











Corporate Risk Map for 2018

1. Strategic Risks



Risk	Risk drivers	Risk impact	Mitigators
Risk area (process) – S.01 Corporate governance			
Risk area (subprocess) – 01.1. Corporate governance model			
<p>Breach of corporate law</p> <p>Criticality:</p>  <p>Acceptable risk High-level Company's process¹: G.6. Corporate governance</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Corporate governance noncompliant with market operator requirements as needed to maintain the current listing of the Company's securities 2. Decision-making processes in the Company's governance bodies non-compliant with the Russian laws, Charter and the Company's internal documents 3. Delays in providing the Company's shareholders with materials required to prepare for the General Meeting of Shareholders 4. Delays in providing the Company's shareholders with documents and information when such provision is mandatory in accordance with the Russian laws 5. Failure to follow the procedure and time limits for issuing official resolutions by the Company's governance bodies 6. Failure to fulfil the Company's obligation to pay dividends to shareholders in full and on time 7. Failure to disclose information, fully or timely, about the Company's operations in accordance with the laws of the Russian Federation and the United Kingdom 8. The insufficient formalisation of the disclosure process 	<ol style="list-style-type: none"> 1. A decline in market valuation of the Company's securities (lower liquidity, higher financing costs) 2. De-listing of the Company's securities, suspension of trading 3. Invalidation of resolutions adopted by the governance bodies (Board of Directors, General Meeting of Shareholders) and completed transactions 4. Regulatory fines 5. Lower investor appeal 6. Shareholder's claims against the Company and its Directors 	<ol style="list-style-type: none"> 1. Monitoring of the corporate laws and the market operator requirements, the Company's Regulation on Information Disclosure and best practices of information disclosure, alignment of the Company's corporate governance practices with said requirements (on an ongoing basis) 2. Control over compliance with the corporate laws and market operator requirements in order to keep the Company's securities listed under the relevant category (on an ongoing basis) 3. Monitoring of compliance with disclosure procedures and timelines as per the Federal Law on Securities Market and the Regulation on information disclosure by the issuers of issue-grade securities approved by Order of the Bank of Russia No.454-P dated 30 December 2014 (on an ongoing basis) 4. Staff development/training in information disclosure matters as required by the law (on an ongoing basis)



Risk	Risk drivers	Risk impact	Mitigators
<ul style="list-style-type: none"> > > - Violation of market operator requirements <p>Criticality:</p>  <p>Acceptable risk High-level Company's process: G.2. Interaction with the securities market and investor relations, G.6. Corporate governance</p> <p>Risk management method: Control and prevention</p>	<p>1. Corporate governance noncompliant with market operator requirements as needed to maintain the current listing of the Company's securities</p>	<p>1. Exclusion of the Company's securities from Level 1 listing 2. Adverse effect on the Company's reputation</p> <p>3. The decrease in the Company's capitalisation and liquidity of its securities</p>	<p>1. Retaining at least three independent directors (Q2 2018) 2. Election of independent directors only to the Nominations and Remuneration Committee and the Audit Committee, unless they make up the majority of said committees (Q2 2018)</p>
Risk area (subprocess) – 01.2. Shareholder relations			
<p>01.2.1. - A decline in the Company's capitalisation</p> <p>Criticality:</p>  <p>Acceptable risk High-level Company's process: G.2. Interaction with the securities market and investor relations</p> <p>Risk management method: Control and prevention</p>	<p>1. Market environment 2. Lower quality of the corporate governance 3. Low free float 4. Listing downgrade 5. Lower financial performance of the Company</p>	<p>1. Lower financial result for the shareholders 2. Damage to reputation</p>	<p>1. Compliance with Level 1 listing requirements of the Moscow Exchange (on an ongoing basis) 2. Ensuring sufficient free float of 7.5% (on an ongoing basis)</p> <p>3. Maintaining the information disclosure standards (on an ongoing basis)</p>
<p>01.2.2 - Shareholder conflict</p> <p>Criticality:</p>  <p>Acceptable risk High-level Company's process: G.6. Corporate governance</p> <p>Risk management method: Acceptance</p>	<p>1. Disagreements and disputes between the Company's body and shareholders, as well as disputes between shareholders when such disputes affect the Company's interests 2. Inadequate mechanisms for identification, prevention and settlement of corporate conflicts</p>	<p>1. Obstruction of decision-making 2. Loss recovery claims lodged by shareholders</p> <p>3. Lower investor appeal</p> <p>4. Declining stock value</p>	<p>1. Timely identification and prevention of corporate conflicts (on an ongoing basis) 2. Control over compliance with the Company's corporate procedures (on an ongoing basis)</p>


Risk	Risk drivers	Risk impact	Mitigators
<p>01.2.3 - Lawsuits from shareholders Criticality:</p>  <p>Acceptable risk High-level Company's process: G.6. Corporate governance</p> <p>Risk management method: Control and prevention</p>	<p>1. Disagreements and disputes between the Company's body and shareholders, as well as disputes between shareholders when such disputes affect the Company's interests</p> <p>2. Inadequate mechanisms for identification, prevention and settlement of corporate conflicts</p>	<p>1. Obstruction of decision-making</p> <p>2. Court rulings obliging the Company and/or its Directors to repay losses to shareholders</p> <p>3. Lower investor appeal</p> <p>4. Declining stock value</p>	<p>1. Timely identification and prevention of corporate conflicts (on an ongoing basis)</p> <p>2. Control over compliance with the Company's corporate procedures (on an ongoing basis)</p> <p>3. Annual D&O insurance (Q3 2018)</p>
<p>01.2.4 - Departure of management (CEO and at least two key managers) Criticality:</p>  <p>Critical risk High-level Company's process: G.9. KPI management</p> <p>Risk management method: Control and prevention</p>	<p>1. Change of the controlling shareholder</p> <p>2. Non-competitive remuneration terms for the CEO and top managers.</p>	<p>1. Delays in management decision-making</p> <p>2. Decline in market valuation of the Company's securities</p> <p>3. Weaker competitiveness</p> <p>4. Lower efficiency of the Company's operations and business management</p> <p>5. Lower operating performance</p> <p>6. Lower financial performance.</p>	<p>1. Monitoring and development of the remuneration system for TransContainer's CEO and management (according to the Nominations and Remuneration Committee's work plan) (when needed)</p> <p>2. The Board of Directors' approval of the CEO's proposal to pay one-off bonuses to employees of the executive office whose appointment requires the approval of the Board of Directors (where needed)</p>
Risk area (subprocess) - 01.3. Subsidiary and branch management			
<p>01.3.1 - Prolongation of investments payback periods / Depreciation of investments into subsidiaries and associates Criticality:</p>  <p>Critical risk High-level Company's process:</p> <p>Risk management method: Control and prevention</p>	<p>1. Alteration of market conditions</p> <p>2. Forecasting errors in subsidiaries' business plans</p> <p>3. Incomplete due diligence</p> <p>4. Inefficient management of the subsidiaries</p> <p>5. Conflict of interests with other subsidiary's members</p>	<p>1. Inefficient expenditure of investments</p> <p>2. Decline in ROE and ROIC indices</p> <p>3. Additional load to the Company's liquidity due to the surety commitment on the projects</p> <p>4. Lower financial performance of the Company</p>	<p>1. Monitoring of the Company's business-plan implementation and analysis of deviation reasons (quarterly)</p> <p>2. Control over compliance with the corporate procedures in subsidiaries and associations (on an on-going basis)</p> <p>3. Involvement of Company's expert managers in subsidiaries and associates business (when applicable)</p>
Risk area (subprocess) – 01.4. Corporate structure and allocation of powers			


Risk	Risk drivers	Risk impact	Mitigators
<p>01.4.1 - Mismatch between the organisational and functional model and the Company's goals Criticality:</p>  <p>Minor risk High-level Company's process: D.5. Organisational development management</p> <p>Risk management method: Control and prevention</p>	<p>1. Violation of power/responsibility allocation principles 2. The Company's organisational structure does not adapt to changes in the external/internal environment (business process landscape)</p>	<p>1. A decline in performance and inefficiency of business units and cost rising (overlapping functions) 2. Deteriorating working environment across the Company and internal conflicts</p>	<p>1. Annual audit of processes in line with the approved Audit Schedule (on an ongoing basis) 2. Regular review of the Order on the allocation of powers among TransContainer's CEO, Deputy CEOs, Directors, Chief Engineer, Chief Accountant and First Deputy CFO (updates where needed)</p>
Risk area (subprocess) – 01.5. Quality management system			
<p>01.5.1 - Non-compliance of TransContainer's quality management system with ISO 9001 requirements Criticality:</p>  <p>Minor risk High-level Company's process: D.3. Quality management system</p> <p>Risk management method: Control and prevention</p>	<p>1. Non-compliance of quality management documents with ISO 9001 requirements 2. Non-compliance of service quality records with the quality management system regulations 3. Failure to meet quality targets.</p>	<p>1. Failure to meet customer demands and/or mandatory service requirements, lower customer satisfaction 2. Deterioration in performance of an element (or a total of elements) within the quality management system 3. Suspension or revocation of the compliance certificate of TransContainer's quality management system</p>	<p>1. The annual internal audit of TransContainer's quality management system in line with the approved Annual Audit Schedule (on an ongoing basis) 2. Development of an annual action plan to achieve TransContainer's quality targets (on an ongoing basis)</p>
Risk area (process) – S.02 Strategy			
Risk area (subprocess) – 02.1. Strategic planning			
<p>02.1.1 - Failure to achieve the strategic goals Criticality:</p>  <p>Acceptable risk High-level Company's process: G.1. Strategic management</p> <p>Risk management method: Control and prevention</p>	<p>1. Challenging macroeconomic environment 2. Higher competition in the container transportation market 3. Lower business efficiency (marketing and tariff policies, asset management, service quality, etc.)</p>	<p>1. A shortfall in revenues from core businesses, such as railway transportation and terminal handling 2. A decline in the Company's market capitalisation 3. Drop in shareholders' dividend income</p>	<p>1. Compliance with the Strategic Management Procedure for developing, updating and controlling the implementation of TransContainer's Strategy (on an ongoing basis) 2. Initiation and implementation of strategic development projects as approved by the Company's shareholders (on an ongoing basis)</p>
Risk area (process) - C.03 Investment project management			


