stable working environment and decent working conditions.

The Board of Directors regularly reviews reports on the implementation of the Charity and Sponsorship Policy, the Group’s Comprehensive Innovative Development Programme, and the Consolidated Programme to Improve Operational Efficiency. In 2020, the Board also reviewed a report on the progress against the Conceptual Framework for the Reform of the Russian Railways Preschool and School Education for 2017–2020.

Role of the Board of Directors in overseeing the achievement of the UN Sustainable Development Goals

The investment programme for 2021–2023 approved by the Board of Directors on 29 December 2020 (Minutes No. 5) aims at developing and upgrading the railway infrastructure of the Russian Federation, including in major metropolitan areas.

The Board of Directors approved the Consolidated Programme to Improve Operational Efficiency and Optimise Costs in 2019–2025 (resolution dated 28 June 2019, Minutes No. 20). Programme implementation reports are reviewed on a quarterly basis.

The Board of Directors approved the Group’s Comprehensive Innovative Development Programme until 2025 (resolution dated 26 February 2020, Minutes No. 13), which contains a set of measures (including KPIs) aimed at improving energy efficiency and reducing greenhouse gas emissions. Programme implementation reports are reviewed annually.

Composition of the Board of Directors as at 31 December 2020

Representatives of the Russian Federation:
• Andrey Bolotsov;
• Oleg Belozerozov;
• Yevgeny Ditrikh;
• Kirill Dmitriev;
• Andrey Iordache;
• Maxim Rashnitsov;
• Alexander Ryazanov;
• Ilek Fazhitutdinov;
• Sergey Frank;
• Dmitri Chernyshenko.

Independent directors:
• Christian Kern;
• 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 2020

In 2020, the Board of Directors of Russian Railways held 17 meetings, including 2 meetings held in person and 15 conducted in the form of absentee voting. The Board of Directors considered 132 matters focusing on a variety of the Company’s business areas.

Brief biographies of the Board members are available on the Company’s website at
Report on the performance of the Board of Directors and material resolutions adopted in 2020

In 2020, as part of its key tasks and responsibilities, Russian Railways’ Board of Directors:
- approved the Non-Core Assets Disposal Plan for 2020;
- approved the Standard for Assessing the Implementation of the Long-Term Development Programme and KPI Achievement;
- approved the Regulation on Internal Audit;
- approved the Onboarding Procedure for Newly Elected Members of the Board of Directors;
- approved the Procedure for the Preparation and Submission of Materials and Information to the Board of Directors and the Committees of the Board of Directors;
- approved the Regulation on the Quality Management System at Russian Railways;
- approved Russian Railways’ financial plan and investment programme for 2021 and the planning horizon extending to 2022 and 2023;
- approved the report on the implementation of Comprehensive Innovative Development Programme of the Russian Railways Group until 2020 in 2019;
- resolved to terminate and appoint members of Russian Railways’ Management Board;
- authorised members of Russian Railways’ Management Board to hold positions in the governance bodies of other entities;
- decided on the price and terms for the placement of additional Russian Railways shares, and approved the prospectus of perpetual bonds;
- resolved to withdraw from RRC-2, RZD-ZDOROVIE, Vologda RRS, BET, TransWoodService, and EKZA;
- resolved to participate in Federal Passenger Company and Innovative Engineering Centre as a founder, as well as in RRC-1 and Yakutia Railways;
- pre-approved Russian Railways’ Annual Report for 2019 and prepared recommendations for the Company’s Annual General Meeting of Shareholders on the approval of the report;
- 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 2019 (including the income statement);
- prepared recommendations for the Company’s Annual General Meeting of Shareholders on the approval of the auditor fees;
- prepared recommendations for the Company’s Annual General Meeting of Shareholders on the minimum dividend amount, payment procedure for the 2019 dividends, and distribution of net profit for 2019;
- 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 2019–2020 corporate year.

Remuneration of the Board of Directors

In 2020, the Annual General Meeting of Shareholders of Russian Railways adopted a resolution to pay remuneration to the Company’s directors for the 2019–2020 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 Russian Railways’ Board of Directors. According to the Regulation on Remuneration and Compensation Paid to Members of Russian Railways’ Board of Directors, remuneration and compensation are calculated and paid to members of the Board of Directors for the corporate year and proportionality to the time during which they were performing their functions for a fee.

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 several committees, additional remuneration is paid for the functions performed on each committee. Additional remuneration is calculated and paid for the period of actual performance of additional functions.

A Board member may waive their remuneration in full or in part. The Regulation on Remuneration and Compensation Paid to Members of 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, Russian Railways’ Board of Directors has the following committees:
- 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.1

Strategic Planning Committee

The Strategic Planning Committee develops recommendations for the Board of Directors on the following matters:
- determination of the priority areas of the Company’s activities;
- determining the priority areas of investment and laying out the key principles of the investment policy;
- defining the strategic goals of Russian Railways and its subsidiaries and affiliates, monitoring the implementation of their respective strategies, and preparing recommendations for the Board of Directors to revise the development strategy of Russian Railways and its subsidiaries and affiliates;
- monitoring the progress on priority investment projects, including programmes focused on operational efficiency indicators;
- issuing and placing the Company’s securities;
- Russian Railways’ dividend policy;
- participation of Russian Railways in other organisations (including direct and indirect acquisition and disposal of stakes, and encumbering shares);
- Digital Transformation of the Company or its controlled entities;
- innovative development of the Company and its subsidiaries and affiliates;
- approving long-term plans and core programmes, including the annual budget and investment programme.

1 The Regulation on the Strategic Planning Committee of Russian Railways’ Board of Directors was approved by resolution of the Board of Directors of 25 April 2014 (Minutes No. 8) and amended by resolution of the Board of Directors of 19 November 2020 (Minutes No. 7). The Regulation on the Audit and Risk Committee of Russian Railways’ Board of Directors was approved by resolution of the Board of Directors of 25 April 2014 (Minutes No. 8). The Regulation on the Personnel and Remuneration Committee of Russian Railways’ Board of Directors was approved by resolution of the Board of Directors of 25 April 2014 (Minutes No. 8). The Regulation on the Digital Transformation and Innovation Committee of Russian Railways’ Board of Directors was approved by resolution of the Board of Directors of 30 May 2019 (Minutes No. 1) and amended by resolution of the Board of Directors of 19 November 2020 (Minutes No. 9).
Members of the Strategic Planning Committee (as at 31 December 2020)

Maxim Rashchitnikov  Chairman of the Committee, director
Yegevniy Ditrikh  director
Kirill Dmitriev  director
Andrey Ivanov  director
Christian Kern  independent director
Sergey Nedorozev  independent director
Alexander Ryazanov  director
Alexey Saakov  director
Sergey Frank  director

Order No. 552-r of the Russian Government dated 6 March 2020 approved a new Board of Directors of Russian Railways. By resolution of the Board of Directors dated 25 March 2020 (Minutes No. 14), the Committee’s membership was changed.

The following persons take part in the work of the Committee as permanent invitees with the right to provide advice on agenda items:

- Grigory Berezkin, Chairman of the Board of Directors, ESN;
- Andrey Brischuk, Aide to the First Deputy Prime Minister of the Russian Federation;
- Anatoly Chubatin, Deputy CEO, Director for Internal Control and Audit, Russian Railways;
- Sergey Borkov, independent expert;
- Andrey Zhemchugov, Corporate Secretary, Russian Railways.

In 2020, the Committee held seven meetings.1

Audit and Risk Committee

The Audit and Risk Committee develops recommendations for the Board of Directors on the following matters:

- conducting internal and external audits, including ensuring the independence and impartiality of the internal audit function, as well as verifying the independence and impartiality of Russian Railways’ external auditors and establishing whether they have any conflicts of interest;
- combating misconduct by the Company’s employees or third parties;
- preparing recommendations for the Board of Directors on determining the Company’s position when evaluating assets (property, shares, etc.) before potential transactions;
- working with the Audit Commission; selecting an independent consultant to advise on the remuneration of members of the Company’s executive bodies and other key executives.

Members of the Strategic Planning Committee (as at 31 December 2020)

Sergey Stepanish  Chairman of the Committee, independent director
Sergey Nedorozev  independent director
Andrey Ivanov  director
Irek Fugatulim  director

2 For the list of items considered see the Appendix.

Members of the Personnel and Remuneration Committee (as at 31 December 2020)

Sergey Nedorozev  Chairman of the Committee, independent director
Alexander Ryazanov  director
Sergey Frank  director

The following persons take part in the work of the Committee as permanent invitees with the right to provide advice on agenda items:

- Grigory Berezkin, Chairman of the Board of Directors, ESN;
- Andrey Brischuk, Aide to the First Deputy Prime Minister of the Russian Federation;
- Andrey Zhemchugov, Corporate Secretary, Russian Railways.

In 2020, the Committee held seven meetings.2

Personnel and Remuneration Committee

The Personnel and Remuneration Committee develops recommendations for the Board of Directors on the following key matters:

- determining the Management Board membership (except for the CEO, Chairman of the Management Board);
- selecting an independent consultant to advise on the remuneration of members of the Company’s executive bodies and other key executives;
- authorising the Chairman or members of the Management Board to hold positions in the governance bodies of other entities;
- determining the remuneration and compensation to be paid to members of the Audit Commission;
- determining the remuneration and compensation to be paid to members of the Board of Directors;
- determining the voting position of Russian Railways’ representatives on matters regarding the number or election of directors or early termination of their office, or the appointment or dismissal of heads of governance bodies or members of supervisory bodies to be resolved upon by the general meetings of shareholders and boards of directors of the respective subsidiaries and affiliates included in the list annually approved by Russian Railways’ Board of Directors.
- developing and reviewing Russian Railways’ remuneration policy in respect of the Company’s directors, members of the executive bodies, and other key executives.

Members of the Personnel and Remuneration Committee (as at 31 December 2020)

Sergey Nedorozev  Chairman of the Committee, independent director
Alexander Ryazanov  director
Sergey Frank  director

The following persons take part in the work of the Committee as permanent invitees with the right to provide advice on agenda items:

- Dmitriy Flikov, Aide to the First Deputy Prime Minister of the Russian Federation;
- Anatoly Chubatin, Deputy CEO, Director for Internal Control and Audit, Russian Railways;
- Sergey Borkov, independent expert;
- Andrey Zhemchugov, Corporate Secretary, Russian Railways.

