

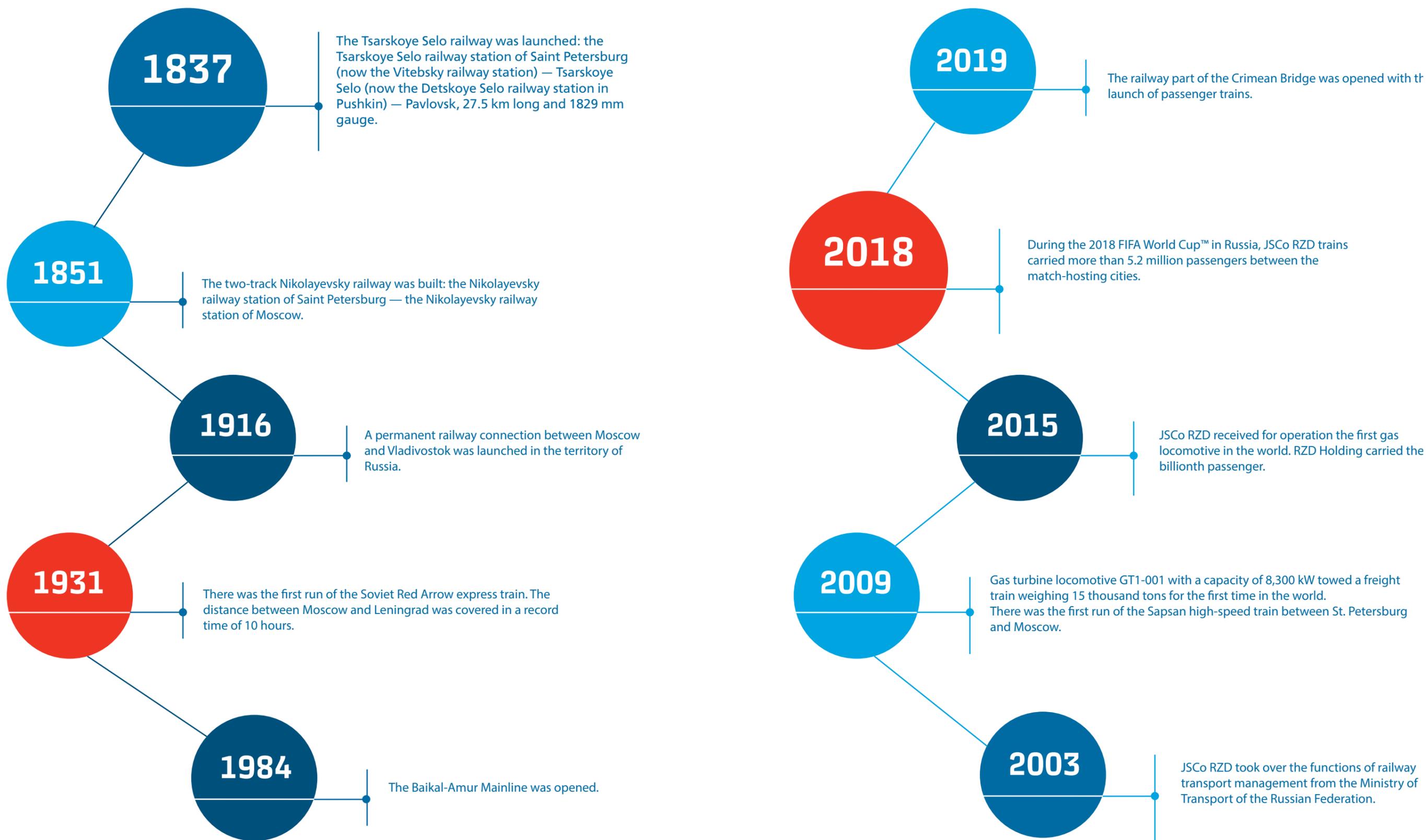
2019

JSCO RZD SUSTAINABLE
DEVELOPMENT REPORT FOR 2019



HISTORY OF RUSSIAN RAILWAYS

More history of Russian railways: <http://history.rzd.ru/>



JSCO RZD IS THE LARGEST NATIONAL RAIL CARRIER, OWNER AND BUILDER OF THE PUBLIC RAIL INFRASTRUCTURE.