Risk	Risk drivers	Risk impact	Mitigators
Risk area (subprocess) - 03.1. Project management			
<p>03.1.1 - Failure to achieve the expected Investment Programme results in terms of work quality Criticality:</p>  <p>Acceptable risk High-level Company's process: D.2. R&D management</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Errors in project cost estimation Inadequate sequencing and scheduling of project tasks Tougher regulatory requirements for investment projects (HSE, etc.) The discrepancy between the work scope and the design and cost estimates Breach of obligations by contractors Late funding Project suspension for economic reasons 	<ol style="list-style-type: none"> Additional unforeseen costs for project financing Failure to execute the investment programme Fines, penalties, sanctions, and counterparties' claims regarding supply and service agreements made under construction projects Wrong priorities 	<ol style="list-style-type: none"> Diversification of suppliers (tenders for service/goods/works purchases in excess of RUB 500,000 including VAT pursuant to the Regulation on the procedure for the procurement of goods, works and services for TransContainer's needs approved by TransContainer's Board of Directors on 8 July 2016. For any purchases in excess of RUB 500,000 including VAT, the initiator shall conduct a market research (where needed) Resource price projections (to be provided by the initiator) (where needed) Procurement of additional information to select investment project contractors (where needed) Compliance with the procedures to prepare budget estimates (on an ongoing basis) Compliance with the tender procedures and timelines set out in TransContainer's internal documents (on an ongoing basis) Inclusion of investment project costs in the budget (on an ongoing basis) Contractor evaluation at the stage of contract execution (on an ongoing basis) Construction oversight and field supervision of investment projects (where needed) Bank guarantee for the contractor's obligations to eliminate the defects during the warranty period (where needed)
Risk area (process) - S. 04 Mergers, acquisitions and divestments			
Risk area (subprocess) - 04.1. Divestment			
<p>04.1.1 - Hostile takeover of a subsidiary, including by asset-grabbing Criticality:</p>  <p>Minor risk High-level Company's process: G.7. Management of TransContainer Group Companies</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Inefficient corporate control of subsidiaries from both TransContainer as the shareholder and subsidiary management 	<ol style="list-style-type: none"> Loss of the subsidiary's control Changes in the shareholding structure Damage to the Company's reputation Lower business efficiency 	<ol style="list-style-type: none"> Successful advocacy of the Company's interests in relations with government agencies and courts (on an ongoing basis) Training in opposing hostile takeovers (where needed)
Risk area (process) - S.05 Macroeconomic environment			
Risk area (subprocess) - 05.1 Political factors			

Risk	Risk drivers	Risk impact	Mitigators
<p>05.1.1 - Adverse impact of political factors on the Company's business and financial performance Criticality:</p>  <p>Acceptable risk High-level Company's process: G.1. Strategic management</p> <p>Risk management method: Control and prevention/Acceptance</p>	<p>1. The political situation in the Russian Federation or foreign jurisdictions that affects the Company's operations, including changes in legislation</p>	<p>1. Loss of the Company's assets 2. Problems with investment projects 3. Breach of obligations 4. Fines 5. Claims from anti-monopoly agencies 6. Failure to achieve the strategic goals 7. Higher investment project costs</p>	<p>1. Monitoring of the political situation in the Russian Federation and other footprint countries, legislative changes, including customs and tax laws (on an ongoing basis) 2. Membership in industry associations, including the international ones (on an ongoing basis) 3. Notification of TransContainer's management of negative political changes and associated factors (as soon as such information becomes available)</p>
<p>05.2.1 - Market environment deterioration Criticality:</p>  <p>Critical risk High-level Company's process: O.2. Marketing</p> <p>Risk management method: Acceptance</p>	<p>1. Lower consumer demand 2. Inflation 3. Slower GDP growth 4. Economic downturn</p>	<p>1. Drop in transportation volumes 2. Drop in prices 3. Lower financial results 4. Lower profits</p>	<p>1. Monitoring and analysis of the market environment (on an ongoing basis)</p>

Risk	Risk drivers	Risk impact	Mitigators
<p>05.2.2 - Growth in prices for other materials and fixed assets above the average market values (except for rolling stock repair)</p>	<ol style="list-style-type: none"> 1. Strong dependence on monopolistic suppliers 2. Higher energy prices 3. Rising prices for components 	<ol style="list-style-type: none"> 1. Higher procurement costs 2. Lower margins 3. Lost profits 	<ol style="list-style-type: none"> 1. Industry prices projections (on an ongoing basis) 2. Active targeted marketing (on an ongoing basis) 3. Energy prices monitoring across the Russian regions (on an ongoing basis)
<p>Criticality:</p>			
			
<p>Minor risk High-level Company's process:</p>			
<p>B.7. Equipment procurement, maintenance, and repair</p>			
<p>B.15 Managing construction and operation of buildings and structures</p>			
<p>Risk management method: Control and prevention</p>			
<p>05.2.3. - Changes in prices for transportation subcontractor services Criticality:</p>	<ol style="list-style-type: none"> 1. Changes in the cost of co-contractors' services 2. Changes in the market environment 3. Changes in transportation geography 4. Switch to alternative means of transport, alternative routes, alternative types of rolling stock 	<ol style="list-style-type: none"> 1. Weaker competitiveness 2. Drop in transportation volumes 3. Drop in transportation profitability 	<ol style="list-style-type: none"> 1. Daily control over the orders execution in terms of providing the rolling stock and container fleet (on an ongoing basis) 2. Constant monitoring and forecasting of the container transportation market (on an ongoing basis) 3. Expansion of presence in key markets through the development of an agent network (on an ongoing basis) 4. Providing a possibility of rates indexation with notification period of 2 months minimum when concluding contracts by branches (on an ongoing basis) 5. Procurement of services on the basis of a tender (when needed) 6. Long-term fixed-price agreements with subcontractors (on an ongoing basis)
			
<p>Acceptable risk High-level Company's process: O.6. Development, support and pricing of transportation solutions</p>			
<p>Risk management method: Control and prevention/Acceptance</p>			

Risk	Risk drivers	Risk impact	Mitigators
<p>05.2.4. - Changes in specialised container shipment pricing Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: 0.6. Development, support and pricing of transportation solutions</p> <p>Risk management method: Control and prevention/Acceptance</p>	<p>1. Changes in the Russian Railways' tariff policy</p>	<p>1. Weaker competitiveness in the specialised shipments segment 2. Drop in transportation volumes 3. Drop in transportation profitability 4. Unprofitable shipments</p>	<p>1. Quarterly (seasonal as it applies to shipments with temperature control equipment) monitoring and forecasting of the specialised container transportation market (on an ongoing basis) 2. Individual tariff provisions (the Company's internal pricing policy) for each customer while organising transportation with specialised containers (where needed) 3. Monitoring the operation of TK Subsidiary established in 2017 and specialising in tank container shipments (on an ongoing basis)</p>
<p>05.2.5. - Infrastructure limitations Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: 0.4. Rail flatcar and container fleet management</p> <p>0.5. Order fulfilment</p> <p>0.7. Road vehicles management</p> <p>0.8. Terminal resource management</p> <p>Risk management method: Control and prevention/Acceptance</p>	<p>1. Single service provider at any route (railway, terminal/port/ depot, sea, road) 2. Improper performance of duties by co-contractors 3. Improper planning of services involving co-contractors 4. Railway infrastructure not meeting the market demand 5. Excessive idle time of rail flatcars 6. Order processing errors 7. Failure to consider all transportation factors and conditions 8. Long-term processing of applications by the Russian Railways 9. Delays in issuing transportation documents</p>	<p>1. Drop in transportation volumes 2. Delivery delays 3. Lower rolling stock turnover 4. Lower customer satisfaction 5. Lower revenues 6. Delays in delivery 7. Damage to reputation 8. Lost profits due to the rolling stock unavailability 9. Fines and penalties payable to customers that cannot be recovered from the carrier 10. Declining freight volumes 11. Higher transportation costs and fixed payments received from customers 12. Inflated costs 13. Loss or damage to cargo at terminals or during transportation 14. Improper order fulfilment</p>	<p>1. Use of new logistics arrangements (on an ongoing basis) 2. Careful route coordination with co-contractors and service providers (on an ongoing basis) 3. Proposals on engaging new co-contractors for the route in case of force majeure or unacceptable limitations (when needed) 4. Prompt response to the situation and search for new routes (when needed) 5. Assets (rail flatcars and containers) management in line with resource requests from the Logistics centre / sales team (where needed) 6. Optimisation of rail flatcars and container turnover, efficient management of rail flatcar and container flows (on an ongoing basis) 7. Processing of requests with a focus on rolling stock availability, individual shipment requirements, technical capabilities of the loading and offloading yards, regulatory restrictions, seasonal changes in shipment patterns, throughput capacities of the border crossing and ports (on an ongoing basis) 8. Timely provision of information required for request approval, control over the approval process (on an ongoing basis) 9. Timely distribution of orders and instructions related to shipment management, control over the order/request approval process (on an ongoing basis) 10. Review and analysis of the Company's rolling stock availability at the loading yards (daily)</p>

Risk	Risk drivers	Risk impact	Mitigators
05.2.6. - Weaker competitiveness due to rail tariff indexation Criticality:	1. Government regulated tariffs	1. Higher expenses of the Company for running loaded/empty flatcars and/or containers 2. Lower container transportation volumes	1. Cooperation with government agencies responsible for tariff regulations (on an ongoing basis) 2. Timely notification of the involved Company's employees about the upcoming price changes (the electronic document management system is implemented by Order No. 74 dated 13 August 2008) (when needed)
			
Acceptable risk High-level Company's process: 0.6. Development, support and pricing of transportation solutions			
Risk management method: Acceptance			