In 2020, the Committee held twelve meetings, including two in the form of absentee voting.1

For the list of items considered see the Appendix.
For the list of items considered see the Appendix.

The following persons take part in the work of the Committee as permanent invitees with the right to provide advice on agenda items:

• determining the priority areas for digital transformation and innovative development of Russian Railways and its controlled entities;
• control over the implementation of digital transformation and innovative development strategies and the development of recommendations for their revision;
• defining the policy and evaluating the effectiveness of Russian Railways and its controlled entities as regards information security and the reliability of information systems;
• considering the budget, investment programme priorities, and key investment projects of Russian Railways and its controlled entities as regards digital transformation, information technology and innovative development, as well as control over their execution and implementation;
• control over the implementation of the import substitution policy as regards information technology and software.

Order No. 552-r of the Russian Government dated 6 March 2020 approved a new Board of Directors of Russian Railways. By resolution of the Board of Directors dated 25 March 2020 (Minutes No. 14), the Committee’s membership was changed.

Digital Transformation and Innovation Committee

The Digital Transformation and Innovation Committee develops recommendations for the Board of Directors on the following key matters:

• determining the priority areas for digital transformation and innovative development of Russian Railways and its controlled entities;
• control over the implementation of digital transformation and innovative development strategies and the development of recommendations for their revision;
• defining the policy and evaluating the effectiveness of Russian Railways and its controlled entities as regards information security and the reliability of information systems;
• considering the budget, investment programme priorities, and key investment projects of Russian Railways and its controlled entities as regards digital transformation, information technology and innovative development, as well as control over their execution and implementation;
• control over the implementation of the import substitution policy as regards information technology and software.

In 2020, the Committee held two meetings.

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 and Russian Railways’ Charter and internal documents that guarantee the respect of rights and legitimate interests of the Company’s shareholders, organising measures to settle conflicts involving violation of shareholder rights, and arranging interaction between Russian Railways and its shareholders and between the Company’s governance bodies.

The Corporate Secretary is appointed and released from office based on a resolution of the Board of Directors passed by a majority vote. The Corporate Secretary’s duties and responsibilities are listed in the Regulation on the Corporate Secretary of Russian Railways and the Office of the Corporate Secretary.

Since September 2018, Andrey Zhemchugov has been the Corporate Secretary of Russian Railways.

ZHEMCHUGOV
Andrey


In 1994, he graduated with honors from the Faculty of Economics of the Lomonosov Moscow State University; in 1998, he received the degree of Candidate of Economic Sciences, having completed postgraduate studies at the Institute of the USA and Canada Russian Academy of Sciences.

Career:
• 2007-2017 – Director of the Stock Market and Investor Relations PJSC TransContainer;
• since March 2017 – First Deputy Financial Director PJSC TransContainer;
• In September 2018, by the decision of the Board of Directors of Russian Railways, he was appointed to the position of Corporate Secretary of Russian Railways.

Corporate Governance

Members of the Digital Transformation and Innovation Committee (as at 31 December 2020)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dmitry Chernysheenko</td>
<td>Chairman of the Committee, director</td>
</tr>
<tr>
<td>Kirill Dmitriev</td>
<td>director</td>
</tr>
<tr>
<td>Christian Kern</td>
<td>independent director</td>
</tr>
<tr>
<td>Sergey Nedoroslev</td>
<td>independent director</td>
</tr>
</tbody>
</table>

The following persons take part in the work of the Committee as permanent invitees with the right to provide advice on agenda items:

• Sergey Zhidiev, Chief Engineer and Deputy CEO, Russian Railways;
• Yevgeny Charkin, Deputy CEO, Russian Railways;
• Dmitry Shcherbinin, Deputy Head of the Office of the First Deputy Prime Minister of the Russian Federation.

In 2020, the Committee held two meetings.1

1 For the list of items considered see the Appendix.
is appointed by the Government of the Russian Federation until 2025, the Human Capital and Development Centre. The Management Board acts in the Company’s interests and reports to the Company’s Board of Directors. Members of the Management Board are appointed by the Company’s Board of Directors (Minutes No. 17 dated 5 June 2020).

The Management Board has the following key functions:1

- setting, extending and changing tariffs, fees and rates for services provided by Russian Railways.

Remuneration of the Management Board

In 2020, the Compensation Committee of the Russian Railways Management Board met four times and made decisions on the remuneration of members of the Management Board in accordance with the Remuneration of Management Board Members, approved by the Shareholders’ Meeting of 9 November 2018. The remuneration system is focused on improving the effectiveness of the individual and collective performance of the Management Board members and linked to the achievement of KPI targets, personal performance assessments, and financial and business performance, including annual budgets and the Company's priorities and long-term business development plans, including annual budgets and the Company's priorities and long-term business development plans.

The remuneration of the Management Board members and rules for compensating the Management Board's members, except for the CEO – Chairman of the Management Board, are approved by the General Meeting of Shareholders and the Board of Directors or the shareholder.

The CEO – Chairman of the Management Board is paid in accordance with the Remuneration of Management Board Members, approved by the Shareholders’ Meeting of 9 November 2018. The annual bonus for 2019 was paid to the CEO – Chairman of the Management Board in the amount of RUB 1,307.285 m, and RUB 525.585 m in bonuses. The total remuneration that the CEO – Chairman of the Management Board was paid in 2020 was RUB 4,601.011 m, including RUB 771.201 m in bonuses.

The lists of corporate KPIs and KPI targets are approved by the Company's Board of Directors or the shareholder. The KPI framework and the bonus calculation purposes comprise a set of corporate and functional KPIs. The list of corporate and functional KPIs and targets are approved by the Company’s Board of Directors. The indicators and relevant KPI targets are approved by the CEO – Chairman of the Management Board in accordance with the Remuneration of Management Board Members, approved by the Shareholders’ Meeting of 9 November 2018. The KPIs are calculated and reviewed on a quarterly basis. At least 80% of the total bonus payments are linked to the KPIs.

The CEO – Chairman of the Management Board is credited for the implementation of any member of the Management Board, who is appointed by the Chairman of the Management Board, who is appointed by the Chairman of the Management Board.


2. Approved by the Company’s Board of Directors (Minutes No. 17 dated 5 June 2020).

3. Members of the Management Board No. Full name Position

1. Oleg Belozerov CEO, Chairman of the Management Board

2. Anatoly Krasnoshchek First Deputy CEO

3. Vadim Mikhailov First Deputy CEO

4. Gennadiy Verkhovykh Deputy CEO, Head of the Central Directorate of Infrastructure

5. Sergey Kobzev Deputy CEO, Chief Engineer

6. Oleg Valinsky Deputy CEO, Head of the Directorate of Locomotive Traction

7. Andrey Makarov Deputy CEO

8. Gennadiy Verkhovykh Deputy CEO, Head of the Central and Saint Petersburg Transport Hubs

9. Oleg Toni Deputy CEO, Director for Internal Control and Audit

10. Dmitry Pegov Deputy CEO

11. Vyacheslav Pavlovsky Deputy CEO

12. Dmitry Pegov Deputy CEO

13. Andrey Makarov Deputy CEO

14. Anatoly Chabunin Deputy CEO, Director for Internal Control and Audit

15. Oleg Toni Deputy CEO, Head of the Central and Saint Petersburg Transport Hubs

16. Dmitriy Pakel Deputy CEO

17. Dmitriy Pakel Deputy CEO

18. Yevgeny Charkin Deputy CEO

19. Shevket Shaydullin Deputy CEO, Head of the Traffic Safety Department

20. Andrey Shilo Deputy CEO, Head of the Centre for Corporate Transport Services

21. Alexey Shilo Deputy CEO, Head of the Centre for Corporate Transport Services

22. Vladimir Gaponko Director for Operational Efficiency – Head of the Development Centre

For the biographies of the Members of the Management Board, see the Company’s website.
Audit and control

Audit Commission

The Audit Commission is a standing body, which oversees financial and business operations of the Company. The Audit Commission is in charge of approving financial statements, assessing the financial and operational risks, evaluating the internal control effectiveness, auditing the timeliness and accuracy of payments, checking the correctness of tax calculations, and checking the legality of business operations. Audits are conducted under a written mandate against the backdrop of the Russian Federation’s law and the Board of Directors’ decisions, regardless of the nature and scale of the operations. The main objective of the internal control system is to provide reasonable assurance that the Company’s business operations are run in conformance with the laws and regulations of the Russian Federation, internal regulations of the Company, and shareholders’ interests.

At Russian Railways, the internal control system ('internal control') is understood to include follow-up internal control and external control, as part of the integrated risk management and internal control system (for details, see the Risk Management section).

The Company’s internal control system is designed to provide reasonable assurance that Russian Railways will achieve its goals. Russian Railways’ internal control system includes the most up-to-date methodological frameworks and best practices, international and national standards, and policies, employing all current methods and techniques to ensure that all business operations are conducted in conformance with the laws and regulations of the Russian Federation and global business communities.

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• to ensure the efficiency and effectiveness of business operations;
• to safeguard assets and use resources in a responsible manner;
• to ensure for the Company and its clients timely information on business operations and the Company’s financial position;
• to identify and control risks and to ensure the smooth running of internal control systems.

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The Deputy Chief Executive Officer – Director of the Audit and Risk Committee, the Chief Executive Officer, and the Board of Directors are also responsible for exercising control over the Company’s financial, social, and other business operations, as well as other companies, including non-commercial entities of Russian Railways. To this end, the Company’s internal control system is designed to provide reasonable assurance that Russian Railways will achieve its goals. Russian Railways’ internal control system includes the most up-to-date methodological frameworks and best practices, international and national standards, and policies, employing all current methods and techniques to ensure that all business operations are conducted in conformance with the laws and regulations of the Russian Federation and global business communities.