IN TERMS OF FREIGHT AND PASSENGER TRAFFIC AND THE LENGTH OF THE NETWORK, THE COMPANY IS AMONG THE WORLD LEADERS OF RAIL TRANSPORT.

THE RUSSIAN FEDERATION IS THE FOUNDER AND SOLE SHAREHOLDER OF JSCO RZD.

2019 marks the 45th anniversary of the beginning of construction of the Baikal-Amur Mainline (BAM).

With the implementation of projects for the development of the Eastern launch site, the BAM was given a new impetus for development, the unconditional priority of which is to provide decent working and living conditions for all railway employees.

BAM is the shortest intercontinental rail route connecting East and West.

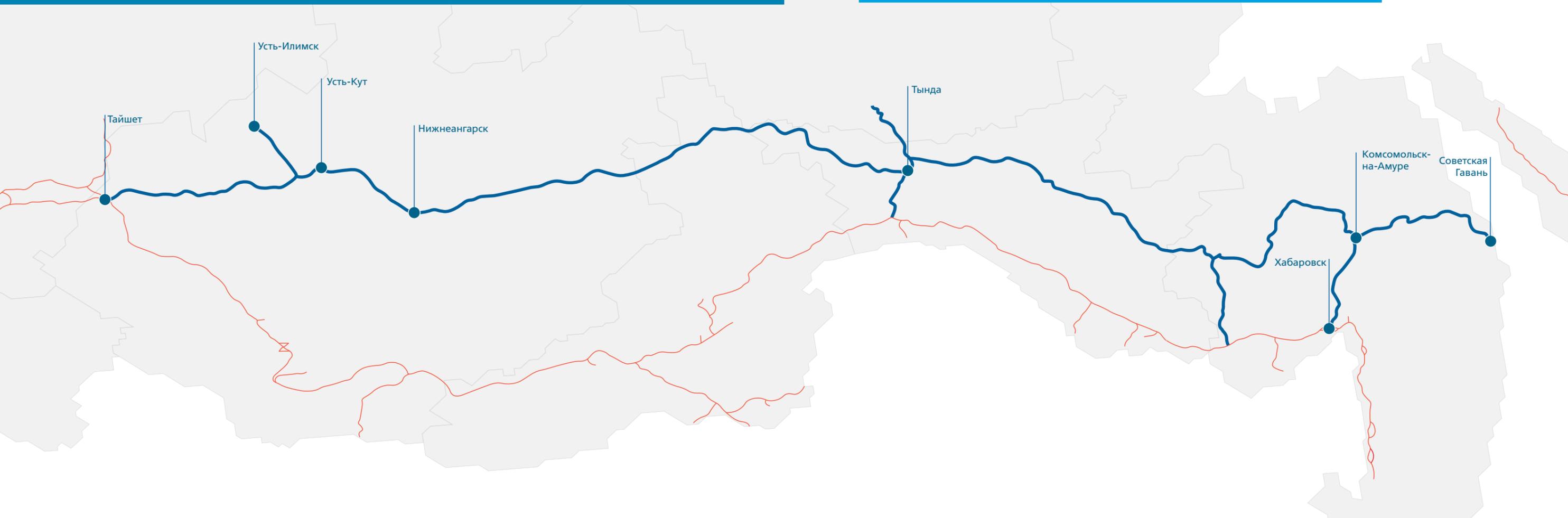
In terms of transport, the highway is a fully-featured counterpart of the Trans-Siberian Railway and the main factor of the development of adjacent territories with a total area of 1.5 million km².

4 324
km railway
t r a c k

10
tunnels

2 230
bridges

>200 stations and
junctions



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APPEAL OF THE CEO — CHAIRMAN OF THE BOARD OF JSCO RZD

Russian Railways is one of the largest strategic production companies in Russia. We perform social tasks and work in the market field. Therefore, the principle of balance between different goals — economic, environmental and social — is crucial for us in making operational decisions and developing long-term strategies. I truly believe that this is the only approach that can provide our company with serious advantages, achievement of its goals and fulfillment of all its obligations to the state and society.

In 2019, we started the implementation of the Long-Term Program of Advanced Development of the Infrastructure and Technologies of JSCo RZD, optimized for a seven-year period. It is extremely important to promote economic growth and improve the quality of life nationwide. The huge potential of railways built up over decades will get a new technological, investment and management boost.

