

Control and Monitoring

Internal Control System

TransContainer's Internal Control Policy provides for the effective management of the Company's internal controls through efficient day-to-day interaction of the following participants:

- Board of Directors;
- committees of the Board of Directors, including the Audit Committee;
- Company's executive bodies (the Executive Board and the CEO);
- collective operating bodies set up by the Company's executive bodies to perform specific functions, including the Risk Committee;
- heads of the Company's structural units;
- Company's employees engaged in control procedures as part of their duties;
- Revision Commission.

Internal Audit Service

The Internal Audit Service was established to assist the Board of Directors and executive bodies in enhancing the Company's management efficiency and improving its financial and economic operations through a systematic and consistent approach to the analysis and evaluation of risk management, internal control and corporate governance systems as tools to provide reasonable assurance that the Company will achieve its goals.

Committed to independence and neutrality, the Internal Audit Service is guided by the Regulation on the Internal Audit Service of TransContainer¹, Russian laws, Regulation on the Audit Committee of TransContainer, resolutions of the general meeting of shareholders and the Board of Directors, the Company's by-laws, internal auditing guidance as per the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.

To ensure independence and prevent bias, the Internal Audit Service has a functional reporting line to the Board of Directors and an administrative reporting line to the Company's CEO. The Head of the Internal Audit Service is appointed or terminated by the CEO upon resolution of the Board of Directors. The Head of the Internal Audit Service reports to the Audit Committee and the Board of Directors on the performance of the Internal Audit Service throughout the reporting quarter and annually, and on the current state of the internal control and risk management systems, progress against the annual action plan and budget of

the Internal Audit Service.

The Internal Audit Service is headed by Elena Ustinova.

Key projects of the Internal Audit Service in 2018:

- assessment of corporate governance;
- analysis of measures to eliminate the gaps identified by the Revision Commission during the audit of TransContainer's operations in 2017;
- assessment of the effectiveness of the risk management and internal control framework;
- audit of financial and operational activities of the Company's five branches;
- assessment of controls over the engagement of co-contractors under freight forwarding services contracts.

Revision Commission

The Revision Commission is a permanent internal control body that monitors the Company's financial and business activities, including those of the Company's branches and representative offices, to ensure compliance with the existing Russian laws and the Company's Charter and by-laws.

The Revision Commission acts in the interests of the Company's shareholders and is accountable to the general meeting of shareholders. It is independent of the officers of the Company's governance bodies, and its members are not the Company's officers or employees. Members of the Revision Commission are not officials or employees of the Company.

From 18 February to 19 March 2019, the Revision Commission audited the Company's 2018 operations.

In 2018, the Chairman of TransContainer's Revision Commission was present at the meeting of the Audit Committee discussing a report on the 2017 audit results.

Remuneration of its members is paid in accordance with the Regulation on Remuneration and Compensation Payable to Members of TransContainer's Revision Commission.

1. The Regulations are available on the Company's website: <https://trcont.com/documents/20143/69792/Regulations-Internal-Audit-160517-eng.pdf/80622eaf-4686-d9e5-efb8-aa28bc26192e>.

Members of the Revision Commission Elected at the Annual General Meeting of Shareholders Held on 15 May 2018

1. Sergey Davydov, Deputy Head of the Department for Consolidated IFRS Financial Statements, part of Accounting Service, Russian Railways.
2. Olga Zorina, Deputy Head of the Internal Control Centre, Zheldorcontrol, Russian Railways.
3. Tatyana Tarynina, Chief Auditor of the Department for Control of Production and Financial Activities of Russian Railways's structural units at the Internal Control Center, Zheldorkontrol, Russian Railways.
4. Yuri Fedosov, Head of Subsidiaries and Affiliates Management Department, Russian Railways.
5. Elena Yudina, Department Head at the Internal Control Centre, Zheldorcontrol, Russian Railways.

Olga Zorina was elected as the Chair of TransContainer's Revision Commission in 2018.

Remuneration Paid to the Revision Commission Active in 2018

No.	Position	Full name	Annual Remuneration, RUB
1	Chairman of the Revision Commission (until the Annual General Meeting of Shareholders held on 15 May 2018)	A. Red'kin	225,000
2	Member of the Revision Commission	S. Davydov	150,000
3	Member of the Revision Commission	Yu. Fedosov	150,000
4	Member of the Revision Commission (until the Annual General Meeting of Shareholders held on 15 May 2018)	A. Chernyavskaya	150,000
5	Member of the Revision Commission	E. Yudina	150,000
6	Member of the Revision Commission	O. Zorina	–
7	Member of the Revision Commission	T. Tarynina	–
Total			825,000

Addressing Potential Conflict of Interest

Prevention and management of conflicts of interest are an essential tool of the Company and shareholder protection. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company's bodies, shareholders and employees.

The Company has taken measures to prevent potential conflict of interest involving executive bodies and key managers, including:

- a requirement set out in the Regulation on the Executive Board and the Regulation on the CEO of the Company obliging them to refrain from any actions that can or may potentially lead to a conflict of interest with the Company and report any such conflict arising to the Board of Directors. These obligations are also fixed in the employment contracts with the CEO and members of the Executive Board, the terms and conditions of which are determined by the Company's Board of Directors;
- authorising the Board of Directors to approve overlapping and other paid positions held by the CEO and members of the Executive Board in the governance bodies of other organisations;
- approval by the Board of Directors of a corporate risk map envisaging initiatives to prevent the employee wrongdoing risk. The initiatives aimed at minimising this risk include checking the key employees and candidates for key roles for potential conflict of interest. A report on the occurrence of this risk is reviewed by the Audit Committee on a quarterly basis;

- an annual review by the Audit Committee of a report on violations of the Company's Code of Ethics, including the situations related to the conflict of interest, prepared by the Company's Internal Audit Service.

To protect its interests in case of a potential conflict of interest, the Company has implemented measures to make sure that all interested-party transactions are reviewed by the Board of Directors. These measures include monitoring of all transactions executed by the Company for the existence of interest, maintaining and updating information about the persons interested in the transactions.

On top of the above initiatives, the Company pays special attention to insider information requirements viewing this as another element of the conflict of interest prevention.

A range of measures undertaken to identify and prevent conflicts of interest helps to minimise the probability of negative consequences for the Company.

In addition to the said measures, the Company has adopted and published on its corporate website the following documents, which are applicable to all the Company's employees and which determine the principles and procedures for preventing, identifying, and minimising any potential conflict of interest:

- Corporate Governance Code;
- Code of Ethics;