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The objective of the internal audit function is to assist the Board of Directors and executive management bodies with enhancing the efficiency and effectiveness of business processes. The Zheldoraudit Internal Audit Centre, a structural unit of Russian Railways ("Zheldoraudit"), is in charge of internal audit. The work of Zheldoraudit is governed by the Regulation on Internal Audit 1, which was developed in accordance with methodological guidelines and recommendations on internal audit prepared by the Federal Agency for State Property Management and approved by instructions of the Agency for State Property Management and the Russian Government, the Listing Rules of the Moscow Exchange 2, Internal Auditor Occupational Standard 3, subject to International Standards for the Professional Practice of Internal Auditing, to the extent they do not contradict Russian laws, and the Regulation on the Zheldoraudit Internal Audit Centre. 

The Regulation on Internal Audit ensures that Zheldoraudit complies with the requirement for the segregation of administrative and functional reporting lines and is functionally reporting to the Board of Directors and administratively reporting to the CEO – Chairman of the Management Board; provides for a balance of internal audit competences between Russian Railways’ Board of Directors, its Audit and Risk Committee, and the CEO – Chairman of the Management Board; and guarantees the adherence to the principle of independent and objective internal audit to enable the fulfilment of the main internal audit tasks and functions.

Zheldoraudit’s headcount is 58 FTEs.

In 2020, Zheldoraudit won the Best Internal Audit Function award in the annual National Efficient Internal Control and Internal Audit Awards run by the National Union of Internal Auditors and Controllers.

External audit
The Company’s auditor for 2020 was selected following an open electronic tender 1 to conduct a statutory audit of Russian Railways’ accounting (financial) statements and the consolidated IFRS financial statements for 2020. Order No. 2509-r of the Russian Government, dated 30 September 2020, approved by Ernst & Young as Russian Railways’ auditor for 2020.

The external auditor disclosed and submitted to the Audit and Risk Committee of the Board of Directors information on all relations and matters to be assessed for compliance with independence criteria. In performing its duties, the auditor had no conflict of interest.

Ernst & Young’s remuneration for conducting the 2020 statutory audit of the Russian Railways’ accounting (financial) statements and consolidated IFRS financial statements is RUB 138 m, including VAT of RUB 23 m.

1 Approved by the Company’s Board of Directors (Minutes No. 19 dated 22 July 2020) and enforced by Russian Railways’ Order No. 1795/r of 21 August 2020.
2 Approved by the Supervisory Board of the Moscow Exchange on 21 January 2020.
Anti-corruption

Russian Railways’ anti-corruption policy is based on a set of interrelated principles and procedures designed to prevent and combat corruption and respond to corruption risks. It is intended to ensure that the Company’s managers and employees, as well as its directors, the investment community and other stakeholders align around the idea of zero tolerance to corruption in all forms and manifestations and inevitability of punishment for corruption-related offences.


To ensure a common approach to implementing the Company’s anti-corruption policy, Russian Railways’ subsidiaries implemented their anti-corruption plans and relied on relevant corporate procedures to introduce and update their internal anti-corruption regulations.

The Company has an effective feedback channel in place – Russian Railways’ Anti-Corruption Hotline. Out of 500 messages received via the Hotline in 2020, 212 messages reported potential corrupt behaviour. Having investigated these reports, the Company took disciplinary action against 38 employees, including 3 disciplinary penalties, 28 reprimands and 8 dismissals. Seven reports were escalated to law enforcement agencies.

Russian Railways’ centralised system of mandatory anti-corruption training proved to be equally effective. More than 188,000 employees were able to complete the training online despite the pandemic.

In accordance with the 2020 plan for the training and development of Russian Railways managers and office workers, 500 employees of the Company responsible for anti-corruption activities were enrolled in an educational programme at the Law School of the Russian Academy of Sciences. More than 500 employees of Russian Railways took part in the workshops.

The Company is engaged in implementing a number of joint anti-corruption initiatives and is represented on the Expert Task Force On Improving Legal Mechanisms of Preventing Corruption of the Prosecutor General’s Office, the rating committee for the Anti-Corruption Rating of Russian Business, and the Anti-Corruption Compliance and Business Ethics Council of the Chamber of Commerce and Industry of the Russian Federation, and the technical committee on the development of the Anti-Corruption Activities standard established by the resolution of the Federal Agency on Technical Regulation and Metrology under the Russian Ministry of Industry and Trade.

In December 2020, the Russian Railways Group approved a Comprehensive Anti-Corruption Promotion Programme for 2021–2023 focused on promoting zero tolerance towards corruption offences among employees.

Seeking independent due diligence, the Company took part in the Anti-Corruption Rating of Russian Business 2020 run by the Russian Union of Industrialists and Entrepreneurs. As a result, the Company’s anti-corruption activities were found to be fully compliant with the international anti-corruption standard and the provisions of the Anti-Corruption Charter for Russian Business. Russian Railways was assigned the top A4 rating as a company with the highest level of anti-corruption efforts and a minimum level of corruption risks, associated with a minimum threat to investors, creditors, business partners, and other stakeholders.

Conflicts of interest

Resolution of conflicts of interest is a top-priority objective of the Company’s anti-corruption policy. Russian Railways has put in place procedures to identify and prevent conflicts of interest.

The conflict of interest procedures for the members of the Company’s Board of Directors are outlined in the Regulation on the Board of Directors of Russian Railways. The members of the Company’s Board of Directors, acting reasonably and in good faith, are expected to make decisions considering all available information, in the absence of a conflict of interest. The members of the Company’s Board of Directors may not use their official position and information about the Company’s operations for their personal advantage or allow using the same by third parties. Directors have a duty to disclose to the Board of Directors any matter under consideration by the Board of Directors on which they have a personal interest before the discussion of such matter begins and a duty to abstain from voting on any such matter.

In accordance with the Regulation on the Settlement of the Conflict of Interest of Russian Railways,10 all employees are required to immediately disclose conflicts of interest. Officers responsible for resolving conflicts of interest were appointed at the Executive Office, branches and business units of Russian Railways.

In 2020, Russian Railways pioneered digital solutions to identify, understand and act on new initiatives found conflicts of interest, introduced automated processes for consolidating business unit reports on anti-corruption activities, and implemented an automated reporting system, Decantr A4. The number of conflict of interest disclosures reviewed in 2020 grew 2.5 times year-on-year to 3,381 disclosures from 979 disclosures in 2019. Similarly, the number of unsolicited conflict of interest disclosures tripled year-on-year, as well as equity disclosures from 324 disclosures in 2019. In 2020, 522 conflicts of interest (vs 184 conflicts in 2019) were identified and resolved. The Company applied disciplinary actions for failure to comply with anti-corruption rules to 27 employees (14 employees were reprimanded, 11 employees were admonished, and 2 were dismissed).

<table>
<thead>
<tr>
<th>Conflict of interest resolution</th>
<th>Total disclosures reviewed</th>
<th>Unsolicted disclosures</th>
<th>Identified conflicts of interest</th>
<th>Number of disciplined employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>979</td>
<td>245</td>
<td>372</td>
<td>27</td>
</tr>
<tr>
<td>2019</td>
<td>763</td>
<td>164</td>
<td>532</td>
<td>19</td>
</tr>
<tr>
<td>2020</td>
<td>352</td>
<td>184</td>
<td>522</td>
<td>19</td>
</tr>
<tr>
<td>2019</td>
<td>210</td>
<td>32</td>
<td>245</td>
<td>27</td>
</tr>
</tbody>
</table>

1 Approved by the Russian President’s Decree No. 378 dated 26 June 2018
2 Approved by Russian Railways’ Order No. 1545/r dated 20 July 2020
3 Approved by Order No. 265 of the Russian Government dated 25 February 2014 (as amended). Developed in accordance with applicable Russian laws, the Corporate Governance Code and the Charter of Russian Railways.
4 Approved by Russian Railways’ Order No. 329 dated 24 February 2016.

The Company has a Conflict of Interest Commission established to identify and eliminate causes of and conditions conducive to the emergence of conflicts of interest, ensure an objective and timely consideration and resolution of conflicts of interest, protect the legitimate interests of Russian Railways and the rights of its employees, and implement anti-corruption measures. The Commission held two meetings in 2020. All of the 16 railways of the Company have regional conflict of interest commissions. In 2020, they held 24 meetings on 31 employees. Cases reviewed by the commissions in 2020 mostly concerned the resolution of conflicts of interest arising from a subordinate relationship with a relative, as well as equity participation in and holding management offices at companies doing business with Russian Railways.
Risk management

Effective risk management at Russian Railways is a consistent ongoing process that spans all organizational layers and is integrated with the business and decision-making processes to make targets more achievable.

The internal control is an integral part of the risk management system, and the risk management and internal control system (the “RMICS”) forms part of the corporate governance system ensuring sustainable development of the Company amid external uncertainties and changes, which is reflected both in the adopted policies and guidelines as well as in the constantly improved and developed risk management process. The overall coordination and methodological support of RMICS risk management process at Russian Railways are led by the Risk Management and Internal Control Centre (the “Centre”).

The main results of the Centre activity in the reporting year with respect to RMICS development include:
- approval of the Risk Appetite Guidelines and the risk appetite by the Board of Directors;
- implementation of the procedures to monitor the risk tolerance and the risk appetite;
- implementation of the self-assessment tools to identify further development focus and needs, feedback-based improvement of risk management processes;
- development and approval of the functional requirements for the Company-wide risk management automation;
- development and launch of onsite and online risk management courses at the Russian Railways’ Corporate University workshops involving representatives of affiliates and youth programmes;
- RMICS development in affiliates based on the common guidelines;
- identification of trends and alignment of the risk management policies and guidelines for business lines with the corporate RMICS documents;
- implementation of weekly routine reporting on material risks impacted by COVID-19.

The Company has developed and implemented a hierarchy of risk management and internal control policies and guidelines in line with:
- instruction of the President of the Russian Federation No. Pr-2015 dated 27 December 2014;
- Article 87.1 of Federal Law On Joint-Stock Companies;
- Corporate Governance Code; 1
- Article 24 (1) of the Act On Company=”87.1” of Federal Law On Joint-Stock Companies;
- Corporate Governance Code; 1
- the Federal Agency for State Property Management; 2
- guidelines for drafting risk management policies developed by the Federal Agency for State Property Management; 2
- GOST R ISO 31 000:2010 Risk Management – Principles and Guidelines; 3
- international and Russian best practices of corporate governance, risk management and internal control.