Today we hold a leadership position among the world's rail companies in the safety and energy efficiency of transport. Railways are also the most environmentally friendly mode of transport. These landmarks provide the basis for the implementation of promising plans, including balanced economic development taking into account the environmental impact.

As part of the environmental strategy, our company will continue to consistently reduce environmental impact through line electrification, renewable and alternative energy sources, upgrade of wastewater treatment plants, and secondary waste treatment. In 2019, emissions of hazardous substances into the atmosphere from stationary sources decreased to the level of the previous year by 8.8%. We became the first Russian corporation to enter the market of «green investments» and external soft-term financing.

Another important principle is a human-oriented approach in strategies in a wide variety of areas. Having this in mind, we work with all customers, business partners and build team relationships. People, their knowledge, effort and commitment are the key to success and well-being of the company.

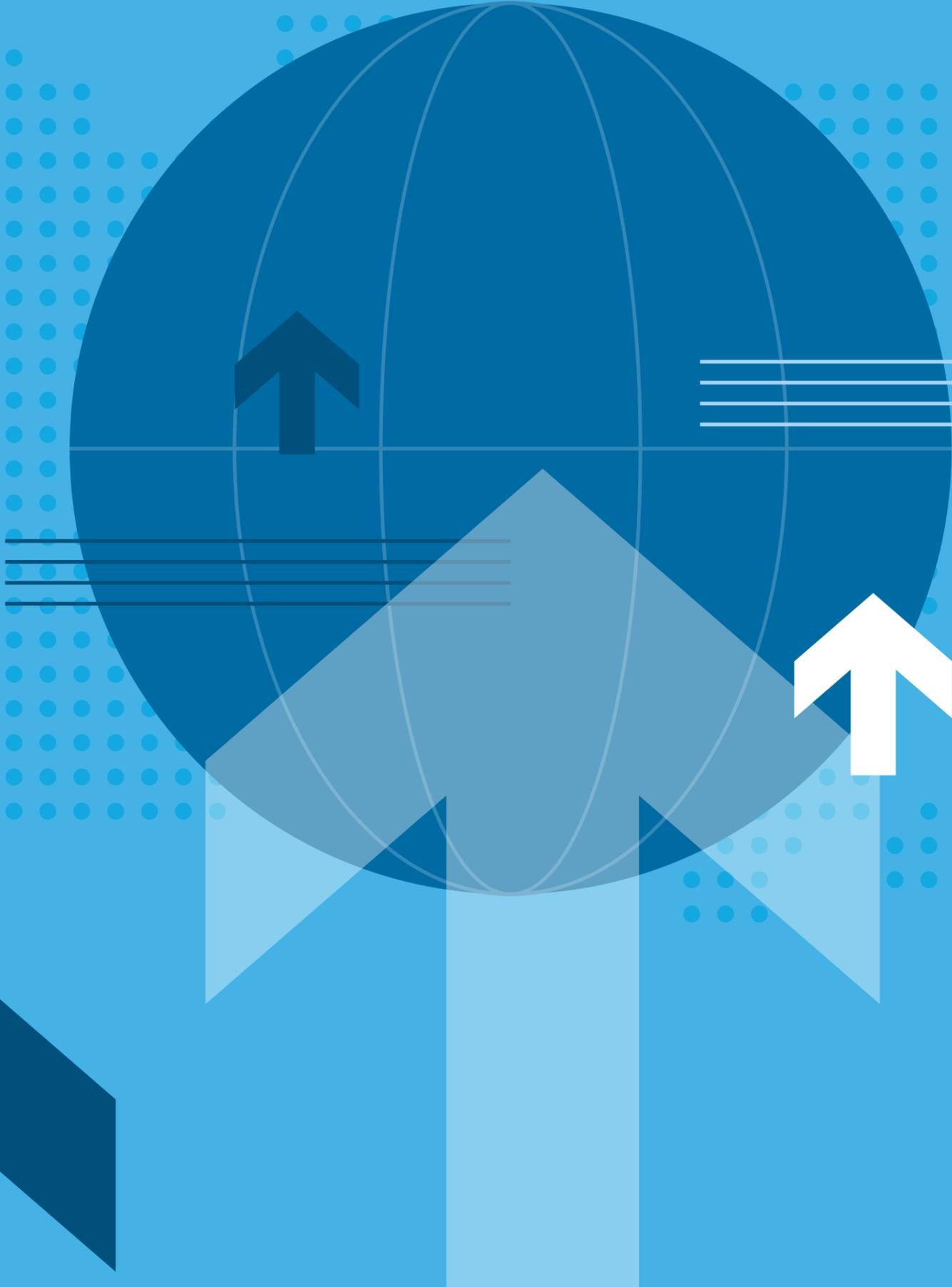
Given the range, geography and diversity of our activities and technological advances, the most important task is to attract and retain qualified employees and create the necessary conditions for efficient work. We make significant efforts to improve working conditions, develop corporate training and promote a healthy lifestyle as much as we can. In 2019, the work performance increased by 3.3%, and this is mainly achieved by improving machinery and technological processes. At the same time, salaries increased by 6.5% and real wages increased by 1.9%.