05.2.7. - Unpredictable changes in prices for rolling stock repair materials Criticality:	1. Strong dependence on monopolistic suppliers 2. Advanced growth is prices of equipment repair parts (unpredictable increase of equipment repair costs) 3. Rising prices for components	1. Over-budget costs for rolling stock repair 2. Rolling stock unavailability 3. Lost profits	1. Industry prices projections (on an ongoing basis) 2. Monitoring of market prices for spares (on an ongoing basis) 3. Keeping up own minimum stocks for rail flatcar repair (heavy flatcar casting, wheel sets) (on an ongoing basis)
			



Critical risk
High-level Company's process: B.7.
Equipment procurement, maintenance, and repair

Risk management method: Control and prevention



Risk area (subprocess) – 05.3. Competition


05.3.1 - Higher competition in the rail transportation market Criticality:	1. Seasonal demand for transportation 2. Changes in the structure of the economic environment and technologies 3. Competition with other related means of transport 4. Limited/outdated production capacities 5. Underdeveloped infrastructure and related services (transportation: ports, terminals, etc.) 6. High exposure to several major customers 7. Terminals in need of further revamp and upgrade 8. Cargo handling limitations in terminals	1. Discrepancies between the sold products/services and the market demand, declining sales 2. Lost customers 3. Lower revenues 4. Decline in income	1. Targeted quarterly monitoring of rates charged for transportation services provided by operators of other means of transport (where needed) 2. Quarterly monitoring of market peers to be included in the CEO's quarterly report on the Company's performance (on an ongoing basis) 3. Monitoring of changes in the flatcar market (on an ongoing basis) 4. Monitoring of competitors' pricing based on external sources of information and adjusting TransContainer's rates where needed (on an ongoing basis) 5. Monitoring of the customers' needs structure (Q3 2018)
			
Critical risk High-level Company's process: 0.2. Marketing			
Risk management method: Control and prevention			

Risk area (process) – S.06 Corporate communications

Risk	Risk drivers	Risk impact	Mitigators
Risk area (subprocess) – 06.1. Media relations			
<p>06.1.1 - Reputation risk Criticality:</p>  <p>Acceptable risk High-level Company's process: B.1. Support of corporate communications and public relations</p> <p>Risk management method: Control and prevention</p>	<p>1. Unfair competition 2. Inefficient media relations 3. Implementation of other Company's risks</p>	<p>1. Damage to the Company's reputation 2. Decline in the Company's capitalisation 3. Weaker competitiveness</p>	<p>1. Ongoing cooperation with the media and disclosure of information on the Company's operations (on an ongoing basis) 2. Media monitoring: compilation of full-text news articles, analytic reviews and tables providing industry-wide insights and information about specific segments of the Company's operation (on an ongoing basis) 3. Media audits: evaluation of the Company's brand mentions in the media (Q4 2018) 4. Timely response to negative media coverage (on an ongoing basis) 5. Methodological corporate communications support as requested by the Company's branches and executive office (on an ongoing basis) 6. Media planning (where needed)</p>
<p>06.1.2 - Ineffective communication strategy Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>B.1. Support of corporate communications and public relations</p> <p>Risk management method: Control and prevention</p>	<p>1. Inefficient investments to the Company's Communication Strategy</p>	<p>1. Low returns from investments in the Company's Communication Strategy; wrong brand perception by the target audience</p>	<p>1. Brand positioning: planning of campaigns focused on the selection of venues to deliver the brand message (conferences, business forums, round table discussions), advertising optimisation (coverage, costs, etc.) taking into account the Company's market presence (where needed)</p>


2. Operational Risks

Risk	Risk drivers	Risk impact	Mitigators
Risk area (process) – 0.07 Procurement			
Risk area (subprocess) – 07.1 Procurement, storage logistics			
07.1.1 - Inefficient procurement Criticality:  Acceptable risk High-level Company's process: B.18. General and administrative support Risk management method: Control and prevention	1. Infeasibility of procurement 2. Insufficient quality and quantity control in respect of purchased goods and services	1. Inefficient investment and resource management 2. Procurement of insufficient or low-quality goods/services/works 3. Higher operating expenses	1. Feasibility analysis of contracts being signed by supervisors (on an ongoing basis) 2. Monitoring of the goods/services/works market and suppliers, including use of market surveys (on an ongoing basis) 3. Keeping of an unreliable suppliers register (on an ongoing basis) 4. Asking suppliers of goods/services/works to provide, where needed, for compliance, product and other certificates and licences required for work execution under contracts (on an ongoing basis) 5. Planning of goods/works/services procurement based on the updated inventory protocol and the Company's needs (on an ongoing basis) 6. Functioning of an IT Expert Group (on an ongoing basis)
Risk area (subprocess) – 07.2. Equipment procurement			
07.2.1. - Untimely putting the flatcar and container fleet into operation Criticality:  Acceptable risk High-level Company's process: B.7. Equipment procurement, maintenance, and repair Risk management method: Control and prevention	1. Improper control of the equipment procurement process (untimely procurement organisation) 2. Growth in equipment prices exceeding the forecast 3. Discrepancies between the manufacturers' capacities and the demand 4. Low operational discipline 5. Failure to submit a complete set of delivery documents	1. Failure to execute the investment programme 2. The inability to provide the required operating flatcars and container fleet 3. The inability to manage the equipment purchased 3. Fines, fees and other payments for storage, idle time on tracks and in common (private) areas 4. Fines for incorrect accounting, tax data	1. Control of the investment programme execution as per the approved titles (on an ongoing basis) 2. Monitoring of market prices for the rolling stock and associated industries (on an ongoing basis) 3. Monitoring of probable suppliers' capabilities (when needed). 4. Control of new flatcars and container fleet acceptance by the Department of Containers Operation and Repair, Department of Rolling Stock Repair and Inspectorate for the Flatcars and Container Fleet Integrity (when needed). 5. Review of the delivery documents submitted (when needed)
Risk area (process) – 0.08 Shipment management			
Risk area (subprocess) – 08.1. Railway transportation			


Risk	Risk drivers	Risk impact	Mitigators
<p>08.1.1 - Increase of empty runs Criticality:</p>  <p>Acceptable risk High-level Company's process: 0.9. TransContainer's sales and operational planning</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Incorrect logistic decisions 2. Obsolescence of the flatcar fleet 3. Shortage of TransContainer's rolling stock on certain routes 4. Ineffective rates for certain routes 5. Imbalance of container flows 6. Inefficient planning in terms of routes and transportation types 	<ol style="list-style-type: none"> 1. Damage to reputation 2. Lost profits due to the equipment unavailability 3. Fines and penalties payable to customers that cannot be recovered from the carrier 4. Declining freight volumes 5. Decline in income 6. Higher transportation costs and fixed payments received from customers 7. Inflated costs 	<ol style="list-style-type: none"> 1. Approval of competitive rates charged for the Company's equipment based on detailed analysis of cargo flows and use of third-party rolling stock (on an ongoing basis) 2. Ensuring high-quality resource planning for the Company's equipment based on the approved sales and operational plan (on an ongoing basis) 3. Processing of requests with a focus on rolling stock availability, individual shipment requirements, technical capabilities of the loading and offloading yards, regulatory restrictions, seasonal changes in shipment patterns, throughput capacities of the border crossing and ports (on an ongoing basis) 4. Analysis of root causes of the failure (refusal) to provide equipment as per the customers' planned and approved orders (daily)

Risk area (process) – 0.09 Sales

Risk area (subprocess) - 09.1. Sales planning and order management

<p>09.1.1 - Decline in customer service quality Criticality:</p>  <p>Critical risk High-level Company's process: 0.3. Customer service</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. The discrepancy between the commercial terms and market environment 2. Significant deviations in the process of rendering a service 3. Inefficient provision of the clients with equipment and rolling stock, significant deviations in order processing 	<ol style="list-style-type: none"> 1. Lower financial performance 2. Decreased volume of services 3. Lost customers 	<ol style="list-style-type: none"> 1. Sales forecasting software improvement (on an ongoing basis) 2. Improvement of software pertaining to sales relations with potential customers (on an ongoing basis) 3. Sales planning across the Company (on an ongoing basis) 4. Execution of customer surveys (on an ongoing basis) 5. Service quality analysis using a mystery shopping method (on an ongoing basis) 6. Monitoring proper amounts charged for transportation services (on an ongoing basis) 7. Development and implementation of the service quality improvement plan (involving the concerned managers) (Q2 2018)
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Risk area (subprocess) – 09.2. E-commerce channel management


<p>09.2.1. - Risk of not reaching e-commerce sales targets by the Company Criticality:</p>  <p>Acceptable risk High-level Company's process: 0.1. Service sales</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Decline in the Company's total transportation volumes 2. Inadequacy of marketing and promoting efforts to transfer new and existing customers to e-commerce channels 3. Shortcomings in IT infrastructure and services related to e-commerce channels 4. Insufficient transportation resources to process e-commerce orders 5. Failure to meet or inadequate compliance with IT system automation requirements 	<ol style="list-style-type: none"> 1. Declining revenues from e-commerce orders 2. Failure to reach the strategic goal of transferring a significant part of clients to e-commerce 3. Damage to the Company's reputation among e-commerce clients 4. Loss of potential or existing e-commerce clients. 	<ol style="list-style-type: none"> 1. Implementation of measures to improve e-commerce services (when needed) 2. Efforts to promote the Company's e-commerce channels (where needed) 3. Prompt response to client complaints and suggestions to eliminate shortcomings and improve the e-commerce service (when needed) 4. Definition of priorities and monitoring of IT request processing in e-commerce support and development (when needed)
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Risk area (subprocess) – 09.3. Call centre management

Risk	Risk drivers	Risk impact	Mitigators
<p>09.3.1. - Failure to meet the targets for the call service quality Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: B.14. Call centre performance</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Replacement of over 50% of the Call centre employees 2. Lack of instruments to monitor the call service quality 3. Failure to meet targets for the headcount of active department employees 4. Unexpected load growth due to accidents or marketing efforts 5. Introduction of new department functions or objectives without sufficient headcount 6. Ineffective employee incentives 7. Technical incidents (accidents) affecting the call centre performance 	<ol style="list-style-type: none"> 1. Declining call service quality at the Call centre 2. Business process slowdown. 3. Declining client loyalty. 4. Clients' complaints about unsatisfactory servicing 	<ol style="list-style-type: none"> 1. Close control of the incoming load (on an ongoing basis) 2. On-line and monthly monitoring of the call service quality (on an ongoing basis) 3. Control of the headcount of the Call centre active employees (on an ongoing basis) 4. Establishment and control of compliance with the call service automation requirements (including as part of the CRM system implementation) (where needed) 5. Monthly monitoring for technical incidents (accidents) affecting the call centre performance. Prompt accident notification (on an ongoing basis)

