

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.

Risk factor group	Risk factor description	Mitigants
Macroeconomic	Weaker than forecasted macroeconomic performance and lower freight volumes, including as a result of more rigorous sanctions	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
	Higher than expected growth of prices for consumed products, including petroleum products and electricity	Efficiency improvement initiatives, long-term contracts with suppliers Resolutions to provide development institutions with additional liquidity
State regulation	No government resolutions on long-term financing of the railway transport development or a failure to implement such resolutions	Searching for alternative sources and tools of financing Optimising technical solutions for capital investment projects
	Changes in the regulatory framework / regulations providing support to other transport modes weakening the competitiveness of railway transport	Breaking down projects into stages with their subsequent implementation in the order of priority
	Liberalisation of the railway passenger transportation market	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
	Liberalisation of the railway freight transportation market	
	Reduced public financing	
Market	A gap between the existing regulatory framework and ongoing railway transformations	
	Significant changes in cargo types and transportation routes versus the forecast	Building long-term relations with customers and improving consumer feedback strategies Enhancing market flexibility and expanding business in deregulated segments Strengthening logistics capacities to satisfy customer demand for comprehensive services Implementing the initiatives included in the Comprehensive Plan for Upgrading and Expanding Core Infrastructure
Investment	Insufficient investment in infrastructure development	Optimising technical solutions
	Failure to comply with the investment programme implementation schedule	Improving the investment project management framework
Tax	Higher tax burden driven by tighter fiscal policies in Russia amidst social and economic uncertainties	Staying in constant contact with the federal and regional tax authorities
Management	Insufficient management competencies	Improving the management framework

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HR	<p>Deficit of qualified staff due to the insufficient competitiveness of Russian Railways as an employer</p> <hr/> <p>Stronger competition in the labour market on the back of a decrease in Russia's working population in the medium term</p>	<p>Keeping compensation on a level above the Russian average for a competitive employee value proposition</p> <p>Offering staff development opportunities in line with best practices in training</p> <p>Implementing dedicated social programmes</p> <p>Developing a compensation and benefits package that meets employee needs</p>
R&D and technology	<p>Weaker competitiveness of the railway transport due to a technology gap with other modes of transport</p> <hr/> <p>Underperformance in adoption and utilisation of innovative R&D solutions</p> <hr/> <p>Insufficient cooperation with global railway engineering leaders</p>	<p>Implementing the Comprehensive Innovative Development Programme of Russian Railways Group</p>
Technology	<p>Slower debottlenecking at associated transport facilities (port capacities, warehouse terminals) versus the forecasts contained in the Company's investment programme</p> <hr/> <p>Failure to meet the freight transportation market needs due to the inefficient freight railcar fleet</p>	<p>Keeping in constant touch with the operators of associated transport modes to synchronise the investment programmes</p> <hr/> <p>Cooperating with rolling stock operators to improve railcar fleet management efficiency</p>

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.

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.