The corporate policies and guidelines as well as the mid-term RMICS development programme define the consistent ongoing process of risk management integrated with the business and decision-making processes to make Company’s targets, including the strategic ones, more achievable.

For a systematic and consistent approach to the integrated RMICS development, the Russian Railways Group has been implementing its Risk Management and Internal Control Development Programme for 2019–2024, which involves:
- shaping the risk management infrastructure including regulatory and methodological support, process automation, development of risk management and internal control skills and expertise;
- continued monitoring and notification of governance bodies, self-assessment;
- cascading the applied methodology, building/developing RMICS in Russian Railways’ affiliates based on a unified approach to ensure the integrity of the risk management process within the Group.

RMICS is subject to regular independent assessment through internal audits for higher effectiveness and timely adjustment.

### Hierarchy of the Company’s risk management and internal control policies and guidelines

#### Level 1
- Risk Management and Internal Control Policy

#### Level 2
- Risk Management and Reporting Procedures

#### Level 3
- Risk Appetite Guidelines
- Risk Management and Internal Control Guidelines

#### Level 4
- Individual Risk Management Areas Under Corporate RMICS
- Policy Provisions and Industry Standards for RMICS Areas
- Documents Detailing Elements for RMICS Areas (Procedures, Instructions)

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1. Approved by the Bank of Russia’s Board of Directors on 21 March 2014
2. Approved by the Russian Government’s Order No. 15n-FZ-4148 dated 24 June 2015
3. Approved by Rosstandart’s Order No. 883-st dated 21 December 2010
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. The Company's goals include, but not limited to:
- strategic goals;
- operational goals;
- compliance goals;
- goals related to the reliability, timeliness and quality of reporting of any type.

The RMICS serves to:
- put in place the necessary infrastructure, policies and guidelines;
- integrate risk management and internal control processes and procedures into the strategic and operational dimensions of the Company;
- raise risk awareness of RMICS participants and other stakeholders;
- reduce the number of contingencies that could undermine the Company's ability to achieve its goals.

The Company operates its RMICS in line with GOST R 31 000:2010 Risk Management – Principles and Guidelines, as amended by GOST R ISO 31 000:2019 Risk Management – Principles and Guidelines.1

RMICS organisational structure

Allocation of RMICS rights and obligations in line with the Company's policies and guidelines is based on the Three Lines of Defence model involving the following participants of risk management process:
- Russian Railways’ Board of Directors, including its Audit and Risk Committee;
- Russian Railways’ Audit Commission;
- risk management and internal control unit;
- the unit responsible for independent assessment of individual RMICS elements and overall RMICS operation.

Effective RMICS operation is underpinned by interaction and information exchange between the participants of the risk management and internal control system. As risk management and internal control procedures form an integral part of the business processes, operations and corporate governance, the interaction within RMICS is based on the established governance structures, segregation of duties, corporate culture and code of conduct, business process and activity structure.

Risk appetite and risk management process

Russian Railways sets its risk appetite, which then shapes the decision-making on risk responses and controls and serves to maintain a balance between risks and opportunities.

Risk appetite is determined by the Company’s Board of Directors and represents the maximum acceptable level of risk that the Company is willing to accept and hold on while pursuing its goals.

Risk management process is regulated by internal regulatory documents of the Company. RMICS process generates risk reports which are submitted to and approved by the executive bodies, the Audit and Risk Committee, and the Board of Directors. The reports include information about the risks, risk response measures, and RMICS performance.

Main reports and records are generated based on the risk IDs and include the summary of monitoring the key risks, risk appetite, maximum acceptable risk level, and risk portfolio of the Company, as well as the RMICS self-assessment results.

Information exchange as well as vertical and horizontal interaction of participants are key to RMICS efficiency. Interaction and consultations are not limited by reporting periods because risk management and internal control are ongoing and integrated into business processes and corporate governance. The correlation between RMICS and KPIs links the strategic, operational, compliance and reporting reliability goals and defines the relevant criteria to achieve them.

Risk management stages

Risk ID

Register of the Company’s risks, register of the Company’s key risks.

Risk monitoring report

- Register of the Company’s key risks.
- Reporting and recording of the Company’s key risks.
- Register of the Company’s key risks.
RMICS assessment

RMICS must be subject to regular assessment to verify its relevance to the Company’s current needs, higher effectiveness and timely adjustment. The Company uses internal (including self-assessment and assessment by the internal audit function, which is at the third line of defence) and external assessment. The internal assessment is carried out from time to time at least once a year. The external assessment is carried out by an independent expert. Its frequency is set by Russian Railways’ Board of Directors as recommended by its Audit and Risk Committee. In 2020, no external assessment was carried out.

The results of RMICS self-assessment in 2019 were discussed by the Russian Railways’ Board of Directors in July 2020 following a preliminary study by the Audit and Risk Committee and the Management Board. The Board of Directors plans to review the RMICS self-assessment report 2020 in June 2021.

Russian Railways’ risk management and internal control system is assessed from time to time at least once a year by Zheldoraudit Internal Audit Centre. Zheldoraudit assessed the risk management and internal control system of the Company in accordance with Russian Railways’ internal audit plan for 2020. The audit was conducted in line with the Internal Audit Manual on Assessment of the Risk Management and Internal Control System. In 2020, the internal audit was focused on RMICS compliance with the established requirements and involved risk management assessment in individual business processes of the Company.

In 2020, efforts were made to develop and improve RMICS in line with the Russian Railways Risk Management and Internal Control Development Programme for 2019–2024 and based on the internal audit recommendations. The internal assessment resulted in the internal audit report on RMICS current status, compliance with the main RMICS requirements and the opinion on efficient development and improvement of the Russian Railways’ risk management and internal control system.

Plans for risk management development in 2021

In 2021, it is planned to continue developing RMICS by:
- expanding the training coverage of Russian Railways employees, knowledge sharing, further improvement of the training programmes;
- increasing the number of knowledge sharing sites within and outside the Group;
- enhancing feedback tools and developing proactive risk management improvement measures;
- implementing a single information platform (portal) for RMICS, developing risk management automation;
- further comprehensive risk analysis, evaluation and modification of risk responses; using the results in decision-making and further RMICS integration into the process management model;
- further building uniform approaches in the Group by improving RMICS of the affiliates.

Key risks

Risks associated with the Long-Term Development Programme

The key risks associated with the Long-Term Development Programme until 2025 are identified based on their impact on the Company’s performance. Then, they are decomposed as risk factors by business line.

<table>
<thead>
<tr>
<th>Risk factor group</th>
<th>Risk factor description</th>
<th>Mitigants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macroeconomic</td>
<td>Weaker than forecasted macroeconomic performance and lower freight volumes, including as a result of more rigorous sanctions</td>
<td>Keeping in constant touch with the Government and key customers to provide them with complete and objective information about potential adverse effects of the adopted decisions</td>
</tr>
<tr>
<td></td>
<td>Higher than expected growth of prices for consumed products, including petroleum products and electricity</td>
<td>Efficiency improvement initiatives, long-term contracts with suppliers</td>
</tr>
<tr>
<td></td>
<td>Resolutions to provide development institutions with additional liquidity</td>
<td></td>
</tr>
<tr>
<td>State regulation</td>
<td>No government resolutions on long-term financing of the railway transport development or a failure to implement such resolutions</td>
<td>Searching for alternative sources and tools of financing</td>
</tr>
<tr>
<td></td>
<td>Changes in the regulatory framework / regulations providing support to other transport modes weakening the competitiveness of railway transport</td>
<td>Optimising technical solutions for capital investment projects</td>
</tr>
<tr>
<td></td>
<td>Liberalisation of the railway passenger transportation market</td>
<td>Breaking down projects into stages with their subsequent implementation in the order of priority</td>
</tr>
<tr>
<td></td>
<td>Liberalisation of the railway freight transportation market</td>
<td>Keeping in constant touch with the Government and key customers to provide them with complete and objective information about potential adverse effects of the adopted decisions for Russian Railways</td>
</tr>
<tr>
<td></td>
<td>Reduced public financing</td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td>Significant changes in cargo types and transportation routes versus the forecast</td>
<td>Building long-term relations with customers and improving consumer feedback strategies</td>
</tr>
<tr>
<td></td>
<td>Enhancing market flexibility and expanding business in deregulated segments</td>
<td>Strengthening logistics capacities to satisfy customer demand for comprehensive services</td>
</tr>
<tr>
<td></td>
<td>Searching for alternative sources and tools of additional liquidity</td>
<td>Implementing the initiatives included in the Comprehensive Plan for Upgrading and Expanding Core Infrastructure</td>
</tr>
<tr>
<td></td>
<td>Improving the investment project management schedule</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improving the investment project management framework</td>
<td></td>
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<tr>
<td></td>
<td>Ensuring in constant contact with the federal and regional tax authorities</td>
<td></td>
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<tr>
<td></td>
<td>Improving the management framework</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Insufficient investment in infrastructure development</td>
<td>Optimising technical solutions</td>
</tr>
<tr>
<td></td>
<td>Insufficient management competencies</td>
<td></td>
</tr>
</tbody>
</table>

1 PR 003-2019 approved by Russian Railways’ Order No. 2941/r dated 20 December 2019.
Risk factor group | Risk factor description | Mitigants
---|---|---
HR | Deficit of qualified staff due to the insufficient competitiveness of Russian Railways as an employer | Keeping compensation on a level above the Russian average for a competitive employee value proposition
| Stronger competition in the labour market on the back of a decrease in Russia’s working population in the medium term | Offering staff development opportunities in line with best practices in training, implementing dedicated social programmes, developing a compensation and benefits package that meets employees needs
R&D and technology | Weaker competitiveness of the railway transport due to a technology gap with other modes of transport | Implementing the Comprehensive Innovative Development Programme of Russian Railways Group
| Insufficient cooperation with global railway engineering leaders | Keeping in constant touch with the operators of associated transport modes to synchronise the investment programmes
| Underperformance in adaptation and utilisation of innovative R&D solutions | Cooperating with rolling stock operators to improve rolling stock management efficiency
Technology | Slower debottlenecking at associated transport facilities (port capacities, warehouse terminals) versus the forecasts contained in the Company’s investment programme | Keeping in constant touch with the operators of associated transport modes to synchronise the investment programmes
| Failure to meet the freight transportation market needs due to the inefficient freight railcar fleet | Cooperating with rolling stock operators to improve railcar fleet management efficiency

The most significant of them are:
- insufficient revenue rate growth below the indexation of tariffs amid growing prices for products consumed by Russian Railways;
- no government resolutions on long-term financing of the railway transport development or a failure to implement such resolutions;
- significant changes in freight and passenger transportation markets with a contracting share of the Russian Railways Group across transportation segments.