Risk area (process) – 0.10 Marketing

Risk area (subprocess) – 10.1. Pricing


<p>10.1.1 - Tariffs not in line with the transportation market pricing Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: 0.6. Development, support and pricing of transportation solutions</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Change in the transportation market in respect of container transportation 2. Competition with other market players 3. Competition with alternative transportation 4. Force majeure 	<ol style="list-style-type: none"> 1. Lack of demand and shrinking client base 2. Weaker competitiveness 3. Lower revenues and service profitability 	<ol style="list-style-type: none"> 1. Establishing base rates for the provision of TransContainer's flatcars and/or containers at a level that covers costs and ensures the competitiveness of the Company's services (on an ongoing basis) 2. Meetings of the task force on the efficient use of TransContainer's flatcars and/or containers / Logistics Centre's Expert Board at least twice a week and setting exclusive tariffs for the provision of TransContainer's flatcars and/or containers (where needed) 3. Monitoring of competitors' pricing based on external sources of information and adjusting TransContainer's rates where needed (on an ongoing basis)
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Risk area (process) – 0.11 Repair and maintenance

Risk area (subprocess) – 11.1 Repair and maintenance


Risk	Risk drivers	Risk impact	Mitigators
<p>11.1.1 - Inefficient repairs of rolling stock and containers</p> <p>Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: B.7. Equipment procurement, maintenance, and repair</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Inadequate quality of the rolling stock and containers Inflated repair prices Insufficient diversification of the repair services Insufficient analysis of the fleet condition Lack of centralised tools to monitor fleet repair needs, possible risks and consequences, assignment and compliance with repair schedules Inadequate quality of the depot, current uncoupling or overhaul repairs 	<ol style="list-style-type: none"> Lower fleet reliability Decrease in the number of available rail flatcars Failure to meet safety requirements Duplication of current uncoupling repair costs due to the low quality of the depot repair (higher overall repair costs) 	<ol style="list-style-type: none"> Monitoring of the rolling stock and container repair quality by the Inspectorate for the Flatcars and Container Fleet Integrity and branch repair departments (on an ongoing basis) Monitoring of the rolling stock and container repair costs by the Inspectorate for the Flatcars and Container Fleet Integrity and the department to prevent repair overpricing (on an ongoing basis) Development of initiatives to diversify the repair services by the Department of Rolling Stock Repair and Department of Containers Operation and Repair (where needed) Analysis of the fleet condition by the Department of Rolling Stock Repair and Department of Containers Operation and Repair (on an ongoing basis) Analysis of fleet repair needs, possible risks and consequences, compliance with their repair schedule by the Department of Rolling Stock Repair and the Inspectorate for the Flatcars and Container Fleet Integrity (on an ongoing basis) Selection of facilities for TransContainer's fleet repair providing the optimal combination of services and best repair quality (when needed) Monitoring of registration of photographic records of container repairs, accounting for spare part and material inventories (on an ongoing basis) Monitoring of compliance with TransContainer's internal regulations applicable to rail flatcar repairs (on an ongoing basis) Recovery of substandard repair/maintenance costs from rail car repair companies (where needed)
<p>11.1.2 - Inefficient other repairs (excluding rolling stock and containers)</p> <p>Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: B.15. Managing construction and operation of buildings and structures</p> <p>B.07. Equipment procurement, maintenance, and repair</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Discrepancy between the repair cost and the cost estimate documents Lack of centralised tools to monitor equipment repair needs, possible risks and consequences, assignment and compliance with repair schedules Violation of the preventive maintenance schedule 	<ol style="list-style-type: none"> Failure to meet safety requirements 	<ol style="list-style-type: none"> Signing the repair service agreement in a timely manner and in line with approved budgets for overhauls and current repairs (on an ongoing basis) Using the automated Fixed Asset Operation and Replacement System (on an ongoing basis) Conducting industrial safety audits pursuant to Federal Law No. 116-FZ dated 21 July 1997 On Industrial Safety at Hazardous Production Facilities (where needed) Checking of repair cost estimates against the defects lists based on industry-specific unit price guidelines applicable to construction and specialised services (OERZh, Parts 1 to 47; OERZhm, Parts 1 to 40; OERZhp, Parts 1 to 16; Guidelines for construction cost estimation in Russia MDS81-35.2004, MDS 81-33.2004; Standard Cost Estimates for Temporary Buildings and Facilities GSN81-05-01-2001; Estimated Costs and Surcharges for Winter-Time Construction and Repairs GSNr81-05-02-2001; Urban Development Code of the Russian Federation No. 190-FZ dated 29 December 2004; Procedures for Estimating the Cost of Construction of RZD Rail Road Infrastructure and Other Facilities OPDS-2821.2011) (where needed) Regular monitoring of repair quality and timing for compliance with construction rules and regulations SNiP2.03.11-85, SNiP2.03.13-88, SNiP2.04.01-85*, SNiP2.05.02-85*, SNiP31-03-2001, SNiP12-01-2004, SP13-102-2003; state standards GOST4.212-80, GOST4.251-79, GOST12.0.003-74, GOST4.230-83, federal rules and regulations on industrial safety "Safety Rules for Hazardous Facilities Using Lifting Equipment" as approved by Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 533 dated 12 November 2013, and Operation Manuals for the loading and unloading machinery (TsMM-20) (where needed)

Risk area (subprocess) – 11.2. Repairs

Risk	Risk drivers	Risk impact	Mitigators
<p>11.2.1 - Prolonged run between repairs Criticality:</p>  <p>Acceptable risk High-level Company's process: B.7. Equipment procurement, maintenance, and repair</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Expiry of time between repairs of flatcars 2. Lack of control over the run between repairs 3. Inadequate qualification of the contractor's personnel, discrepancy between the declared worker category and the actual skill level 	<ol style="list-style-type: none"> 1. Fleet idling 2. Additional costs associated with involvement of additional flatcars 3. Financial losses related to redoing maintenance/repairs 4. Failure to meet safety requirements 5. Higher accident and incident rate 	<ol style="list-style-type: none"> 1. Monitoring of expiration of the flatcar time between repairs by the branch repair department and operations department (on an ongoing basis) 2. Repair quality control (acceptance of flatcars after repair) due to inadequate quality of the materials, equipment used, or outdated technologies (on an ongoing basis) 3. Repair quality control due to a low skill level of the contractor's personnel and the discrepancy between the declared worker category and the actual skill level (on an ongoing basis)

Risk area (process) – 0.12 Personnel


Risk area (subprocess) – 12.1. HR management

<p>12.1.1 - Departure of key employees Criticality:</p>  <p>Acceptable risk High-level Company's process: B.8. HR management</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Unsatisfactory and uncompetitive remuneration. 2. Lack of career and professional growth opportunities 3. Unsatisfactory working conditions and staff atmosphere. Unsatisfactory working conditions and overall sentiment within the team 	<ol style="list-style-type: none"> 1. Additional costs related to new hires' training 2. Lower personnel performance 3. Potential leaks/loss of information 4. Damage to the employer's image 5. Failure to achieve the Company's goals 	<ol style="list-style-type: none"> 1. Monthly job satisfaction analysis (on an ongoing basis) 2. Talent pool building (on an ongoing basis) 3. Development of an employee training and further training plan (on an ongoing basis)
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Risk area (process) – 0.13 Information technology

Risk area (subprocess) - 13.1. Information management systems

<p>13.1.1 - Non-compliance of IT systems and equipment with the Company's needs Criticality:</p>  <p>Acceptable risk High-level Company's process: B.11. Information resource management</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Outdated IT equipment 2. Outdated software 3. Deviations in IT strategy implementation 4. Insufficient integration of IT systems 	<ol style="list-style-type: none"> 1. Higher IT-related costs, overlapping functions, disruptions in operations 	<ol style="list-style-type: none"> 1. Scheduled replacement and upgrade of the outdated hardware (where needed) 2. Software updates and upgrades as defined by the IT Expert Group and IT system development, support and maintenance procedures (where needed) 3. Monitoring of the IT Strategy implementation in terms of the budget assigned and IT projects in progress, as well as updating of the IT Strategy (Q4 2018) 4. IT systems testing at branches, preparation of system operation reports and their submission to the Automated Systems Operation Service and Automated System Design and Development Department for analysis (on an ongoing basis) 5. Monitoring of the performance and degree of the developed and implemented IT solutions in use by end users (every six months)
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Risk	Risk drivers	Risk impact	Mitigators
<p>13.1.2 - Failures of IT systems and infrastructure Criticality:</p> <p> Acceptable risk High-level Company's process: B.11. Information resource management</p>	<ol style="list-style-type: none"> IT equipment failures, including due to external factors Virus attacks Unauthorised access Software errors Ineffective IT continuity plan Communication service interruptions Lack of contracts on hardware and software support and maintenance 	<ol style="list-style-type: none"> Interruptions in the Company's operations Loss of critical data 	<ol style="list-style-type: none"> IT hardware redundancy, data backups (on an ongoing basis) Timely anti-virus software updates (on an ongoing basis) Monitoring and implementation of measures preventing unauthorised access to IT systems (on an ongoing basis) Comparison of IT system user accounts not covered by Active Directory with the dismissed personnel lists (quarterly) Acceptance and deployment of software in accordance with standards and regulations, timely software updates pursuant to approved specifications and procedures recommended by GOST 34.601 standard (on an ongoing basis) Fulfilment of IT continuity requirements (on an ongoing basis) Communication channels redundancy (on an ongoing basis) Development of annual professional training plan (Q3 2018) Recalculation of labour costs for IT business process servicing and determination of staff requirements (Q4 2018)