JSCo RZD confirmed the status of a responsible employer, being one of the three most attractive companies for employees. Competitive wages, a package of social guarantees for employees, their families and pensioners is our definitive advantage. The Collective Agreement signed last year for 2020-2022 retained all social guarantees in full.

This JSCo RZD Sustainable Development Report will allow partners, clients and other stakeholders to get detailed information about this area of activity extremely important for Russian Railways, about our achievements and future plans. I am truly convinced that maximum openness is a prerequisite for the successful implementation of large-scale tasks of the company to the benefit of the entire Russian society.

OLEG VALENTINOVICH BELOZEROV,
CEO – Chairman of the
Board of JSCo RZD

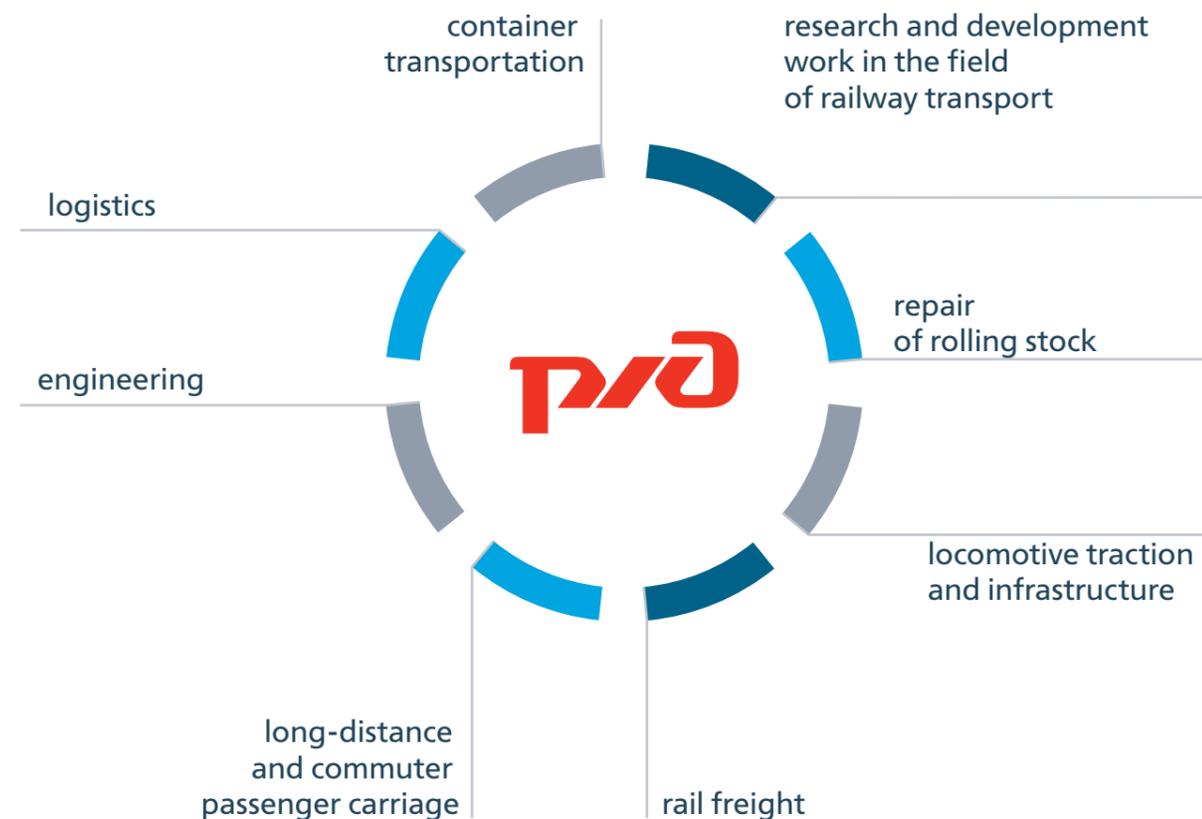
ABOUT THE COMPANY



ABOUT THE COMPANY

Russian Railways was established under Resolution No. 585 of the Government of the Russian Federation dated September 18, 2003. The establishment of the company was the result of the first stage of reforming the railway industry in accordance with Resolution No. 384 of the Government of the Russian Federation dated May 18, 2001. The Russian Federation is the founder and sole shareholder of JSCo RZD. On behalf of the Russian Federation, the powers of the shareholder are exercised by the Government of the Russian Federation. The property of the company was formed by contributing assets of 987 federal state-owned railway transport organizations into the equity capital of JSCo RZD at the book value.

JSCo RZD PROVIDES A FULL RANGE OF SERVICES IN THE FOLLOWING AREAS:



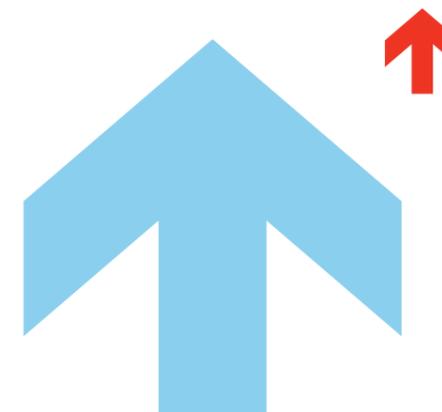
JSCo RZD IS ONE OF **THE FIVE LARGEST** COMPANIES IN RUSSIA AND HAS A LEADING POSITION AMONG THE WORLD'S JOINT-STOCK COMPANIES IN THE FIELD OF TRANSPORT:

- it is ranked third in the world and first in Europe in terms of rail infrastructure length;
- it is ranked second in the world and first in Europe in terms of cargo turnover;
- it is ranked among the 10 largest transport companies in the world and the 3 largest transport companies in Europe in terms of passenger turnover;