To prevent these risks and respond to them in a timely manner, Russian Railways maintains an ongoing dialogue with government authorities and key customers keeping them informed about potential adverse effects of the adopted decisions. To reduce potential negative risk impacts, the Company enhances its customer focus and the quality of services while also running an efficiency improvement programme.

Russian Railways’ risk profile1, which is generally unchangeable in spite of changing internal and external environment, reflects its strong focus on key business lines and continuous improvement of risk management practices to ensure the Company’s ability to work towards its ambitious goals amid constantly changing external environment.

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1. Traffic safety
2. Government relations
3. Public relations (PR and communication with the business community)
4. Freight transportation
5. Procurement
6. IT and information security
7. Capital construction, upgrade and overhaul
8. Corporate security
9. Corporate governance
10. Corporate governance and coordination at the railway domains
11. Corporate governance of affiliates
12. Corporate programmes and initiatives
13. International operations
14. Traffic management
15. Organising and conducting audits, control activities
16. Passenger transportation
17. Legal support and compliance (excluding corruption risks)
18. Infrastructure services
19. Locomotive traction services
20. Other services
21. Infrastructure and rolling stock development
22. Strategic planning and target setting
23. Inventory management / logistics
24. Property management
25. Intangible asset management
26. HR management (personnel and social development)
27. Social facility management
28. Reporting
29. Economics and finance
30. Operation, maintenance and repairs of infrastructure facilities (infrastructure maintenance and repairs)
31. Rolling stock operation, maintenance and repairs (rolling stock maintenance and operation)

1. The Annual Report does not include a comprehensive description of all risks which might affect the Company’s activity. Other risks not mentioned in this Report may also be material and considerably undermine the Company’s performance.

2. Colour highlights indicate the 2021 vs 2020 trend.
As of 2021, the following areas have come more prominently into risk assessment compared to 2020:

- IT and information security, which is primarily connected with the increasing attention of Russian Railways’ customers to this area as well as more stringent regulatory environment and specific features of the processes as a result of the pandemic;
- passenger transportation amidst the COVID-19 pandemic and related restriction risks.

At the same time, there is a positive trend in traffic management, locomotive traction services and management of social accidents.

Key measures to respond to risks implemented in 2020 by business lines included:

- review and improvement of internal processes for identifying key gaps, developing and implementing systematic mitigants to reduce risk impact and prevent future negative developments (including enhancing the processes for internal regulations), based, among other things, on the best practices;
- automation and digitisation, including measures to improve the reliability and efficiency of data, reduce the human factor and manual labour, and increase the speed of management decisions;
- legislative initiatives aimed at increasing the transparency of the Company’s operations, including through implementing the regulatory guideline mechanism to eliminate outdated regulations;
- employee training and increasing the level of employee competencies;
- taking into account the factors in connection with the COVID-19 spread, economic situation in some countries of operation, including development and implementation of selective mitigants to ensure, inter alia, health and safety of the employees and customers and ability of the Company to continue as a going concern.

### Sustainability risks

Russian Railways pays particular attention to sustainability risks. Sustainable development of the Company is underpinned by its economic, environmental and social performance as one of Russia’s major economic entities. The Company’s results are set out in its public sustainability reports. Russian Railways analyses international sustainability trends, reviews and improves its activity with a sustainable perspective, which makes it possible to identify growth drivers and leverage new sustainability opportunities in its activity balancing the opportunities for the Company and respective risks.

### Social risks

The Company addresses risks with regard to its employees and retirees as well as other social partnership entities and personalities. Dealing with the risk of ineffective social policy is primarily aimed at creating sustainable working environment, fulfilling the obligations under the Collective Bargaining Agreement and cultivating the Company’s positive image to prevent the risk of ineffective social policy is a result of the processes as a result of the pandemic.

### Health and safety risks

In 2020, production departments of the Company’s branches assessed professional risks for the main types of hazardous occupations by conducting an integral assessment, defining the acceptable risk levels and making lists of unacceptable and undesirable risks. The measurement results were then evaluated and rated by the regional business-units and summarised in risk matrices for the main types of hazardous occupations.

For example, professional risk management initiatives were developed and included in the Comprehensive Health and Safety Improvement Programme for 2018–2020 based on the risk assessment results. In 2020, the Company spent RUB 28.5 bn on the Programme.

### Corruption risks

Russian Railways’ Board of Directors approved the risk appetite statements for 2020. The Company’s branches assessed professional risks for the main types of hazardous occupations by conducting an integral assessment, defining the acceptable risk levels and making lists of unacceptable and undesirable risks. The measurement results were then evaluated and rated by the regional business-units and summarised in risk matrices for the main types of hazardous occupations.

For example, professional risk management initiatives were developed and included in the Comprehensive Health and Safety Improvement Programme for 2018–2020 based on the risk assessment results. In 2020, the Company spent RUB 28.5 bn on the Programme.

### Climate change risks

The Company pays great attention to climate change risks, monitoring the climate change impact and taking it into account when planning its activities. The key threat that can potentially affect the Company’s business is the growing number of meteorological hazards that jeopardise railway operations. These include heavy rains and snow, extremely low and high temperatures, huge temperature swings, glaze, rime and greater impact of groundwater recharge, for example, such as snowfalls and floods, etc.

To address these risks to infrastructure, the Company implements various strengthening solutions (anti-washout slabs, rock anchorage, rock anchorage) and builds structures for protection of the track bed from natural hazards (such as mudflows, landslides, avalanches and rockfalls).

The Company has approved the work request for Comprehensive Analysis of the Exposure of Russian Railways’ Infrastructure to External Factors as part of its R&D plan for 2021. The work will result in the creation of a harmonised and software platform based on Russian Railways’ Geoinformation Platform to forecast and take account of changing environmental and anthropogenic factors affecting the technical condition of engineering infrastructure structure during its operating lifetime according to the methodology developed as part of the said work to calculate the effect of external risk factors on the conditions of maintenance and reliability of engineering structures.

### Procurement risks

The main procurement risks include:

- procurement of materials and resources at a suboptimal price;
- procurement of materials and resources in volumes that are insufficient for Russian Railways’ units;
- failure to perform the obligation to provide required volumes from small and medium-sized businesses;
- failure to provide or unreasonably prolong information in case of Russian Railways’ procurement activity, according to the procurement laws and Russian Railways’ regulations;
- violation of laws when arranging and holding procurements;
- violation of laws when making procurement disclosures;
- improper preparation of documents for competitive procurements.

The Company has the following procedures in place to eliminate or respond to procurement risks:

- development and updating of Russian Railways’ regulations during effective years to be taken by the Company’s units involved in procurements;
- decision-making on automation; train of employees involved in procurement;
- control of compliance with Russian laws and Russian Railways’ regulations when arranging and holding procurements.

### Cybersecurity risks

Information security risks are of no small importance for Russian Railways. If they materialise, information security threats may disrupt or suspend IT services, the process flow and operations of the Company, including leakage of information with restricted access.

The key information security measures implemented and planned by Russian Railways include:

- classification and categorisation of the Company’s information systems;
- information security threat modelling;
- proper arrangement of the information infrastructure components with due account of information security;
- development of information protection requirements;
- design and implementation of information protection systems in the Company’s information infrastructure;
- assessment of the system compliance with information security requirements;
- improvement in information protection;
- information security of the Company’s internal and central control systems;
- arrangement of the Company’s workflow with due account of information security requirements;
- identification and handling of information security incidents;
- enhancement of the Company’s information security policies and guidelines;
- internal investigations of information security violations.

In 2020, Russian Railways took steps to implement and maintain the information protection systems, including:

- automated information security systems;
- centralised access node for information systems;
- no. monitoring and controlling information transmission channels; and
- system for detecting and preventing cyberattacks on information infrastructure.

In 2021, it is planned to enhance the information security management and control system with urgently required security of the Company’s information infrastructure enhance the Company’s information security policies and guidelines.
Financial risk management

The Company lays a strong emphasis on managing financial risks and insuring its property and liability. In 2020, key objectives in the realm of financial risk management included framework adjustment to potential adverse geopolitical and macroeconomic factors, and further efforts to ensure implementation of uniform financial risk management principles across the Group.

The key internal regulation governing financial risk management at Russian Railways is the Company’s Financial Risk Management Policy. All related decisions are made by the Financial Risk Management Commission, a collective body headed by the First Deputy CEO of the Company. The financial risk management proved the Commission’s efficiency as a management decision-making centre due to the involvement of all respective units in discussing and making well-informed decisions taking into account all related risks. The Financial Risk Management Commission holds regular meetings. In 2020, over ten meetings were held to discuss numerous issues, including management of the Company’s foreign currency exposure, approaches to hedging, financial risk management as part of implementation of the first priority investment projects.

Russian Railways approaches to financial risk management are based on best practices in 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 operations 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 the 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 risk management experts. The Company lays a strong emphasis on improving and developing the approaches to assess financial institutions taking into account the latest changes in the Russian banking sector. Credit limits are calculated using an automated system.

In its dealings with the real sector companies, Russian Railways relies on a system of management standards that include standard terms of settlement with counterparties, provision remedies, treasury control, limitation of receivables and payables, bank guarantees underpinning the parties’ commitment to competitive bidding, proper performance and repayment of advances. These tools help to protect Russian Railways against the risk of counterparty default. Financial institutions that issue bank guarantees and sureties are selected based on their credit record and existing credit limits.