Risk management method: Control and prevention

Risk area (process) – 0.14 Economic security


Risk area (subprocess) – 14.1. Fraud prevention


<p>14.1.1 - Confidential/proprietary information leaks Criticality:</p> <p> Acceptable risk High-level Company's process: B.4. Security measures</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Insufficient compliance with procedures applicable to confidential/proprietary data Insufficient level of IT security Violations of the established procedures of handling information and documents by the Company's employees (negligence) Deliberate actions of the Company's employees or other parties that have gained legitimate access to confidential information with the aim of divulging such confidential information to competitors based on profiteering or other self-interest 	<ol style="list-style-type: none"> Direct or indirect financial losses, including potential claims from third-party confidential data owners Weaker competitiveness Loss of reputation as a reliable partner in the container transportation market Penalties for violation of personal data protection laws 	<ol style="list-style-type: none"> Regular audits for compliance with the procedures applicable to confidential/ propriety data and internal security (as per a separate plan approved annually) Regular information security audits to ensure data protection from external attacks and prevent the use of confidential information and Internet resources by Company employees (at least once a month) Checking of inclusion of confidentiality clauses to all contracts, where applicable, or signing separate confidentiality agreements; audits for compliance with contractual provisions regarding confidentiality (where needed)
<p>14.1.2 - Wrongful acts of third parties against the Company's property or personnel Criticality:</p> <p> Acceptable risk High-level Company's process: B.4. Security measures</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Criminal intent to engage in fraud, commercial bribery, theft of the Company's property, deliberate or accidental damage to such property, or terrorist and/or other extremist acts Incomplete (based on objective or subjective reasons) evaluation of contractors' reliability Inadequate control of access to facilities: rail sidings, container terminals (sites), production and administrative buildings (premises), containers, flatcars, etc. 	<ol style="list-style-type: none"> Damage related to lost assets, business recovery, lost profits due to suspension (interruption) of operations Casualties, negative public opinion 	<ol style="list-style-type: none"> Constant monitoring of security service providers operation to increase their readiness for detection and prevention of stripping down of railways, containers and flatcars, load-lifting equipment, as well as signs of terrorist act preparation (on an ongoing basis) Ensuring continuous operation of video surveillance and security alarm systems at all TransContainer's facilities (on an ongoing basis) Identification of those third party employees who probably have criminal intents or prepare crimes (on an ongoing basis) Taking applicable legal actions against persons apprehended in the course of committing criminal acts and submitting the relevant information to law enforcement agencies in order to recover the losses (where needed) Organising regular preventive training to teach the Company's personnel how to respond to suspected or actual terrorist acts, mitigate their impacts and to raise vigilance of all Company's employees irrespective of the position occupied (at least once a quarter) Running "know your partner" checks (as part of bidding procedures, contract execution, credit approval, and verification of compliance with contractual obligations) (on an ongoing basis)

Risk	Risk drivers	Risk impact	Mitigators
<p>14.1.3 - Wrongful acts of the Company's employees Criticality:</p>  <p>Acceptable risk High-level Company's process: B.4. Security measures</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Inadequate security measures 2. Insufficient level of employees' ethical maturity 3. A deliberate theft of the Company's money, assets and other property, including by fraud 4. The Company's employees deliberately arranging unfavourable contract terms based on mercenary or other self-interest 5. The internal political situation in the country, continuous threat from extremist groups 	<ol style="list-style-type: none"> 1. Losses suffered by the Company, including lost assets 2. Lost profits 3. Casualties 4. Damage to the Company's reputation 	<ol style="list-style-type: none"> 1. Checking the Company's key employees for detection of a probable conflict of interests, identification of persons who lobby for signing the contracts based on mercenary or other self-interest (on an ongoing basis) 2. Running thorough background checks on candidates applying for key jobs within the Company. Identifying persons with poor moral qualities and probable conditions for a conflict of interests (on an ongoing basis) 3. Identifying employees who have criminal intents to engage in funds theft, fraud, blackmailing, commercial bribery or bribing, and taking preventive measures (on an ongoing basis) 4. Investigating thefts and losses, identifying the culprits and their motivations, and assessing losses suffered by the Company (where needed) 5. Detecting facts and signs of manipulations with imprest amounts: overcharging in supporting documents, procurements of goods with inflated prices or payoff, etc. (on an ongoing basis) 6. Preventing a probable criminal conspiracy between the Company's employees and its customers or suppliers (on an ongoing basis) 7. Undertaking awareness-building and psychological initiatives: sending all partners a clear message on the Company's commitment to combating fraud, corruption and abuse; maintaining hotlines for whistle-blowers (including anonymous), publicising any measures taken against the culprits, etc. (on an ongoing basis) 8. Monitoring the observation of rules on collective decision-making and independent document approval (on an ongoing basis) 9. Identifying employees who have terrorist intentions (on an ongoing basis)


Risk area (process) – 0.15 Industrial safety

Risk area (subprocess) - 15.1. Incident management

<p>15.1.1 - Technical incidents (accidents, emergencies while processing hazardous cargos) Criticality:</p>  <p>Acceptable risk High-level Company's process: B.17. Work safety and environmental protection</p> <p>B.07. Equipment procurement, maintenance, and repair</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Obsolescence of and damage to equipment 2. Manufacturing defects of the equipment 3. Low-quality repairs 4. Inadequate qualification of the employees/contractors 	<ol style="list-style-type: none"> 1. Production process interruptions 2. Costs related to business recovery 3. Fines, penalties and liquidated damages 4. Losses caused by accidents 5. Threat to the personnel's health and life 6. Damage to reputation 	<ol style="list-style-type: none"> 1. Taking measures to ensure timely repairs as prescribed by Federal rules and regulations on industrial safety "Safety Rules for Hazardous Facilities Using Lifting Equipment" as approved by Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 533 dated 12 November 2013, and Operation Manuals for the loading and unloading machinery (TsMM-20) (where needed) 2. Purchasing up-to-date equipment in line with the approved investment programme (where needed) 3. Conducting industrial safety audits pursuant to Federal Law No. 116-FZ dated 21 July 1997 On Industrial Safety at Hazardous Production Facilities (where needed) 4. Ensuring that repairs are compliant with applicable regulations (Federal rules and regulations on industrial safety "Safety Rules for Hazardous Facilities Using Lifting Equipment" as approved by Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 533 dated 12 November 2013, and Operation Manuals for the loading and unloading machinery (TsMM-20)) (on an ongoing basis) 5. Providing timely training for task owners pursuant to the Russian Labour Code, Order of the Federal Environmental, Technological and Nuclear Energy Supervision Service No. 37 dated 29 January 2007 On Training and Certification of Employees in Companies and Organisations Regulated by the Federal Environmental, Technological and Nuclear Energy Supervision Service, other regulations, rules and instructions, as well as approved training and professional development programmes (where needed)
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Risk	Risk drivers	Risk impact	Mitigators
<p>15.1.2 - Workplace injuries Criticality:</p>  <p>Critical risk High-level Company's process: B.17. Work safety and environmental protection</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Employee non-compliance with occupational, industrial and fire safety requirements contained in the applicable laws and Company's by-laws Equipment non-compliance with the safety requirements Delayed personnel training on safe operating procedures Non-compliance with the internal work regulations 	<ol style="list-style-type: none"> Damage to personnel's health Administrative and criminal charges Litigation costs and expenses Damage to the Company's reputation 	<ol style="list-style-type: none"> Work safety training pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007 (where needed) Individual protective equipment pursuant to Order of the Ministry of Health and Social Development of the Russian Federation No. 582n dated 22 October 2008 On Approval of Standards for Issuance of Certified Protective Clothing, Shoes and Other Protective Equipment to Russian Railway Personnel Exposed to Extreme Temperatures or Contamination (where needed) Three-tier health and safety monitoring pursuant to the Regulation on TransContainer's Health and Safety Monitoring Procedures approved by TransContainer's order No. 200 dated 6 August 2007 (constantly) Special assessment of working conditions is conducted pursuant to Federal Law No. 426 dated 28 December 2013 On Special Assessment of Working Conditions once every five years and whenever new jobs are created. For this purpose, the Company engages a duly licensed organisation approved by the Ministry of Health and Social Development (where needed) Issuance of job permits pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007 (where needed) Technical training programmes for employees pursuant to the Guidelines on Technical Training Programmes for TransContainer Employees approved by TransContainer's order No. 234 dated 18 September 2007 (where needed) Development and update of the relevant health and safety regulations to reflect changes in health and safety requirements set by applicable Russian laws and regulations (on an ongoing basis)

Risk area (subprocess) - 15.2.Environmental Protection

<p>15.2.1 Negative environmental footprint associated with the use of equipment and technology Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>B.17. Work safety and environmental protection</p> <p>B.07. Equipment procurement, maintenance, and repair</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Untimely upgrade and replacement of obsolete and outdated equipment Insufficient level of professional qualifications of designated officers Non-compliance with conditions of use, wear and tear of, and damage to equipment, accidents 	<ol style="list-style-type: none"> Damage to personnel's health Administrative and criminal charges for damages to the environment and personnel's health Litigation costs and expenses Imposing obligations on environmental restoration 	<ol style="list-style-type: none"> Development of environmental protection initiatives (on an ongoing basis) Procurement of third-party liability insurance for hazardous production facilities pursuant to Federal Law No. 225-FZ dated 27 July 2010 On Mandatory Insurance of Third-Party Liability of Owners of Hazardous Facilities Caused by Accidents Thereat (certificate of hazardous industrial facility registration A01-08721 dated 24 February 2014) (Container Shipping Department - CSD) (on an ongoing basis) Procurement of up-to-date equipment (including technical equipment) in line with the approved investment programme (where needed) Compliance with the CSD approved production and process procedures (on an ongoing basis) Personnel retraining pursuant to the Guidelines for Health and Safety Training and Assessment of TransContainer Employees' Health and Safety Competency approved by TransContainer's order No. 63 dated 21 March 2007, and the approved retraining and professional development plan (on an ongoing basis) Timely payments for permitted environmental discharges pursuant to Federal Laws No. 7-FZ dated 10 January 2002 On Environmental Protection, No. 96-FZ dated 4 May 1999 On Atmospheric Air Protection, and No. 89-FZ dated 24 June 1998 On Industrial Waste (when needed) Timely development of the Company's internal environmental regulations and procurement of regulatory approvals thereof (MPE, WGDT, MPD, SPZ, etc.) pursuant to Federal Laws No. 7-FZ dated 10 January 2002 On Environmental Protection, No. 96-FZ dated 4 May 1999 On Atmospheric Air Protection, and No. 89-FZ dated 24 June 1998 On Industrial Waste (on an ongoing basis)
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Risk area (process) – 0.16 Document management and document flow

