

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.