Liquidity risk

The Company manages its liquidity based on the balance of payments, payment schedule and payment position as per the approved budgets. Depending on the current liquidity situation, the Company promptly raises or deposits funds under the best market conditions. The Company manages its liquidity based on Reuters and Bloomberg systems. The Company is also promoting the use of cash pooling for intercompany liquidity management purposes.

Currency and interest risks

To assess this category of risks, the Company builds models and evaluates budget parameters factoring in potential volatility of the relevant market indicators. Assessment of Russian Railways’ currency risks and selection of a currency risk management tool are based on the analysis of the Company’s foreign currency exposure, the Company’s operations are broken down into and categorised by regions. The assessment of currency and interest risk management policy are based on the analysis of the floating exchange rate, starting from 15 July 2015, Russian Railways has been applying hedge accounting model to liabilities denominated in foreign currencies in line with its approved foreign currency risk management policy. The Company hedges revenue from transit shipments through the Russian Federation denominated in Swiss francs, as well as euro-denominated investments in GEFCO. The hedges include loans and borrowings in Swiss francs and US dollars (after conversion into Swiss francs) and a portion of the euro-denominated loan corresponding to the net investment in GEFCO.

Liquidity risk

The Company manages its liquidity based on the balance of payments, payment schedule and payment position as per the approved budgets. Depending on the current liquidity situation, the Company promptly raises or deposits funds under the best market conditions. The Company manages its liquidity based on Reuters and Bloomberg systems. The Company is also promoting the use of cash pooling for intercompany liquidity management purposes.

The Company minimises its foreign currency risks by reducing its foreign currency exposure, which includes the use of financial derivatives, and seeks to keep it close to neutral with cash inflows and outflows in foreign currencies offsetting each other. The assessment of interest risk is based on the analysis of the floating interest rate volatility and its impact on Russian Railways’ loan portfolio. The Company also develops and reviews the foreign currency exposure of the Russian Railways Group in order to assess its risk profile and coordinate solutions across the Group.

Taking into account the heightened risk of changes in the Russian rouble exchange rate, starting from 15 July 2015, Russian Railways has been applying hedge accounting model to liabilities denominated in foreign currencies in line with its approved foreign currency risk management policy. The Company hedges revenue from transit shipments through the Russian Federation denominated in Swiss francs, as well as euro-denominated investments in GEFCO. The hedging tools include loans and borrowings in Swiss francs and US dollars (after conversion into Swiss francs) and a portion of the euro-denominated loan corresponding to the net investment in GEFCO.

Hedge accounting allows the Company to recognise the effect of the currency risk management policy and reduce volatility of its financial results caused by movements in the currency exchange rates. As a result, translation differences on hedged loans are recognised in equity and later reclassified to profit or loss when FX revenue is received and/or FX asset is disposed of.

Each case of foreign currency exposure is analysed for applicability of hedge accounting under the Russian and international financial reporting standards. As at 31 December 2020, over 90% of the Company’s borrowings denominated in foreign currencies were subject to hedge accounting.

Insurance

The Company insures its real estate, rolling stock, employees, liability of a railway infrastructure owner, carrier liability, and liability of directors and officers working for the Company or its 99 subsidiaries and affiliates.

Over 1,380 insurance claims were settled in the reporting year, with total insurance compensation exceeding RUB 794.6 m.

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 the 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 risk management experts. The Company lays a strong emphasis on improving and developing the approaches to assess financial institutions taking into account the latest changes in the Russian banking sector. Credit limits are calculated using an automated system.
Meetings of the Board of Directors’ Committees and their agenda

Strategic Planning Committee of the Board of Directors

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| 1   | 14 February 2020 | No. 4 of 17 February 2020 | In-person meeting | • Preliminary approval of Russian Railways’ withdrawal from TransWoodService.  
• Inclusion of RRC-2’s shares in Russian Railways’ register of non-core assets.  
• Russian Railways’ withdrawal from RRC-2.  
• Approval of the Russian Railways non-core assets disposal plan for 2020.  
• Review of a high-level project delivery and target achievement schedule for key projects implemented in pursuance of the instructions given by the Russian President and the Russian Government.  
• Results of implementing a roadmap for the launch of a system to manage and control Russian Railways’ large-scale construction projects in 2019.  
• Amendments to Russian Railways’ series 001P exchange-traded bond programme and prospectus.  
• Improvements in labour productivity.  
• Assessment of whether there are currently implemented or planned large-scale investment projects. |
| 2   | 29 April 2020 | No. 5 of 30 April 2020 | In-person meeting via video conference | • Amendments to Russian Railways’ series 001P exchange-traded bond programme and prospectus.  
• Voting position of Russian Railways (its representatives) regarding the payment (declaration) of dividends for 2019 and the dividend payment procedure to be resolved upon by the governance bodies of entities included in the list of controlled entities annually approved by Russian Railways’ Board of Directors.  
• Position of Russian Railways (its representatives) at the annual general meeting of shareholders of UTLC regarding the payment (declaration) of dividends by UTLC for 2019 and the dividend payment procedure.  
• Approval of the standard for assessing the implementation of the Long-Term Development Programme and KPI achievement.  
• Approval of the terms of reference for assessing the implementation of Russian Railways’ Long-Term Development Programme until 2025 and KPI achievement in 2019.  
• Progress in delivering Russian Railways’ investment programme and financial plan for 2020 based on performance in H1 2020. |
| 3   | 3 July 2020 | No. 6 of 14 July 2020 | In-person meeting via video conference | • Progress in delivering Russian Railways’ Long-Term Development Programme until 2025.  
• Preliminary approval of Russian Railways’ withdrawal from TransWoodService.  
• Russian Railways’ participation in Federal Passenger Company.  
• Position of Russian Railways (its representatives) regarding certain items to be resolved upon by the governance bodies of Federal Passenger Company.  
• Assessment of whether there are currently implemented or planned large-scale investment projects.  
• Proposals of Russian Railways’ management regarding key approaches to upgrading the tariff system for railway freight transportation after 2024. |
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| 4   | 24 July 2020  | No. 7 of 27 July 2020 | In-person meeting via video conference | • Draft updated Charter of Russian Railways.  
• Draft development strategy of the TransTeleCom group of companies until 2025.  
• Position of Russian Railways (its representatives) regarding certain items to be resolved upon by the governance bodies of Company TransTeleCom. |
| 5   | 26 August 2020 | No. 8 of 26 August 2020 | Absentee voting | • Approval of additions to Russian Railways’ register of non-core assets (such additions being the property required for the creation of a Russian-Japanese centre for preventive medicine and diagnostics to be set up in the Khabarovsk Territory).  
• Inclusion of Ultranormbank’s shares in Russian Railway’s register of non-core assets.  
• Preliminary approval of a transaction involving the shares of business entities included in Russian Railway’s register of non-core assets.  
• Preliminary approval of Russian Railways’ participation in RZD Asset Management.  
• Preliminary approval of Russian Railways’ withdrawal from OCRV.  
• Preliminary approval of Russian Railways’ participation in RZD Technologies.  
• Position of Russian Railways (its representatives) regarding RRC-1’s membership in the Union of Railway Car Repair Enterprises to be resolved upon by the board of directors of RRC-1.  
• Preliminary approval of a transaction involving UTLC’s shares. |
| 6   | 8 September 2020 | No. 9 of 10 September 2020 | In-person meeting via video conference | • Results of the transactions to sell Russian Railway’s non-core assets included in the Russian Railway register of non-core assets, in 2H 2019.  
• Approval of additions to Russian Railways’ register of non-core assets.  
• Preliminary approval of Russian Railways’ withdrawal from Airexpress.  
• Preliminary approval of Russian Railways’ withdrawal from Metallist – Ramputmash Experimental Plant.  
• Results of operating efficiency improvement and cost-cutting initiatives. |
| 7   | 7 December 2020 | No. 1 of 10 December 2020 | In-person meeting via video conference | • Draft procedure for the preparation and submission of materials and information to the Board of Directors and the Committees of the Board of Directors of Russian Railways.  
• Approval of the list of controlled entities resolutions on which are to be passed by the Russian Railways Board of Directors in accordance with Clause 71.23 of the Russian Railways Charter.  
• Approval of additions to Russian Railway’s register of non-core assets.  
• Approval of the terms of reference for assessing the implementation of Russian Railways’ Long-Term Development Programme until 2025 and KPI achievement in 2019.  
• Approval of the action plan of the Strategic Planning Committee of Russian Railways’ Board of Directors for the 2020–2021 corporate year. |

