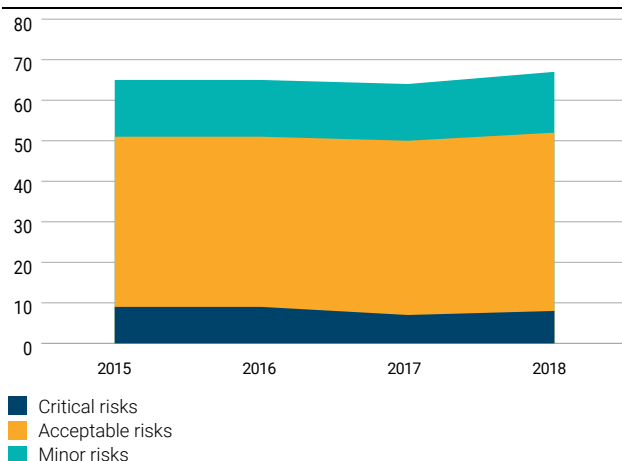


Corporate Risk Map

Contents of the Corporate Risk Map in 2018

TransContainer classifies all risks into critical, acceptable and minor ones depending on the likelihood of their occurrence and the potential damage from their realisation. The Board of Directors oversees the critical risk management, while the Audit and Risk Committees supervise the acceptable and minor risk management, respectively.

Corporate Risk Map



Category Risk assessment based on the material impact and the likelihood of occurrence

Critical risks Assessed risks that may inflict more than RUB 400 mln worth of damage with any likelihood of occurring; or that may inflict more than RUB 200 mln worth of damage with a likelihood of occurring of more than 5 percent; or that may inflict more than RUB 100 mln worth of damage with a likelihood of occurring of more than 80 percent.

In 2018, critical risk reports were submitted to the Board of Directors on a quarterly basis.

Acceptable risks Assessed risks that may inflict between RUB 100 mln and RUB 400 mln worth of damage with a likelihood of occurring of between 0 percent and 5 percent; or that may inflict between RUB 50 mln and RUB 200 mln worth of damage with a likelihood of occurring of between 5 percent and 80 percent;

or that may inflict less than RUB 100 mln worth of damage with a likelihood of occurring of more than 50 percent.

Minor risks Assessed risks that may inflict less than RUB 100 mln worth of damage with a likelihood of occurring of less than 5 percent; or that may inflict less than RUB 50 mln worth of damage with a likelihood of occurring of less than 50 percent.

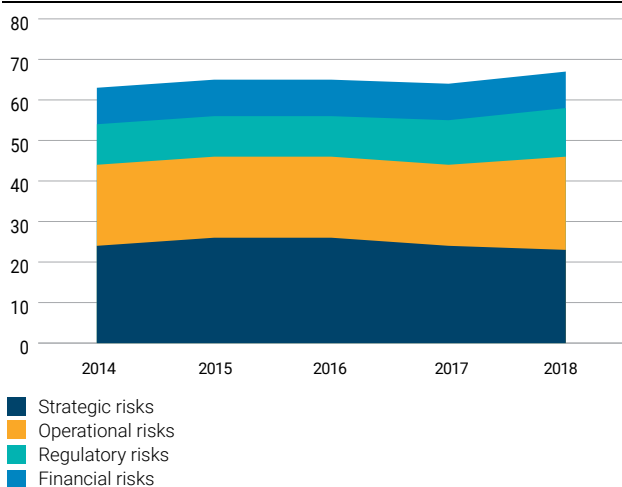
Structure of the Corporate Risk Map

In line with the generally accepted COSO ERM 2004 and ISO 31000:2009 standards, the risks are classified into four categories:

1. strategic risks,
2. operational risks,
3. regulatory risks,
4. financial risks.

The changes made to the structure of the corporate risk map in 2014–2018 are outlined below.

The Changes Made to the Structure of the Corporate Risk Map in 2014–2018



Critical Risks

No.	Risk	Risk impact	Manageability	Mitigators
1.	Prolongation of investments payback periods / Depreciation of investments into subsidiaries and associates	<p>1. Inefficient investment management.</p> <p>2. Decline in ROE and ROIC indices.</p> <p>3. Additional load for the Company's liquidity due to the surety commitment on the projects.</p> <p>4. Deterioration of the Company's financial position</p>	Average	<p>1. Monitoring of Company's business-plan implementation and analysis of deviation reasons.</p> <p>2. Control over compliance with the corporate procedures in subsidiaries and associates.</p> <p>3. Involvement of Company's expert managers in subsidiaries and associates business</p>
2.	Departure of management (CEO and at least two key managers)	<p>1. Delays in management decision-making.</p> <p>2. Decline in the market valuation of the Company's securities.</p> <p>3. Weaker competitiveness.</p> <p>4. Decrease in the efficiency of the Company's operations and business management.</p> <p>5. Deterioration of operating performance.</p> <p>6. Deterioration of financial performance</p>	High	<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).</p> <p>2. Approval by the Board of Directors 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</p>
3.	Stronger competition in the rail container transportation market	<p>1. Discrepancies between the characteristics of the Company's products/services and market demand, declining sales.</p> <p>2. Lost customers.</p> <p>3. Declining revenues.</p> <p>4. Declining income</p>	Low	<p>1. Targeted quarterly monitoring of rates charged for shipping services provided by operators of other means of transport.</p> <p>2. Quarterly monitoring of market peers to be included in the CEO's quarterly report on the Company's performance.</p> <p>3. Monitoring of changes in the flatcar market.</p> <p>4. Monitoring of peer pricing policies using public information sources and, where needed, adjustment of TransContainer's rates.</p> <p>5. Monitoring of the customer needs structure</p>
4.	Deteriorating market conditions	<p>1. Drop in transportation volumes.</p> <p>2. Drop in prices.</p> <p>3. Weaker financial results.</p> <p>4. Lower profits</p>	Low	<p>1. Monitoring and analysis of the market environment</p>

