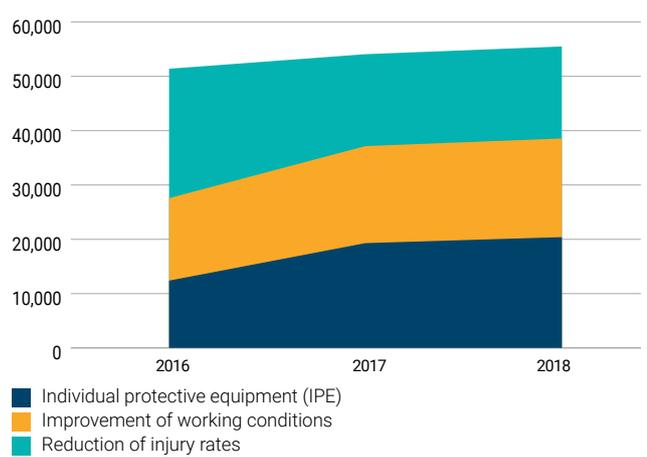


Health and Safety Expenses, '000 RUB



In 2018, health and safety expenses, net of IPE expenses, amounted to RUB 35.099 mln against the annual target of RUB 31.567 mln (around 0.38% of costs attributable to the cost of revenue). The funds were used to purchase hand-held radio units, sets of tools with insulated handles for electric works, fire extinguishers, prohibitory, information and mandatory safety signs and fire doors, to measure the insulation resistance of electric equipment, and carry out a number of process control initiatives.

The Company spent RUB 18.164 mln to improve working conditions and prevent occupational diseases (up 1.8% year-on-year). For better microclimatic conditions, the Company installed heaters, air conditioning systems, ionisers, and window blinds. TransContainer also purchased labour-saving devices to reduce workload and physical effort.

Incentives

<p>Programmes of financial incentives by employee categories (including assessment of the average and minimum level of remuneration, overtime premium, etc.)</p>	<p>The program of financial incentives involves bonus payment according to performances as per TransContainer's Regulations on Bonuses, and the indexation of wages pursuant to Collective Agreement</p>
<p>Programmes of non-financial incentives by employee categories</p>	<p>Non-financial incentives in the Company:</p> <ul style="list-style-type: none"> • employees training; • fostering professional development; • creating a favourable atmosphere; • holding Best Employee contest; • granting honorary titles; • nurturing team spirit (conducting sports events, corporate parties, holiday trips)
<p>Composition and principle of benefits package formation by employees categories</p>	<p>Pursuant to Collective Agreement, the Company's employees of all categories are provided with:</p> <ol style="list-style-type: none"> 1) reimbursement for the cost of travel to the place of work and back; 2) once a year - reimbursement for the cost of travel to a vacation spot; 3) compensation for childcare at the pre-school institutions. <p>The one-off incentive is paid to coincide with the anniversary dates and with the retirement from for the first time.</p> <p>Monthly allowance and financial assistance are provided for those on leave to care for children from 1.5 to 3 years.</p>

As part of its efforts to enhance employee welfare, the Company furnished individual lockers, electrical appliances, and bottled water.

At TransContainer, we pay special attention to providing employees of business units with cutting-edge and high-quality personal protective equipment. There are special acceptance boards in place responsible for the quality and timely delivery of protective clothing.

To prevent workplace injuries, TransContainer organises annual training for managers and skilled employees. In the reporting year, 258, 56 and 84 people were trained in occupational, industrial and electrical safety, respectively, with RUB 2 mln allocated for the purpose.

In 2018, the Company conducted a special assessment of working conditions at 468 workplaces across the Company's branch offices. Following the assessment, we improved working conditions at 18% of the workplaces. The related costs amounted to RUB 0.75 mln, including the purchase of state-of-the-art tools, machines, and other production equipment. Also, we installed new air filters and air conditioning systems to improve the microclimate in our premises.

Pursuant to the Collective Agreement and the special assessment results, personnel exposed to harmful and/or hazardous environment factors receive compensations. The employees get bonuses in addition to standard wages and extra leave days.

Financial Incentives

TransContainer values its employees and aligns their remuneration and incentivisation with the Company's strategy aimed at higher container transportation volumes and margins, excellent quality of freight forwarding services, and stronger performance.

Staff remuneration terms and procedure are set out in the Regulation on TransContainer's Staff Remuneration.

The bonus system implies the payment of remuneration based on the Company's operating and financial results, as well as employees personal contribution, and calculated by unit, occupation, and position. We have developed and are continuously improving the scheme which links the bonus amount to the achievement of target KPIs. To attract and retain qualified staff, the Company pays one-off loyalty bonuses. In addition, in 2018 the wage indexation of 3.7% for all employees was implemented pursuant to the Company's Collective Agreement.

We motivate our team to perform better by providing social guarantees and benefits in excess of those required by the Russian labour laws. These are governed by the Collective Agreement and local regulations.

All our employees are granted voluntary health insurance policies and can get free medical care at Russia's best healthcare facilities listed in insurance policies. Also, employees and their families are entitled to partial compensation of their health resort treatment packages and reimbursement of railway tickets.

Retiring employees receive a one-off payment, and our staff can also take advantage of corporate pension plans.

The Company provides financial aid to its employees in specific life circumstances, including hardship payments. We pay subsidies to employees to cover part of their mortgage interest. There is also a one-off childbirth allowance. Monthly allowance is provided for those on leave to care for children from 1.5 to 3 years.

Non-financial Incentives

In 2018, TransContainer continued improving the system of non-financial incentives.