**Audit and Risk Committee of the Board of Directors**

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• Review of the Zheldoraudit Internal Audit Centre plans for 2020.  
• Approval of the Zheldoraudit Internal Audit Centre budget for 2020.  
• Progress in improving and developing the integrated risk management model.  
• Review of statements on Russian Railways’ risk appetite in 2020.  
• Review of the Russian Railways key risks in 2020 in connection with its risk portfolio.  
• Approval of the standards for assessing the implementation of the Long-term Development Programme and KPI Achievement.  
• Approval of the terms of reference for assessing the implementation of the Russian Railways’ Long-Term Development Programme until 2025 and KPI achievement in 2019. |
| 2   | 21 February 2020 | No. 8 of 25 February 2020 | In-person meeting | • Progress in implementing the Action Plan to remove identified gaps and act on the recommendations made by the Audit Commission on the basis of financial audits and pursuant to the instructions of the President and Government of the Russian Federation.  
• Corporate governance in Russian Railways.  
• Report on improvements in internal controls to ensure the integrity, reliability and accuracy of Russian Railways’ accounting (financial) statements and disclosure of the Russian Railways accounting department risks ranked by materiality.  
• Status of the risk management and internal control systems during the implementation of Russian Railways investment programme.  
• Key indicators showing the status of the internal control system in Russian Railways and its subsidiaries and affiliates, monitoring procedure and evolution of the indicators, and analysis results of compliance with the internal control system requirements by Russian Railways and its subsidiaries and affiliates.  
• Results of monitoring anti-corruption risk management and internal control processes and effectiveness of anti-corruption measures taken by the Russian Railways in 2019.  
• Review of the Russian Railways key risks in 2019 in connection with its risk portfolio.  
• Approval of the check-list to assess internal audit annual performance by the Audit and Risk Committee of the Russian Railways Board of Directors. |
| 3   | 13 April 2020  | No. 9 of 15 April 2020 | Absentee voting | • Election of the secretary of the Audit and Risk Committee of Russian Railways’ Board of Directors.  
• Determination of the price (monetary value) of the property to be contributed to the Russian Railways charter capital.  
• Results of Russian Railways procurement activities in 2019.  
• Results of internal audit performance assessment in 2019 by the Audit and Risk Committee of the Board of Directors.  
• Results of the analysis of the efficiency of the disposal of Russian Railways’ educational facilities in 2017–2019 (including analysis of intended use of the disposed assets) in accordance with the Conceptual Framework for the Reform of the Russian Railways Pre-school and School Education for 2017–2020.  
• Disclosures to the persons responsible for corporate governance at the audit close-out stage.  
• Review of the report on the allocation of funds for charity and sponsorship activities in 2019. |
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| 4   | 29 April 2020      | No. 10 of 30 April 2020 | In-person meeting via video conference | • Review of the Russian Railways risk monitoring report for 2019 (including the self-assessment report on the risk management and internal control system).  
• Amendments to the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways approved by the Board of Directors on 28 June 2018.  
• Annual assessment of corporate governance, risk management and internal control systems by the Zheldoraudit Internal Audit Centre.  
• Criteria used by the Zheldoraudit Internal Audit Centre to select subsidiaries and controlled entities for audits, and collaboration between the with Zheldoraudit Internal Audit Centre, Zheldorkontrol Internal Central Centre, audit commissions of subsidiaries and controlled entities and the external auditor regarding audits of subsidiaries and controlled entities.  
• Position of Russian Railways (its representatives) at the meeting of the FPC Board of Directors regarding approval of the FPC budget performance report for 2019.  
• Preliminary approval of Russian Railways withdrawal from Metallist – Remputmash Experimental Plant (valuation matters).  |
| 5   | 21 May 2020        | No. 11 of 21 May 2020 | In-person meeting via video conference | • Review of Russian Railways annual report for 2019.  
• Preliminary approval of Russian Railways annual IAS financial (accounting) statements for 2019, including the income statement.  
• Review of the auditor’s report on Russian Railways accounting financial statements for 2019.  
• Review of the consolidated IFRS financial statements of Russian Railways for 2019.  
• Review of the auditor’s report on Russian Railways consolidated financial statements for 2019.  
• Recommendations to the general meeting of shareholders as to approval of the Russian Railways auditor for 2020.  
• Proposals regarding remuneration of the auditor in 2020.  
• Position of Russian Railways (its representatives) at the meeting of the FPC Board of Directors regarding approval of the FPC budget performance report for 2019.  
• Review of the progress report on the Consolidated Programme to Improve Operational Efficiency and Optimise Costs at FPC in 2018–2020.  
• Form and procedure to inform the members of the Board of Directors about operational and financial performance of Russian Railways.  |
| 6   | 5 June 2020        | No. 12 of 5 June 2020 | In-person meeting via video conference | • Review of the draft Regulation on Internal Audit.  
•Review of the draft Regulation on the Quality Management System at Russian Railways.  
• Position of Russian Railways (its representatives) at the meeting of Company TransTeleCom Board of Directors regarding approval of:  
  • Position of Russian Railways (its representatives) at the meeting of RRC-1 Board of Directors regarding approval of RRC-1 budget performance report for 2019.  
• Position of Russian Railways (its representatives) at the extraordinary meeting of UTLC Logistics shareholders regarding approval of UTLC Logistics budget performance report for 2019.  
• Results of Russian Railways procurement activities in Q1 2020.  
• Free transfer of Russian Railways non-core assets to public law institutions.  |
| 7   | 16 June 2020       | No. 13 of 16 June 2020 | In-person meeting via video conference | • Review of the draft updated Charter of Russian Railways.  
• Review of the draft procedure for the preparation and submission of materials and information to the Board of Directors and the Committees of the Board of Directors of Russian Railways.  
• Preliminary review of the draft Regulation on Russian Railways’ Board of Directors.  
• Position of Russian Railways (its representatives) at the meeting of RRC-1 Board of Directors regarding approval of RRC-1 budget performance report for 2019.  
• Position of Russian Railways (its representatives) at the meeting of the FPC Board of Directors of Russian Railways.  
• Amendments to the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways approved by the Board of Directors on 28 June 2018.  
• Position of Russian Railways (its representatives) at the meeting of Company TransTeleCom Board of Directors regarding approval of Company TransTeleCom budget adjustments in 2020.  
• FPC budget performance and necessity of budget adjustments based on the market trend analysis in Q1 2020.  
• Report on the Zheldoraudit Internal Audit Centre performance in Q1 2020.  
• Measures taken by the Zheldoraudit Internal Audit Centre to act on the recommendations from the Audit and Risk Committee of the Board of Directors of Russian Railways.  
• Progress under Agreement No. 145 of 24 October 2018 between Russian Railways and Rusenergosbyt, including criteria for price category selection.  
• Charitable co-financing of the school construction in Tulun, Irkutsk Region.  |
| 8   | 15 July 2020       | No. 14 of 15 July 2020 | Absentee voting          | • Appointment and remuneration of the head of the internal audit function.  |
| 9   | 22 July 2020       | No. 15 of 23 July 2020 | In-person meeting via video conference | • Amendments to the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways approved by the Board of Directors on 28 June 2018.  
• Position of Russian Railways (its representatives) at the meeting of Company TransTeleCom Board of Directors regarding approval of Company TransTeleCom budget adjustments in 2020.  
• FPC budget performance and necessity of budget adjustments based on the market trend analysis in Q1 2020.  
• Report on the Zheldoraudit Internal Audit Centre performance in Q1 2020.  
• Measures taken by the Zheldoraudit Internal Audit Centre to act on the recommendations from the Audit and Risk Committee of the Board of Directors of Russian Railways.  
• Progress under Agreement No. 145 of 24 October 2018 between Russian Railways and Rusenergosbyt, including criteria for price category selection.  
• Charitable co-financing of the school construction in Tulun, Irkutsk Region.  |
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• Results of procurement activities in H1 2020.  
• Report on the Zholdorail Internal Audit Centre performance in H1 2020.  
• Free transfer of Russian Railways non-core assets to public law institutions.  
• Approval of adjustments to UTLC Logistics budget for 2020.  
• Performance of the Audit and Risk Committee of Russian Railways’ Board of Directors in the 2019–2020 corporate year.  

| 11  | 27 November 2020      | 1 of November 2020 | In-person meeting via video conference | • Election of the secretary of the Audit and Risk Committee of Russian Railways’ Board of Directors.  
• Adjustments to FFC budget for 2020.  
• Adjustments to FPC budget for 2020.  
• Review of the progress report on the Consolidated Programme to Improve Operational Efficiency and Optimise Costs at FPC in 2018–2020 for H1 2020 and management of FPC key risks in H1 2020.  
• Review of the report on RZD Logistics performance in H1 2020.  
• Review of the report on the allocation of funds for charity and sponsorship activities in H1 2020.  
• Adjustments to the charity and sponsorship fund of Russian Railways in 2020.  
• Action plan of the Audit and Risk Committee of Russian Railways’ Board of Directors for the 2020–2021 corporate year.  

| 12  | 8 December 2020       | 2 of December 2020 | In-person meeting via video conference | • Approval of the action plan of the Audit and Risk Committee of Russian Railways’ Board of Directors for the 2020–2021 corporate year.  
• Review of adjustments to RBC-1 budget for 2020.  
• RZDstray performance improvement programme.  
• Amendments to the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways approved by the Board of Directors on 28 June 2018.  
• Results of procurement activities for 9M 2020.  
• Free transfer of Russian Railways’ non-core asset to the city of Moscow.  
• Free transfer of Russian Railways non-core assets to public law institutions.  
• Disclosure of information to the auditor of Russian Railways.  
• Determination of the initial (maximum) price of the contract for statutory audit of Russian Railways’ financial (accounting) statements and consolidated IFRS financial statements for 2021.  

### Personnel and Remuneration Committee of the Board of Directors

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| 1   | 20 February 2020      | 3 of 20 February 2020 | In-person meeting | • Appointment of a member of Russian Railways’ Management Board.  
• Candidates to the boards of directors of the companies included in the list of controlled entities approved by Russian Railways’ Board of Directors resolutions on which are to be passed by Russian Railways’ Board of Directors in accordance with Clause 71.23 of the Russian Railways Charter.  
• Candidates’ compliance with the independence criteria set for independent directors serving on the boards of directors of controlled entities.  
• Approvals for members of Russian Railways’ Management Board to hold positions in the governance bodies of other entities.  
• Self-assessment by Russian Railways’ Board of Directors for the 2019–2020 corporate year.  

| 2   | 27 April 2020         | 4 of 27 April 2020 | In-person meeting via video conference | • Election of the secretary of the Personnel and Remuneration Committee of Russian Railways’ Board of Directors.  
• Holding an introductory meeting with the candidates to be appointed as independent directors of the boards of Russian Railways’ controlled entities and nominated for the first time.  
• Results of self-assessment by Russian Railways’ Board of Directors for the 2019–2020 corporate year.  
• Amendments to the Regulation on the Remuneration System for Members of the Management Board of Russian Railways and the Board of Directors of Russian Railways’ subsidiaries.  
• Recommendations for the Company’s Annual General Meeting of Shareholders on the remuneration payable to members of the Audit Commission based on their performance in the 2019–2020 corporate year.  
• Recommendations for the Company’s Annual General Meeting of Shareholders on the remuneration payable to members of the Board of Directors based on their performance in the 2019–2020 corporate year.  
• Results of KPI achievement and general qualitative assessment of performance by the Management Board and the entire Russian Railways in 2019.  
• Approvals for members of Russian Railways’ Management Board to hold positions in the governance bodies of other entities.  
• Approval of the onboarding procedure for newly elected members of the Board of Directors.  
• Amendments to the regulations on committees of the Board of Directors.  
• Adoption of policies on key performance indicators and remuneration of the management teams of Russian Railways’ subsidiaries.  

| 3   | 19 May 2020           | 5 of 19 May 2020  | In-person meeting via video conference | • Recommendations for the Company’s Annual General Meeting of Shareholders on the remuneration payable to members of the Audit Commission based on their performance in the 2019–2020 corporate year.  
• Recommendations for the Company’s Annual General Meeting of Shareholders on the remuneration payable to members of the Board of Directors based on their performance in the 2019–2020 corporate year.  
• Results of self-assessment by Russian Railways’ Board of Directors for the 2019–2020 corporate year.  
• Recommendations for the Company’s Annual General Meeting of Shareholders on the remuneration payable to members of the Audit Commission based on their performance in the 2019–2020 corporate year.  
• Results of KPI achievement and general qualitative assessment of performance by the Management Board and the entire Russian Railways in 2019.  
• Approvals for members of Russian Railways’ Management Board to hold positions in the governance bodies of other entities.  
• Approval of the onboarding procedure for newly elected members of the Board of Directors.  
• Amendments to the regulations on committees of the Board of Directors.  
• Adoption of policies on key performance indicators and remuneration of the management teams of Russian Railways’ subsidiaries.  