5. Unpredictable changes in prices for rolling stock repair materials	<ol style="list-style-type: none"> 1. Over-budget costs for rolling stock repair. 2. Lack of rolling stock availability. 3. Lost profits 	Low	<ol style="list-style-type: none"> 1. Industry prices projections. 2. Monitoring of market prices for spares. 3. Keeping up own stocks for rail flatcar repair (heavy flatcar casting, wheel sets)
6. Decline in customer service quality	<ol style="list-style-type: none"> 1. Poorer financial performance. 2. Decreased volume of services. 3. Lost customers 	High	<ol style="list-style-type: none"> 1. Improvement of sales forecasting software. 2. Improvement of software pertaining to sales relations with potential customers. 3. Sales planning across the Company. 4. Enquiry of customers. 5. Service quality analysis using a mystery shopping method. 6. Monitoring of amounts charged for transportation services. 7. Development and implementation of the service quality improvement plan (involving the concerned managers)
7. Industrial injuries	<ol style="list-style-type: none"> 1. Damage to personnel's health. 2. Administrative and criminal charges. 3. Litigation costs and expenses. 4. Damage to the Company's goodwill 	High	<ol style="list-style-type: none"> 1. Work safety training is conducted 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. 2. Individual protective equipment is provided 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. 3. Three-tier health and safety monitoring is carried out pursuant to the Regulation on TransContainer's Health and Safety Monitoring Procedures approved by TransContainer's order No. 200 dated 6 August 2007. 4. 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 of the Russian Federation. 5. 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. 6. 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. 7. 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

8. Corruption risks: conflict of interests, insider trading, bribery, commercial bribery	<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 	Average	<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. 2. Agitation, organisational, explanatory, and other activities on combating corruption (workshops, technical training, individual consulting and other measures). 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 (if required). 4. Provision of the Stop Corruption line (hotline) for the public. 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. 6. Familiarization of new staff with the Company's law and local acts on combating corruption. 7. Regular control of compliance with the internal anti-corruption, anti-fraud and anti-embezzlement procedures. 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. 9. Informing the concerned managers and CEO on indications (possible occurrence) of corruption, corporate fraud and embezzlement risks
--	--	---------	--

Changes to Key Risks

In 2018, the corporate risk map saw the following changes:

- the risk of "Confidential/proprietary information leaks" (acceptable risk), risk of "Wrongful acts of third parties against the Company's property or personnel" (acceptable risk), and "Wrongful acts of the Company's employees" (acceptable risk) were merged and included in the risk map for 2018 as the "Corruption risks: conflict of interests, insider trading, bribery, commercial bribery" (critical risk);
- the acceptable risk of "Unpredictable changes in prices for rolling stock repair materials" was changed to the critical risk due to a high probability of strong growth of rolling stock repair costs;
- the critical risk of "Violation of market operator requirements" was changed to the acceptable risk due to a low probability of such risk;
- the risk of "Growth of debt portfolio value" (minor risk) was merged with the risk of "Inability to raise loans and borrowings at target rates" (minor risk) and included in the risk map for 2018 as "Interest rate risk" (acceptable risk).

Realised Risks

In 2018, the Company saw the realisation of one of its critical risks, the risk of "Industrial injuries". It was caused by an employee's failure to comply with the safety guidelines for working at heights, resulting in a minor injury (joint dislocation). The Company took the necessary preventative measures following the accident, including technical training for employees permitted to work at heights, and unscheduled assessments of health and safety competency of container terminal workers.

The Company faced a number of acceptable and minor risks that realised in connection with infrastructure limitations, third-party wrongdoings affecting the Company's property and employees, inadequate rolling stock and container repairs, IT systems and infrastructure failures, and other incidents without material implications. Each case prompted an inquiry into the causes and led to the development of an action plan to minimise the risk in the future.

The aggregate actual loss incurred as a result of realised risks in 2018 is estimated at RUB 300,000.

For the details of Risks Report see the Corporate Risk section on page XXX.