- it is among the most efficient railway companies in the world by the main indicators of transportation technology, in particular energy intensity of transport, rate of infrastructure usage, locomotive productivity, and cost of transportation.
- The operating length of railways is **85.5 thousand km**, 44.1 thousand km of which are electrified lines
- JSCo RZD enterprises employ about 1.2% of the number of employees in the economy; in addition, 1.0% of employees from related industries, suppliers of logistics and energy resources, directly supply railway products, including transport engineering, energy, metallurgy and other basic branches of the Russian industry.

3 in the world in terms of rail infrastructure length

1 IN EUROPE in terms of rail infrastructure length

1 IN EUROPE in terms of cargo turnover





MISSION

The mission of JSCo RZD is to effectively develop a competitive transport business in the Russian and world markets, the core of which is the effective implementation of tasks of the national freight and passenger railway carrier and public railway infrastructure owner.



VALUES

- 1 Exceptional safety of all processes;
Fidelity to tradition, commitment to corporate values;
- 2 Customer-oriented approach, mutually beneficial long-term partnership with customer, continuous development of the portfolio of products and services for the benefit of consumers;
- 3 Effective social partnership and social responsibility;
- 4 Continuous improvement, search for ways to improve the quality of services and increase efficiency, commitment to innovation;
- 5 Openness, transparency, validity of operations, compliance with the best standards of corporate governance;
- 6 Creation of conditions for professional and personal development of employees;
- 7 Striving to improve the transport support of Russia and increase the availability of transport services for business and public;
- 8 Balance of interests of the state, consumers, the Company, and private shareholders;
- 9 Achieving global competitiveness in the transport and logistics market;
- 10 Efficiency of production processes, focus on the rational use of all types of resources, reducing the environmental impact.