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</table>
| 4   | 16 June 2020 | No. 6 of 16 June 2020 | In-person meeting via video conference | • Termination and appointment of members of Russian Railways’ Management Board.  
• Candidates to the boards of directors of RBC-1, Company TransTeleCom, and Federal Passenger Company included in the list of controlled entities approved by Russian Railways’ Board of Directors resolutions on which are to be passed by Russian Railways’ Board of Directors in accordance with Clause 71.23 of the Russian Railways Charter.  
• Approvals for members of Russian Railways’ Management Board to hold positions in the governance bodies of other entities.  
• Review of the draft updated Charter of Russian Railways.  
• Review of the draft procedure for the preparation and submission of materials and information to the Board of Directors and the committees of the Board of Directors of Russian Railways.  
• Preliminary review of the draft regulation on Russian Railways’ Board of Directors. |
| 5   | 23 September 2020 | No. 7 of 23 September 2020 | In-person meeting via video conference | • Termination and appointment of members of Russian Railways’ Management Board.  
• Approvals for members of Russian Railways’ Management Board to hold positions in the governance bodies of other entities.  
• Position of Russian Railways (its representatives) on the agenda items of the general meeting of shareholders and the meeting of the board of directors of Federal Passenger Company included in the list of controlled entities approved by Russian Railways’ Board of Directors resolutions on which are to be passed by Russian Railways’ Board of Directors in accordance with Clause 71.23 of the Company’s Charter, as well as on items “Election of Federal Passenger Company’s CEO” and “Re-election of Federal Passenger Company’s Board of Directors”.  
• Position of Russian Railways (its representatives) on the agenda item of the general meeting of shareholders of UTLC Logistics included in the list of controlled entities approved by Russian Railways’ Board of Directors resolutions on which are to be passed by Russian Railways’ Board of Directors in accordance with Clause 71.23 of the Company’s Charter.  
• Recommendations for the Russian Railways Annual General Meeting of Shareholders on the remuneration payable to members of the Board of Directors based on their performance in the 2019–2020 corporate year.  
• Recommendations for the Russian Railways Annual General Meeting of Shareholders on the remuneration payable to members of the Audit Commission based on their performance in the 2019–2020 corporate year.  
• Performance of the Personnel and Remuneration Committee of Russian Railways’ Board of Directors in the 2019–2020 corporate year. |
| 6   | 26 November 2020 | No. 1 of 26 November 2020 | In-person meeting via video conference | • Election of the secretary of the Personnel and Remuneration Committee of Russian Railways’ Board of Directors.  
• Appointment of a member of Russian Railways’ Management Board.  
• Approval of the action plan of the Personnel and Remuneration Committee of Russian Railways’ Board of Directors for the 2020–2021 corporate year. |
| 7   | 25 December 2020 | No. 2 of 25 December 2020 | In-person meeting via video conference | • Appointment of First Deputy CEO of Russian Railways.  
• Adjustment of corporate-wide KPI targets for 2020.  
• Approval of corporate-wide KPI targets for 2021. |

Digital Transformation and Innovation Committee of the Board of Directors

<table>
<thead>
<tr>
<th>No.</th>
<th>Meeting date</th>
<th>Meeting minutes</th>
<th>Meeting form</th>
<th>Meeting agenda</th>
</tr>
</thead>
</table>
| 1   | 20 February 2020 | No. 2 of 20 February 2020 | In-person meeting | • Approval of Russian Railways’ Comprehensive Innovative Development Programme until 2025.  
• Russian Railways’ IT Development Strategy until 2025.  
• Membership of Company TransTeleCom in the Digital Transport and Logistics Association for transport and logistics market participants. |
• Review of the draft development strategy of the TransTeleCom group of companies until 2025.  
• Preliminary approval of Russian Railways’ participation in RZD Technologies. |
Profitability analysis (RAS)

<table>
<thead>
<tr>
<th>ROE (net income / equity), %</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.01</td>
<td>4.25</td>
<td>0.42</td>
<td></td>
</tr>
</tbody>
</table>

Sales profitability, operational efficiency, and EBITDA margin

In 2020, sales profitability totalled 6.5%, down 2.5 pp y-o-y (13.4 pp vs plan), while EBITDA margin stood at 22.2%, down 0.4 pp y-o-y (+0.2 pp vs plan). The decrease at the end of the reporting period was due to the decline of sales revenue by 29.4% y-o-y.

<table>
<thead>
<tr>
<th>Sales profitability, %</th>
<th>2020 (actual)</th>
<th>2020 (plan)</th>
<th>2019 (actual)</th>
<th>2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.5</td>
<td>5.2</td>
<td>9.0</td>
<td>7.8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA margin, %</th>
<th>2020 (actual)</th>
<th>2020 (plan)</th>
<th>2019 (actual)</th>
<th>2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.2</td>
<td>22.0</td>
<td>22.6</td>
<td>21.1</td>
<td></td>
</tr>
</tbody>
</table>

Revenue rate, kopecks / 10 km

<table>
<thead>
<tr>
<th>Revenue rate, kopecks / 10 km</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>454.2</td>
<td>454.9</td>
<td>440.1</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA, RUB bn</th>
<th>2020 (actual)</th>
<th>2020 (plan)</th>
<th>2019 (actual)</th>
<th>2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>402.3</td>
<td>390.4</td>
<td>417.2</td>
<td>380.2</td>
<td></td>
</tr>
</tbody>
</table>

Operating profitability (net profit margin)

Lower income for the reporting period led to a 2.88 pp drop in net profit margin (operating profitability).

<table>
<thead>
<tr>
<th>Net profit margin, %</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.02</td>
<td>2.90</td>
<td>1.00</td>
<td></td>
</tr>
</tbody>
</table>

Disclaimer

This Annual Report (“Annual Report”) has been prepared based on the information available to the Open Joint Stock Company Russian Railways (“Russian Railways” or the “Company”) and its subsidiaries (the “Group” or “Russian Railways”) as at the issue date.

Russian Railways’ Annual Report for 2020 disclosed information to provide the Company’s shareholders represented by the Government of the Russian Federation, as well as government authorities, potential and actual investors, shippers, passengers and other stakeholders and users with the most full and relevant data on the operations of Russian Railways in 2020 and the Company’s development trends.

This Annual Report meets the requirements of the following laws and regulations:
- Federal Law No. 39-FZ On Securities Market dated 22 April 1996;
- Regulation of the Bank of Russia No. 454-P On Information Disclosure by the Issuers of Issue-Grade Securities dated 30 December 2014;
- Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995;
- Order No. 228 of the Federal Agency for State Property Management Onthe regulation of activities of the Federal Agency for State Property Management in corporate governance (with recomendations for the Russian Federation to form an opinion on the approval of the annual report of an open joint-stock company whose shares are held by the Russian Federation) dated 26 July 2005;
- Corporate Governance Code approved by the Bank of Russia’s Board of Directors on 21 March 2014;

The Annual Report contains an overview of activities and performance results of Russian Railways for the year ended 31 December 2020 and major trends that may affect the Company’s future performance.

For the purposes of this report, the word “Company” and the pronoun “we” in all their forms refer to Russian Railways.

In this report, the Russian Railways Group refers to a nominal group of entities that includes Russian Railways and its subsidiaries, affiliates and controlled companies in which the Company owns an interest.

The Annual Report may contain forward-looking statements that reflect expectations of the Company’s management.

These forward-looking statements are not based on actual circumstances and include all statements with respect to the Company’s intentions, opinions or current expectations pertaining to its performance, financial standing, liquidity, growth prospects, strategy, and the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such words as “anticipate,” “believe,” “expect,” “predict,” “intend,” “plan,” “project,” “consider,” “could” and other similar or equivalent expressions, including those used with negations, generally indicate a forward-looking statement. These assumptions involve risks and uncertainties, expected or unexpected by the Company. Therefore, future performance may differ from current expectations, and the recipients of the information contained herein may not rely solely on the information provided in the Annual Report in their assumptions.

Except as expressly required by applicable law, the Company assumes no obligation with regard to the distribution or publication of any updates or changes in the forward-looking statements to reflect any changes in expectations or new information, as well as subsequent events, conditions or circumstances.

1 Net profit / Equity
Contact information

**Legal address**
107174, Moscow,
ul. Novaya Basmannaya, 2

**Postal address**
107174, Moscow,
ul. Novaya Basmannaya, 2

**Contact telephone**
+7 (499) 262-99-01

**Fax**
+7 (499) 262-90-95

**E-mail**
rzd@rzd.ru

**Corporate Finance**
Department of Russian Railways

**Trade Finance and Debt Portfolio Servicing Department**

**Contact telephone**
+7 (499) 260-33-51

**Fax**
+7 (499) 262-89-41

**E-mail**
Solomatinala@center.rzd.ru

**Press Service of Russian Railways**

**Contact telephone**
+7 (499) 262-66-70 (for media only)

**E-mail**
press@center.rzd.ru