Risk area (subprocess) – 16.1. Document management

Risk	Risk drivers	Risk impact	Mitigators
<p>16.1.1 - Inefficient document management Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>B.12. Case management</p> <p>Risk management method: Control and prevention</p>	<p>1. Non-compliance with the Rules for Preparing and Designing Regulatory and Other Documents at TransContainer approved by TransContainer's Order No. 238 of 18 September 2007 applicable to all business units of the Company</p> <p>2. Non-compliance with the Documentation Management Procedure approved by TransContainer's order applicable to all business units of the Company</p> <p>3. Non-compliance with the Procedure for Arranging Operations of the Reception Office, Meetings, Business Travel, Storage and Use of the Corporate Seal at TransContainer (other than the documentation management subprocess) approved by TransContainer's order applicable to all business units of the Company</p>	<p>1. Decreased performance, unsatisfactory performance, unfulfilled obligations, slow-down in business processes, business process failures, negative impact on TransContainer's image</p>	<p>1. Monitoring business units' compliance with: TransContainer's Documentation Management Procedure, and the Procedure for Arranging Operations of the Reception Office, Meetings, Business Travel, Storage and Use of the Corporate Seal at TransContainer (other than the documentation management subprocess) (on an ongoing basis)</p> <p>2. Daily execution progress and compliance monitoring for all documents being processed by TransContainer's corporate management bodies. Communicating relevant information to personnel (on an ongoing basis)</p> <p>3. Document management procedure updates and, if necessary, improvements (where needed)</p> <p>4. Issue of the "ABC of Russian Labour Code" digest (on an ongoing basis)</p>


Risk area (process) – 0.17 External threats (Force Majeure)

Risk area (subprocess) – 17.1. Force Majeure

<p>17.1.1 - Failures or interruptions in operations due to emergencies Criticality:</p>  <p>Acceptable risk High-level Company's process: B.17. Work safety and environmental protection</p> <p>Risk management method: Control and prevention</p>	<p>1. Natural disasters, climate change</p> <p>2. Challenging crime situation in certain localities</p> <p>3. Inefficient protection of production assets</p> <p>4. Accidents, explosions, fires at third-party facilities preventing the Company from performing its operations</p> <p>5. Breach of production and process discipline</p> <p>6. No formal procedures for critical incident response and crisis management</p>	<p>1. Lost assets, costs related to business recovery</p> <p>2. Damage to personnel's health and life</p> <p>3. Third-party injuries</p>	<p>1. Property, plant and equipment insurance as required by law (policies available at branches) and voluntary insurance pursuant to agreement No. 15 MV 2220/ TKd/15/08/0026 dated 14 August 2015 (where needed)</p> <p>2. Regular civil defence and emergency response training sessions and safety briefings (where needed)</p> <p>3. Emergency response plans (where needed)</p> <p>4. Agreements for fire-fighting and emergency response services (on an ongoing basis)</p>
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Risk area (process) – 0.18 Fleet management

Risk area (subprocess) – 18.1. Rail flatcar and container fleet management



Risk	Risk drivers	Risk impact	Mitigators
<p>18.1.1 - Poor efficiency of the use of rail flatcar and container fleet Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>0.4. Rail flatcar and container fleet management</p> <p>Risk management method: Control and prevention</p>	<p>1. Insufficient control of the use of flatcar and container fleet</p>	<p>1. Drop in transportation volumes 2. Delivery delays 3. Lower rolling stock turnover 4. Losses suffered by the Company due to late provision of the information to bring suits related to loss of flatcars and containers</p>	<p>1. Monitoring flatcars and containers location (on an ongoing basis) 2. Timely provision of the information to bring suits related to the loss of flatcars and containers (where needed) 3. Accounting and analysis of flatcar and container fleet availability at branches, loading/unloading stations (on a daily basis) 4. Timely distribution of orders and instructions related to shipment management, control over orders implementation under the approved requests (on an ongoing basis) 5. Drop in flatcar and container turnover (on an ongoing basis)</p>

Risk area (process) – 0.19 Assets management

Risk area (subprocess) - 19.1. Non-core assets management

<p>19.1.1 - Failure to implement or untimely implementation of non-core assets disposal Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>B.13 Assets management</p> <p>Risk management method: Control and prevention</p>	<p>1. Untimely activity on non-core assets disposal 2. High cost of non-core assets approved in the Non-Core Assets Disposal Programme 3. Lack of demand for non-core assets at the market</p>	<p>1. Delayed implementation of the Non-Core Assets Disposal Programme 2. Dead expenses related to non-core assets</p>	<p>1. Identification and submission of assets, which are not involved in the business, for consideration by the Board of Directors (on an ongoing basis) 2. Timely non-core assets disposal in compliance with the approved Non-Core Assets Disposal Programme (auction proceeds, targeted sales) (where needed)</p>
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3. Regulatory Risks

Risk	Risk drivers	Risk impact	Mitigators
Risk area (process) – R.20 legal support of operations			
Risk area (subprocess) – 20.1. Legal support			
<p>20.1.1 - New regulations negatively affecting the Company's business, untimely adoption of the planned regulations and amendments to the existing regulations Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>B.3. Legal support</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Inefficient government relations Inadequate analysis of legislative developments and their consequences with an impact on the Company's operations Inadequate representation of the Company before the government authorities 	<ol style="list-style-type: none"> Significant decrease in the Company's operating and financial performance Discontinuation of some business activities Damage to business reputation 	<ol style="list-style-type: none"> Continuous interaction and efficient dialogue with government agencies aimed at protecting the Company's interests that may be affected by proposed new laws and regulations in order to identify provisions and requirements that may be unfavourable to the Company's business (on an ongoing basis) Participation in working groups, expert boards and other deliberative bodies working with the government, as well as in public organisations to monitor changes in the legislation and regulations applicable to the transportation industry and lobby relevant legislative changes (to the extent possible) Provision of legal knowledge and clarifications related to legal provisions as requested by the Company's business units (where needed) Ensuring professional development through updating legal staff (including both the executive office and branches) on changes in Russian laws and relevant legal precedents (where needed)
Risk area (subprocess) - 20.2.Contractual			
<p>20.2.1 - Failure to serve the Company's interests when signing contracts with contractors Criticality:</p>  <p>Acceptable risk High-level Company's process: B.3. Legal support</p> <p>B.10 Procurement of goods, works and services for TransContainer's needs</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Inadequate contractual framework for protecting the Company Inadequate terms and conditions of transactions 	<ol style="list-style-type: none"> Declaring a contract not concluded or declaring a contract or some of its terms invalid 	<ol style="list-style-type: none"> Monitoring and enforcing compliance with all contract negotiation and review procedures (on an ongoing basis) Monitoring and enforcing compliance with regulations related to contracts and agreements (on an ongoing basis) Monitoring and enforcing compliance with procurement procedures (on an ongoing basis) - Acting Procurement Director Sergey Pronin Ensuring professional development through updating legal staff (including both the executive office and branches) on changes in Russian laws and relevant legal precedents (where needed) Providing guidance on contract execution matters to the executive office and branches (on an ongoing basis)
Risk area (subprocess) - 20.3.Representing TransContainer in courts			




Risk	Risk drivers	Risk impact	Mitigators
<p>20.3.1 - Losing litigation cases related to contractors' or employees' claims, appeals against statements/decisions of authorities/officials on the imposition of administrative sanctions on the Company severely affecting its financial performance Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: B.3. Legal support</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Inadequate review of transaction terms and conditions by the initiator of the transaction Absence of the required source documents or their improper execution by the Company's employees Default by the Company or its contractors under agreements Unreasonably refused partner claims Non-compliance with law 	<ol style="list-style-type: none"> Losses stemming from damages, fines, penalties, compensations, legal costs and expenses or damage to reputation 	<ol style="list-style-type: none"> Developing solid legal reasoning and proper defence tactics (on an ongoing basis) Recording litigations in the electronic document management system and monitoring legal precedents (on an ongoing basis) Analysing and summarising cases involving TransContainer and providing summary reports to TransContainer's branches (where needed) Ensuring professional development of legal staff through seminars and lectures on changes in Russian laws and relevant legal precedents (where needed)


Risk area (process) – R.21 Regulatory matters

Risk area (subprocess) - 21.1.Industry-specific regulations

<p>21.1.1 - Non-observance of laws and regulations applicable to the Company's business as regards flatcar and container repairs Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: B.7. Equipment procurement, maintenance, and repair</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Non-conformity of the equipment, technologies, quality of products/services with regulatory requirements No monitoring procedures to follow legislative developments Incomplete/inaccurate documentation for the equipment in use 	<ol style="list-style-type: none"> Tax authorities questioning depreciation in tax documents Restrictions on transactions with assets (sale, lease, etc.) Fleet idling Restrictions on equipment operations 	<ol style="list-style-type: none"> Monitoring and ensuring the compliance of equipment, technologies and quality of products/services with applicable railway transportation regulations by repair departments at branches and the container shipping centre (on an ongoing basis) Monitoring regulatory changes. Analysing data provided by the Russian Railways and monitoring data available through the Automated Railway Legal Information System (ASPIZhT) (on an ongoing basis) Monitoring the container shipping centre for signs of monopoly in container transportation, government regulation of repair tariffs (on an ongoing basis) Monitoring and ensuring accuracy of documentation related to movable assets by branches' repair departments (CSD) (on an ongoing basis) Monitoring and enforcing compliance with new regulations and promptly providing information on such regulations to branches (CSD) (on an ongoing basis)
<p>21.1.2. - Violation of technical requirements as regards building/construction operation Criticality:</p> <p></p> <p>Acceptable risk High-level Company's process: B.15. Managing construction and operation of buildings and structures</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> Non-compliance of operated facilities with applicable regulations Untimely inspections and repairs of buildings and structures Failure to communicate legislative developments to employees 	<ol style="list-style-type: none"> Failure in utility systems operation Repair/recovery costs Deterioration of building/construction performance Loss of functionality of building/construction elements 	<ol style="list-style-type: none"> Monitoring the state of facilities pursuant to Procedure for Inspection of Buildings and Constructions Operated by Russian Federal Railways No. TsUKS-788 dated 29 September 2000, and building codes (on an ongoing basis) Repairing buildings and constructions pursuant to approved plans as prescribed by building codes VSN55-87(r) and VSN55-88(r) (where needed) Informing personnel of any changes to regulations and standards in a timely manner (where needed)