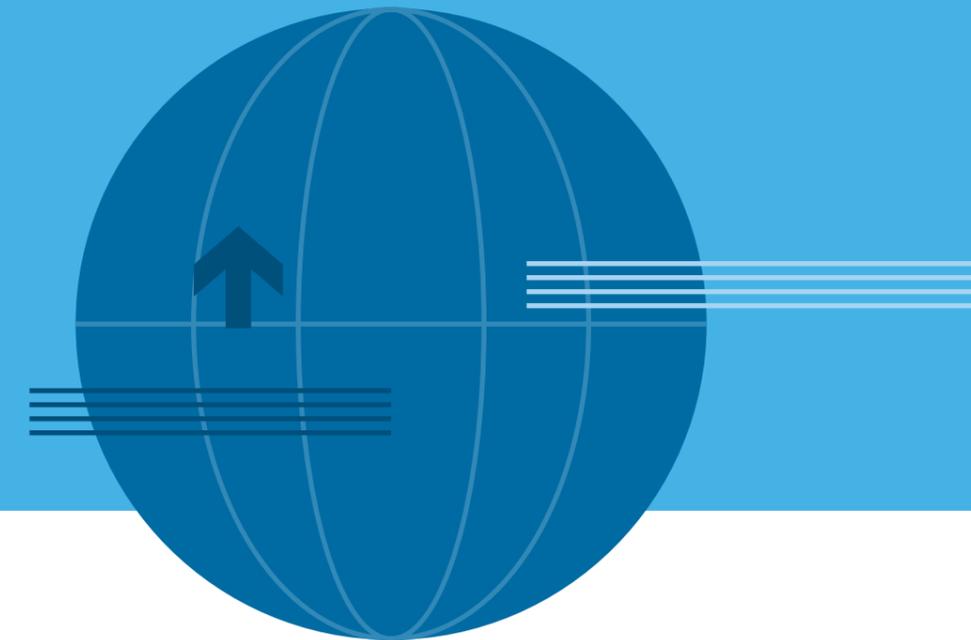
STRATEGIC OBJECTIVES

THE MISSION OF RZD HOLDING IS IMPLEMENTED THROUGH THE ACHIEVEMENT OF THE FOLLOWING STRATEGIC OBJECTIVES BY 2030:

- maintain a leading position in the area of freight rail transport in Europe, increase the attractiveness of rail transport to customers, increase freight traffic by 500-800 million tons by 2030;
- increase customer satisfaction by improving the quality of services while maintaining a competitive cost of transportation;
- be amongst the top 5 companies in Europe by the size of logistics business, increase the share of transport and logistics services in the Holding's business portfolio to 25%;
- provide effective maintenance of global supply chains of the largest Russian and international customers, expand the transport and logistics business in the Euro-Asian space;
- maintain the existing share in the passenger traffic of the Russian transport system, increase the commuter passenger traffic by 1.8-2.2 times and the long-distance and transregional passenger traffic by 1.3-1.7 times by 2030;
- implement projects for the development of fast and high-speed transport, provide up to 20% of transportation at a new speed (from the passenger traffic) by 2030;
- be amongst the 10 global infrastructure construction companies, ensure the set-up of a long-term portfolio of orders and the highest level of project implementation;
- maintain a leading position in the world in terms of efficiency, safety, and quality of infrastructure services;
- ensure regular asset renewal using innovative technologies and solutions based on the effective lifecycle cost management, availability and reliability of fixed assets;
- be amongst the top 5 most attractive large employing companies of Russia, attract the best specialists to work in the Holding, while ensuring the competitiveness of wages, increase in efficiency, improvement of working conditions, and an updated social package;
- give priority to green technologies, reduce the environmental impact by 2 times;
- consistently optimize the Holding's business portfolio according to the chosen strategy, ensure that its activities are focused on the main and most efficient types of business, ensure sustainable synergy between the elements of the Holding.

BE AMONGST THE TOP 5 COMPANIES IN EUROPE BY THE SIZE OF LOGISTICS BUSINESS, INCREASE THE SHARE OF TRANSPORT AND LOGISTICS SERVICES IN THE HOLDING'S BUSINESS PORTFOLIO TO 25%;

BE AMONGST THE 10 GLOBAL INFRASTRUCTURE CONSTRUCTION COMPANIES, ENSURE THE SET-UP OF A LONG-TERM PORTFOLIO OF ORDERS AND THE HIGHEST LEVEL OF PROJECT IMPLEMENTATION;



GEOGRAPHICAL LOCATION

The «map of presence» of RZD Holding includes more than 40 countries in which the Company operates.

The Holding has many years of experience in Europe and Asia. Projects in logistics, infrastructure and rolling stock development, as well as staff training have been successfully implemented.

