

Board of Directors

<p>The Board acts pursuant to the laws of the Russian Federation, the Charter of Russian Railways¹ and the Regulation on the Board of Directors of Russian Railways².</p> <p>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.</p> <p>In line with international corporate governance practices, independent directors have been elected to the Board of Directors of Russian Railways since 2008.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • approval of the agenda for general meetings of shareholders; • election of members of the boards of directors and chairmen of the boards of directors; • election of audit commissions; 	<ul style="list-style-type: none"> • approval of budget implementation reports for 2019, approval and adjustment of budgets for 2020, 2021–2022; • approval of material transactions; • dividend payouts; • participation in and withdrawal from other legal entities. <p>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.</p> <p>In 2020, Russian Railways implemented an action plan to improve the efficiency of the Board of Directors³. In particular, the following documents were developed and approved by the Board:</p> <ul style="list-style-type: none"> • Onboarding Procedure for Newly Elected Members of the Board of Directors;⁴ • Procedure for the Preparation and Submission of Materials and Information to Russian Railways’ Board of Directors and the Committees of the Board of Directors.⁵ <p>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.</p> <p>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</p>	<p>expiry⁶. It was resolved that the new Board would comprise 14 directors, and new Board members were elected.</p> <p>Directors who left the Board:</p> <ul style="list-style-type: none"> • Maxim Akimov; • Grigory Berezkin; • Arkady Dvorkovich; • Dmitry Patrushev; • Vladimir Puchkov; • Mikhail Rasstrigin. <p>Newly elected directors:</p> <ul style="list-style-type: none"> • Andrey Belousov; • Maxim Reshetnikov; • Alexey Sazanov; • Irek Fayzullin; • Sergey Frank; • Dmitry Chernyshenko. <p>Andrey Belousov was elected Chairman of Russian Railways’ Board of Directors⁷.</p> <p>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 31 December 2020, Russian Railways’ Board of Directors comprised 14 members.</p>
--	--	--

¹ Approved by Resolution No. 585 of the Russian Government dated 18 September 2003.
² Approved by Order No. 265-r of the Russian Government dated 25 February 2004.
³ Approved by the Company’s Board of Directors, Minutes No. 1 dated 24 July 2019.
⁴ Minutes No. 19 dated 24 July 2020.
⁵ Minutes No. 4 dated 21 December 2020.
⁶ Order No. 552-r of the Russian Government dated 6 March 2020.
⁷ Resolution of the Board of Directors dated 25 March 2020, Minutes No. 14.

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

UN Sustainable Development Goals

The role of the Board of Directors



In 2017, the Board of Directors approved the Conceptual Framework for the Reform of Healthcare Facilities of Russian Railways (resolution dated 11 September 2017, Minutes No. 9).



The Conceptual Framework for the Reform of the Russian Railways Preschool and School Education for 2017–2020 is in place (resolution dated 11 September 2017, Minutes No. 9).



In 2019, Russian Railways' Long-Term Development Programme until 2025 was approved in order to achieve the national goals and strategic objectives of the Russian Federation. The financial plan and investment programme for 2021–2023 approved by the Board of Directors on 29 December 2020 (Minutes No. 5) provide more details on the Long-Term Development Programme.

UN Sustainable Development Goals

The role of the Board of Directors



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 Belousov;
- Oleg Belozеров;
- Yevgeny Ditrikh;
- Kirill Dmitriev;
- Andrey Ivanov;
- Maxim Reshetnikov;
- Alexander Ryazanov;
- Alexey Sazanov;
- Irek Fayzullin;
- Sergey Frank;
- Dmitry 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 an auditor for Russian Railways for 2020 and approved the auditor fees;
- prepared recommendations for the Company's Annual General Meeting of Shareholders on the maximum 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 Directors¹ 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 Directors², remuneration and compensation are calculated and paid to members of the Board of Directors for the corporate year and proportionally to the time during which they were performing their functions for a fee.

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

¹ Resolution of Russian Railways' Board of Directors dated 29 September 2020, Minutes No. 23.

² Approved by resolution of Russian Railways' Board of Directors dated 26 June 2018, Minutes No. 25. Developed in accordance with the Federal Law on Joint Stock Companies, other laws and regulations of the Russian Federation, recommendations of the Federal Agency for State Property Management and the Corporate Governance Code, as well as the Regulation on the Board of Directors of Russian Railways.

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 in place:

- Strategic Planning Committee;
- Audit and Risk Committee;
- Personnel and Remuneration Committee;
- Digital Transformation and Innovation Committee.

The committees are elected by Russian Railways' Board of Directors and act in accordance with the regulations on the committees approved by the Company's Board of Directors.¹

Strategic Planning Committee

The Strategic Planning Committee develops recommendations for the Board of Directors on the following matters:

- determining 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 implementation 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);
- reorganisation and liquidation 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. 1). 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. 17) and amended by resolution of the Board of Directors of 19 November 2020 (Minutes No. 1)

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

Maxim Reshetnikov	Chairman of the Committee, director
Yevgeny Ditrikh	director
Kirill Dmitriev	director
Andrey Ivanov	director
Christian Kern	independent director
Sergey Nedoroslev	independent director
Alexander Ryazanov	director
Alexey Sazanov	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;
- Alexey Brischuk, Aide to the First Deputy Prime Minister of the Russian Federation;
- Dmitry Filatov, Aide to the First Deputy Prime Minister of the Russian Federation;
- Vadim Mikhailov, First Deputy CEO, Russian Railways;
- Alexander Plutnik, Deputy CEO, Russian Railways;
- 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:

- Russian Railways' accounting (financial) statements;
- risk management, internal control and corporate governance, including control over the reliability and efficiency of the risk management and internal control system and the corporate governance system;
- reviewing transactions that fall within the competence of the Board of Directors in order to identify potential interested- or related-party transactions;
- 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;
- analysing proposals and developing recommendations for the Board of Directors on the approval of long-term plans and core programmes of subsidiaries and affiliates, as well as their annual budgets included in a list annually approved by Russian Railways' Board of Directors, and the corresponding budget reports.

In 2020, the membership of the Audit and Risk Committee changed twice:

- Irek Fayzullin and Andrey Ivanov joined the Committee upon resolution of the Board of Directors dated 25 March 2020 (Minutes No. 14);
- existing members were elected by resolution of the Board of Directors dated 19 November 2020 (Minutes No. 1).

Members of the Audit and Risk Committee (as at 31 December 2020)

Sergey Stepashin	Chairman of the Committee, independent director
Sergey Nedoroslev	independent director
Andrey Ivanov	director
Irek Fayzullin	director

¹ 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:

- Dmitry Filatov, Aide to the First Deputy Prime Minister of the Russian Federation;
- Anatoly Chabunin, Deputy CEO, Director for Internal Control and Audit, Russian Railways;
- Sergey Burkov, independent expert;
- Andrey Zhemchugov, Corporate Secretary, Russian Railways.

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

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);

- 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 (its 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 its executive bodies, and other key executives;

- selecting an independent consultant to advise on the remuneration of members of the Company's executive bodies and other key executives.

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.

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

Sergey Nedoroslev	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:

- Dmitry Shakhnov, Deputy CEO, Russian Railways;
- Vladimir Gaponko, Director for Operational Efficiency – Head of the Department of Economics, Russian Railways;

- Alexey 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

¹ For the list of items considered see the Appendix.

² For the list of items considered see the Appendix.

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.

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.

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

Dmitry Chernyshenko	Chairman of the Committee, director
Kirill Dmitriev	director
Christian Kern	independent director
Sergey Nedoroslev	independent director

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

- Sergey Kobzev, 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.