Risk area (subprocess) - 21.2.Customs laws and regulations

Risk	Risk drivers	Risk impact	Mitigators
<p>21.2.1 - Sanctions and restrictions imposed by customs authorities related to international cargo transportation Criticality:</p>  <p>Minor risk High-level Company's process: 0.5 Order fulfilment.</p> <p>Risk management method: Control and prevention</p>	<p>1. Poor TransContainer's client awareness of existing restrictions and prohibitions on movement of specific goods across the Customs Union border 2. Insufficient information in transportation documents when certain information is required for a relevant customs procedure</p>	<p>1. Delivery delays 2. Extra costs at the customs border 3. Drop in transportation volumes 4. Lower rolling stock turnover 5. Lower customer satisfaction 6. Lower revenues</p>	<p>1. Upon request of the sales team, a statement is prepared by the Department of Customs Development on import/export suitability to/from the Customs Union and on the scope of information required in transportation documents for a relevant customs procedure (where needed)</p>
<p>21.2.2 - Failure to comply with the customs rules as per the Code of Administrative Offences of the Russian Federation Criticality:</p>  <p>Acceptable risk High-level Company's process 0.5 Order fulfilment</p> <p>Risk management method: Control and prevention</p>	<p>1. Failure by TransContainer's staff to comply with the customs rules and requirements of the Federal Customs Service 2. Failure to meet customs deadlines</p>	<p>1. Lower profits due to fines</p>	<p>1. Analysing reports on administrative violations (where needed) 2. Providing recommendations, training and/ or briefings to employees whose actions caused administrative proceedings against TransContainer (where needed)</p>
<p>Risk area (subprocess) - 21.3. Tax legislation</p>			
<p>21.3.1 - Non-observance of tax law requirements Criticality:</p>  <p>Acceptable risk High-level Company's process B.16. Tax management</p> <p>Risk management method: Control and prevention</p>	<p>1. Incorrect application of tax laws 2. Ambiguous interpretations of tax law requirements</p>	<p>1. Additional taxes, fines and penalties 2. Litigation costs and expenses 3. Seizure of assets/accounts</p>	<p>1. Tax experts participating in the signing of contracts (on an ongoing basis) 2. Monitoring inclusion of documents into tax accounting (on an ongoing basis) 3. Training employees (continuous professional development) (where needed) 4. Engaging consultants (where needed) 5. Monitoring changes to tax legislation (on an ongoing basis) 6. Monitoring arbitration case law related to tax disputes (on an ongoing basis) 7. Internal control over the extent and credibility of tax obligations (on an ongoing basis)</p>

Risk	Risk drivers	Risk impact	Mitigators
21.3.2 - Deteriorating tax regulations Criticality: 	1. Changes to the tax legislation implicating a significant increase in the Company's tax burden	1. Company's tax burden increase 2. Lower financial results	1. Monitoring the tax legislation (on an ongoing basis) 2. Timely reaction on changes to the tax legislation (when needed)


Acceptable risk

High-level Company's process B.16. Tax management



Risk management method:
 Acceptance/Control and prevention

Risk	Risk drivers	Risk impact	Mitigators
Risk area (subprocess) - 21.4. Anti-fraud and anti-corruption legislation			

Risk	Risk drivers	Risk impact	Mitigators
<p>21.4.1 - Corruption risks: conflict of interests, insider trading, bribery, commercial bribery Criticality:</p> <p>Critical risk High-level Company's process: G.1 Strategic management; G.2. Interaction with the securities market and investor relations; G.3 Budget management; G.4. Economic accounting and planning of ongoing activities; G.5. Business audit; G.6. Corporate governance; G.7. Management of TransContainer group entities; G.8. Risk management; G.9. KPI management; G.10. Traffic safety management system; G.11. Capital expenditure management; O.1. Service sales; O.2. Marketing; O.3. Customer service; O.4. Rail flatcar and container fleet management; O.5. Order fulfilment; O.6. Development, support and pricing of transportation solutions; O.7. Road vehicles management; O.8. Terminal resource management; O.9. TransContainer's sales and operational planning; D.1. Business development project management; D.2. R&D management; D.3. Quality management system; D.4. Transportation services development and updating; D.5. Organisational development management; D.6. Development of international business ties; B.1. Support for corporate communications and public relations; B.2. Accounting and reporting; B.3. Legal support; B.4. Security measures; B.5. Statistics, analysis and forecasting of the TransContainer performance; B.6. Finance management; B.7. Equipment procurement, maintenance and repair; B.8. Human resources; B.9. Technological support of the core production processes; B.10. Procurement of goods, works and services for TransContainer's needs; B.11. Information resource management; B.12. Case management; B.13. Assets management; B.14. Call centre performance; B.15. Managing construction and operation of buildings and structures; B.16. Tax management; B.17. Work safety and environmental protection; B.18. General and administrative support</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Unavailability of information and documents governing the key principles and approaches of the Company to combating corruption 2. Insufficient level of the ethical maturity of the Company's employees and/or third parties 3. Conscious acts of corruption in respect of government (municipal) officials, extortion or commercial bribery, etc. 	<ol style="list-style-type: none"> 1. Company's officers' and employees' liability (including liability under the UK law) 2. Losses suffered by the Company, including lost assets 3. Damage to the Company's reputation 	<ol style="list-style-type: none"> 1. Interaction with the law, prosecution authorities, other government bodies and organisations, participation in the Anti-Corruption Charter of the Russian Business (on an ongoing basis) 2. Agitation, organisational, explanatory, and other activities on combating corruption (workshops, technical training, individual consulting and other measures) (on an ongoing basis) 3. Inspection of incoming notifications on cases of inciting the Company's employees to commit a corruption offence and submission of inspection reports to prosecution authorities or other federal government bodies (when needed) 4. Provision of the Stop Corruption line (hotline) for the public (on an ongoing basis) 5. Analysis of appeals from the citizens and other persons on corruption cases among the employees of PJSC TransContainer and inadequate processing of the appeals (when needed) 6. Familiarization of new staff with the Company's law and local acts on combating corruption (on an ongoing basis) 7. Regular control of compliance with the internal anti-corruption, anti-fraud and anti-embezzlement procedures (on an ongoing basis) 8. Monitoring the duties performed by the employees whose activities are related to the corruption risks, and informing the employees on the revealed corruption cases and (or) intentions of corporate fraud and embezzlement, and undertaken measures (on an ongoing basis) 9. Informing the concerned managers and CEO on indications (possible occurrence) of corruption, corporate fraud and embezzlement risks (when needed)
Risk area (subprocess) - 21.5. Other legal/regulatory requirements			

Risk	Risk drivers	Risk impact	Mitigators
<p>21.5.1 - Non-compliance with employment laws</p> <p>Criticality:</p>  <p>Minor risk</p> <p>High-level Company's process:</p> <p>B.8. HR management</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Failure to fulfil obligations towards former employees (for example, in case of wrongful dismissal) 2. Non-compliance with employment laws (for example, wrongful disciplinary action) 3. Non-compliance with laws and regulations governing the provision of guarantees and benefits to certain categories of employees (pregnant women and women with children under the age of three; the disabled, minors; secondary job employees; employees exposed to harmful and/or hazardous environment factors; employees combining work and study, etc.) 4. Unreasonable use of fixed term contracts for employment 5. Errors and inaccuracies in work record books 6. Disregard of employee rights and entitlement to annual leave (basic or additional), educational leave, compensations, additional leave days 7. Violations pertaining to work on weekends and holidays and overtime work 8. Failure to provide guarantees and compensations relating to employment termination 9. Non-compliance with personal data laws 	<ol style="list-style-type: none"> 1. Additional costs and expenses related to employees' claims 2. Damage to reputation 	<ol style="list-style-type: none"> 1. Strict compliance with labour laws at employment contract termination regardless of its causes (on an ongoing basis) 2. Consulting with legal staff on compliance with labour laws (where needed) 3. Professional development programmes for HR departments at the executive office and branches, review of periodicals related to the application of labour laws (on an ongoing basis) 4. Quarterly video conferences with branches' HR departments on compliance with labour laws (on an ongoing basis) 5. Audits of HR activities in four branches pursuant to the approved plan (on an ongoing basis)
<p>21.5.2 - Legal risks associated with the Company's deals related to operations in foreign jurisdictions</p> <p>Criticality:</p>  <p>Acceptable risk</p> <p>High-level Company's process</p> <p>B.3. Legal support</p> <p>Risk management method: Acceptance/Control and prevention</p>	<ol style="list-style-type: none"> 1. Inadequate qualifications in international law 2. Changes in the legislation of foreign states 	<ol style="list-style-type: none"> 1. Penalties and restrictions on international operations 2. Damage to reputation 	<ol style="list-style-type: none"> 1. Professional development programmes for legal staff on foreign laws (where needed) 2. Engaging foreign law experts (where needed)