Besides awards for strong performance, professionalism and personal contribution to the Company's success, at the end of the year the Company traditionally held its Best Employee contest on the Company's Day and the Day of Railway Worker in the following categories:

- Best in Profession: Acceptance/Delivery Agent,
- Best Specialist,
- Best Manager.

In 2018, additional tools were used for determining the winners. Employees activity on the training portal and the training efficiency were analysed. The employees with maximum rating advanced to the second round to demonstrate their engagement level and readiness to changes. The contest was won by employees with maximum rating points by the corporate competencies development level.

In December 2018, the Company undertook a study of engagement according to AONHewitt methodology involving 2,724 employees (74.7%) of TransContainer's headquarters and branch offices. According to the analysis, the engagement level in the Company amounted to 68%, down 3% year-on-year. Such a reduction in engagement level is not critical, especially since this value is 4% higher than the average level in Russia in 2017. It could be caused by TransContainer management change in 2H 2018 that triggered natural concerns among the majority of employees. In this context, the HR projects launched at the end of 2018 were mainly aimed at improving the existing situation.

In Q4 2018, TransContainer launched a project focused on identifying and promoting the high-potential employees within the talent pool. The project was called Change Leaders. Literally, every Company's employee could apply for participation in the qualifying round involving a video presentation and passing a test. A total of 243 applications were received from the different-level employees ranging from acceptance/delivery agents to directors.

The commission of experts selected 42 participants for 2019 who will undergo additional training in management skills, basic strategic vision and project management skills, and take part in the project teams on development and implementation of the Company's strategic initiatives.

All employees who applied for participation in Change Leaders project irrespective of examination results received an individualized letter from the CEO with congratulations and acknowledgements.

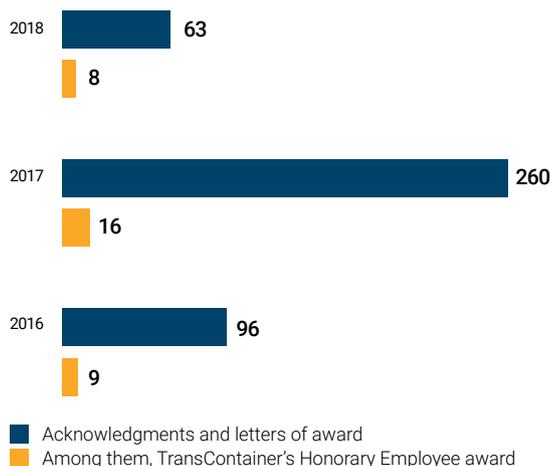
In 2H 2018, the Company implemented the initiative on arranging the addresses to the employees and interview with the Company's top management on its internal portal. Such format ensures immediate and extensive informing about strategic changes in the Company and introducing new managers to the employees.

A complex of activities aimed to improve employee engagement is planned for 2019:

- developing the internal communications strategy;
- holding a music competition to organize a music band in the Company;
- updating the Company's mission and values within the framework of a strategy session and organizing events to communicate the Company's mission and values to the employees of executive office and branch offices;
- cross-functional on-the-job training of employees at the companies of transport and logistics business unit.

These and other initiatives will ensure the availability of information on conducting the Company's business, thus helping each employee to feel valued and involved.

Non-financial Incentives – Awards (persons):



Number of Complaints Regarding Violations of the Labour Code of the Russian Federation (Code of Ethics), pcs

Complaints	2016	2017	2018
Filed	–	2	–
Processed (including those filed before the beginning of the reporting period)	–	2	–
Settled	–	2	–

HR development plans for 2019:

- the project focused on identifying and promoting the high-potential employees within the talent pool;
- approbation of annual assessment procedure;
- Internal Coaches School;
- engagement snapshots throughout the year.

Trade Union Organisations

Almost all (98%) of the Company's employees are members of the primary trade union organisation under the Russian Trade Union of Railway Workers and Transport Builders (ROSPROFZHEL). The trade union organisation is considered by TransContainer as a social partner and element of the corporate culture.

It initiates signing of the Collective Agreement, which governs social and labour relations of the Company and its employees, liaises with the employer on matters related to workplace discipline, work and rest regime, health, safety, and working conditions, increase in real wages, social guarantees provided to employees, their families, and unemployed pensioners.

In case of a violation of rights or discrimination, each employee can file a free-form complaint to the trade union organisation or write a letter to the CEO. All complaints are handled by dedicated commissions as part of the trade union's day-to-day activities. The employer makes decisions on social and work-related matters put forward by employees, based on the motivated opinion of the trade union bodies. In 2018, no labour conflicts regarding the commitments under Collective Agreement were registered. The wages were paid on time.

Social Programmes

In 2018, TransContainer implemented the following social programmes under the Collective Agreement with a view of attracting and retaining employees.

Housing Programme

To date, 145 employees have taken advantage of the programme to improve their housing conditions.

The housing programme includes:

- subsidies to employees to cover a part of their mortgage interest;
- corporate support for home purchase/construction.

Health Programme

In 2018, 422 employees, including 100 with children, received treatment at various health resorts and recreation facilities. As many as 275 children spent their summer holidays in recreational camps.

The health programme includes:

- discounted recreation for employees and their families at a number of resorts and partial reimbursement of travel packages bought;
- summer vacations for employees' children;
- creating conditions for physical activity and sports, promotion of a healthy lifestyle and sports. The Company has a sports committee chaired by the Deputy to CEO V. Drachyov to coordinate sports-related activities. There is a football club that regularly stages competitions on the Day of Railway Worker, CEO Cup, and commemoration tournaments. There are also volleyball, chess, and tennis clubs.