4. Financial Risks

Risk	Risk drivers	Risk impact	Mitigators
Risk area (process) – F.22 Capital market and liquidity			
Risk area (subprocess) - 22.1.Liquidity risk			
22.1.1 - Liquidity risk Criticality:  Acceptable risk High-level Company's process B.6. Finance management Risk management method: Control and prevention	1.Unpredictable increase in spending, absence of reserves and provisions, lower income, tax claims, lack of access to funding	1. Fines, counterparty claims	1. Bringing the payment schedule to compliance with the TransContainer's Regulation for Finance Management (adopted by TransContainer's order No.37 dated 27 February 2015) (on an ongoing basis) 2. Supporting limits and credit facilities with banks (on an ongoing basis) 3. Adjusting budget processes (where needed)
Risk area (subprocess) – 22.2. Currency risk			
22.2.1 - Currency risk Criticality:  Acceptable risk High-level Company's process B.6. Finance management Risk management method: Acceptance/Control and prevention	1. Unpredictable changes in foreign exchange rates	1. Lower financial results	1. Monitoring exchange rates on a daily basis (on an ongoing basis) 2. Forecasting exchange rates on a quarterly basis for setting TransContainer's tariffs (on an ongoing basis) 3. Monthly downloading Bloomberg's exchange rate forecasts (on an ongoing basis) 4. Hedging (where needed) 5. Open currency position control (when needed)
Risk area (subprocess) – 22.3. Credit risk			

Risk	Risk drivers	Risk impact	Mitigators
22.3.1 - Credit risk Criticality:	1. Financial standing of counterparties, adverse economic conditions 2. Misinformation about counterparties	1. Cash shortage 2. Lower financial performance 3. Increase in overdue receivables	1. Calculating, controlling and setting counterparty limits (on an ongoing basis) 2. Monitoring counterparty's credit standing (on an ongoing basis)



Acceptable risk

High-level
Company's process

B.6. Finance
management

Risk management
method:
Acceptance/Control
and prevention

Risk area (subprocess) – 22.4. Currency risk

22.4.1 - Interest rate risk Criticality:	1. Deteriorating economic conditions 2. Rating downgrade 3. Lower financial performance of the Company 4. Mistakes in debt policy implementation 5. Budgeting mistakes	1. Cash shortage 2. Lower financial performance 3. Failure to meet budget targets	1. Doing market research (where needed) 2. Diversifying the lender and investor base (on an ongoing basis) 3. Hedging (where needed) 4. Ensuring professional development/training of employees in securities and stock markets (on an ongoing basis)
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Acceptable risk

High-level
Company's process

B.6. Finance
management

Risk management
method:
Acceptance/Control
and prevention

Risk area (process) – F.23 Management accounts and reports

Risk area (subprocess) – 23.1. Budgeting

23.1.1 - Inefficient budgeting process Criticality:	1. Macroeconomic changes 2. Provision of inaccurate information for Company's budget planning/review by the financial responsibility centre 3. Inadequate automation of the budgeting process	1. Failure to meet strategic targets 2. Failure to meet budget targets	1. Initiating budget adjustments in accordance with the Regulation on Budgeting and Budget Execution Control (adopted by the Board of Directors, Minutes No. 6 dated 18 December 2013) (where needed) 2. Reviewing (adjusting) the financial responsibility centre budgets at the Budget Committee's meetings (where needed) 3. Budgeting for financial responsibility centres (on an ongoing basis) 4. Monitoring the macroeconomic environment (on an ongoing basis) 5. Verifying financial responsibility centres' budgets with the financial model (where needed)
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Acceptable risk

High-level
Company's process

G3. Budget
management

Risk management
method: Control
and prevention


Risk	Risk drivers	Risk impact	Mitigators
<p>23.1.2 - Uncontrollable deviations from the budget Criticality:</p>  <p>Acceptable risk High-level Company's process</p> <p>G3. Budget management</p> <p>Risk management method: Control and prevention</p>	<p>1. Inefficient controlling system</p>	<p>1. Deviation of budget parameters 2. Shortage of cash to fund the company's operations</p>	<p>1. Broadening the perimeter of plan/actual gap analysis in terms of prices and volumes by accounting entity (Q3 2018) 2. Implementing end-to-end budgeting elements based on operations planning (Q3 2018) 3. Monitoring regular budget execution reports to CEO from heads of financial responsibility centres (on an ongoing basis) 4. The Budget Committee to control information submitted by financial responsibility centres when the budget is developed and/or adjusted (on an ongoing basis)</p>

Risk area (subprocess) – 23.2. Economic accounting and planning of ongoing activities

<p>23.2.1 - Inefficient management of the Subsidiaries Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>G.4 Economic accounting and planning of ongoing activities</p> <p>Risk management method: Control and prevention</p>	<p>1. Untimely write-offs/disposal/non-use of stocks in production</p>	<p>1. Inflated Company's assets</p>	<p>1. Monthly control over the stocks balance as at the end of a reporting period, identification of reasons of stocks overbalance (on an ongoing basis) 2. Aligning the stocks with the approved TransContainer CEO's Order No.295 dated 21 December 2015 (on an ongoing basis)</p>
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Risk area (process) – F.24 Accounting and reporting

Risk area (subprocess) – 24.1.RAS accounting and reporting

Risk	Risk drivers	Risk impact	Mitigators
<p>24.1.1 - Unreliable and/or untimely RAS accounting statements</p> <p>Criticality:</p>  <p>Minor risk High-level Company's process:</p> <p>B.2. Accounting and reporting</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Untimely and inaccurate provision of information by departments and process owners 2. Lack of a documented contractor service distribution procedure 3. Execution of reconciliation reports despite discrepancies, or lack of reconciliation reports 4. Untimely and inaccurate accounting. 	<ol style="list-style-type: none"> 1. Misrepresentation of financial statements 2. Fines for late delivery 3. Breach of the Russian Railways' regulations, breach of shareholders' requirements 	<ol style="list-style-type: none"> 1. Participating in the signing of contracts (on an ongoing basis). 2. Accepting documents for records (on an ongoing basis) 3. Training employees (continuous professional development) 4. Ensuring that contracts are executed in a timely manner (on an ongoing basis) 5. Controlling subordinates (including for compliance with CSD's local regulations in terms of improving the quality, completeness and timeliness of reporting (CEO order No. 154 dated 17 November 2010) (on an ongoing basis) 6. Engaging consultants (where needed) 7. Maintaining relations with audit firms as part of the auditing process 8. Monitoring the accounting law development and the Russian Railways' clarifying reports (on an ongoing basis) 9. Monitoring the IT-systems compliance with the effective RAS accounting and reporting requirements: timely submission of applications to the IT department to update RAS accounting and reporting systems (on an ongoing basis) 10. Maintaining relations with Governance branches and business units (on an ongoing basis)

Risk area (subprocess) – F.24.2 IFRS accounting and reporting

Risk	Risk drivers	Risk impact	Mitigators
<p>24.2.1 - Unreliable and/or untimely IFRS consolidated financial statements</p> <p>Criticality:</p>  <p>Minor risk</p> <p>High-level</p> <p>Company's process:</p> <p>B.2. Accounting and reporting</p> <p>Risk management method: Control and prevention</p>	<ol style="list-style-type: none"> 1. Untimely and/or insufficient and/or unreliable provision of information and documents by: subsidiaries, branches, business units, advisors and process owners 2. Transformation and/or consolidation errors in financial statements 3. Untimely and/or insufficient and/or unreliable information on material transactions for the purposes of disclosure in consolidated financial statements 4. Untimely and/or insufficient and/or unreliable information on buying/selling stakes/shares in companies, incorporation/creation of new companies/joint ventures/associates/special purpose vehicles, or dissolution thereof 5. Reducing the time needed to prepare IFRS consolidated financial statements and special purpose financial statements for shareholders (the Russian Railways Group and FESCO Group), new requirements under Law 208-FZ 6. Disruptions in the Company's IFRS and other IT systems, untimely and/or insufficient IT support, maintenance or improvements of the IFRS by the Company's IT Department and/ or advisors 7. Untimely and/or insufficient and/or unreliable information and documentation: from branches, business units and subordinates due to transition to a new Oracle subsystem instead of PEREVOZKI information system 8. Changes to the frequency of preparing special purpose financial statements for shareholders, including record keeping in the Russian Railway's SAP system (greater work volumes) 9. Changes to the TransContainer structure (increase in subsidiaries within the Group) 	<ol style="list-style-type: none"> 1. Misrepresentation of TransContainer's consolidated financial statements under IFRS, misrepresentation of consolidated financial statements of Russian Railways Group and FESCO Group 2. Unreliability of TransContainer's consolidated financial statements under IFRS, unreliability of consolidated financial statements of Russian Railways Group and FESCO Group 3. Late preparation of TransContainer's consolidated financial statements under IFRS and consolidated financial statements of Russian Railways Group and FESCO Group 4. Decrease in users' (including company management, shareholders, investors, banks, counterparties, etc.) confidence in financial statements 5. Decrease in the market value of shares, breach of LSE and MOEX requirements, delisting 6. Breach of the Russian Railways' regulations, breach of shareholders' requirements 7. Breach of Law 208-FZ On Consolidated Financial Statements and Law 39-FZ On the Securities Market. 	<ol style="list-style-type: none"> 1. Participating in the signing of contracts (on an ongoing basis) 2. Accepting documents for records (on an ongoing basis) 3. Training employees (continuous professional development) 4. Timely provision of required staff (the Russian Railway's Regulations approved by the order No.398r dated 3 March 2017, the Regulation on CSC IFRS department). (when needed) 5. Ensuring timely execution of contracts, regulations and orders by telegrams by the Russian Railway and FESCO (on an ongoing basis) 6. Controlling subordinates (including for compliance with the subsidiaries and affiliates' internal regulations in terms of improving the quality, completeness and timeliness of accounts (on an ongoing basis) 7. Engaging advisors (on an ongoing basis and where needed) 8. Maintaining relations with subsidiaries and affiliates (on an ongoing basis). 9. Maintaining relations with the Russian Railway's and FESCO's shareholders (on an ongoing basis) 10. Maintaining relations with audit firms (PWC, E&Y, KPMG auditor) as part of the auditing process (where needed) 11. Maintaining relations with advisors on introducing the new Oracle system and improving the IFRS system and TransContainer's IT Department (where needed)