Business contacts with promising partners from Africa and Latin America are being developed, and joint infrastructure development projects are being elaborated.

MAP OF PRESENCE' OF RZD HOLDING IN FOREIGN MARKETS

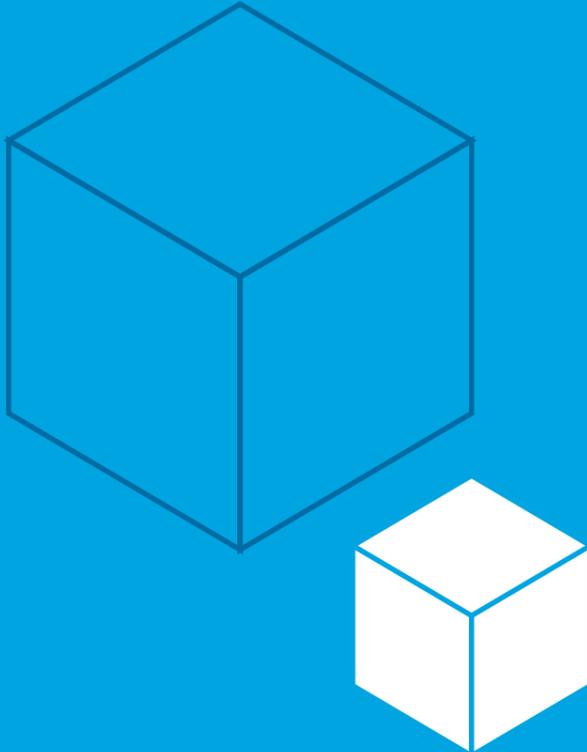
The geography of international activities of RZD covers Europe and Asia, Africa and Latin America - more than 40 countries in total.

JSCo RZD has representative offices in 12 foreign countries:

- Representative office in Belarus (Minsk);
- Representation in Hungary (Budapest);
- Representative office in Germany (Berlin);
- Representative office in China (Beijing);
- Representative office in the DPRK (Pyongyang);
- Representative office in Poland (Warsaw);
- Representative office in Slovakia (Bratislava);
- Representative office in Ukraine (Kiev);
- Representative office in Finland (Helsinki);
- Representative office in France (Paris);
- Representative office in Estonia (Tallinn).



STRATEGIC PRIORITIES FOR SUSTAINABLE DEVELOPMENT





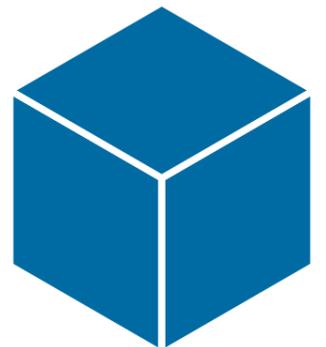
THE COMPANY IS COMMITTED TO THE PRINCIPLES OF THE UN GLOBAL COMPACT, THE LARGEST INTERNATIONAL INITIATIVE IN THE FIELD OF SOCIAL RESPONSIBILITY OF BUSINESS, AND IS CURRENTLY A MEMBER OF ASSOCIATION "NATIONAL GLOBAL COMPACT NETWORK ON IMPLEMENTATION OF RESPONSIBLE BUSINESS PRINCIPLES IN BUSINESS PRACTICE".

In addition to the UN Global Compact, the Company follows the principles of responsibility of business practices enshrined in the "Social Charter of Russian Business" of the Russian Union of Industrialists and Entrepreneurs (RSPP). Also, the Company regularly participates in the development of the set of corporate practices of the RSPP.

When implementing the policy in the field of corporate social responsibility, the Company complies with the requirements of international acts, federal and regional regulations and local regulations of the Russian Federation.

STRATEGIC OBJECTIVES OF SOCIAL POLICY IMPLEMENTATION

- 1 Increasing the competitiveness of the Company as an employer;
- 2 Attracting and maintaining properly qualified staff in the Company;
- 3 Effective headcount management taking into account the deployment of new and advanced technologies;
- 4 Implementation of the competency-based approach in personnel management;
- 5 Ensuring an effective personnel reserve;
- 6 Continuous development of personnel;
- 7 Operating an effective youth policy and strengthening the corporate culture;
- 8 Implementation of an effective social policy;
- 9 Effective personnel management and social support;
- 10 Provision of health services.



SUSTAINABLE DEVELOPMENT GOALS

The strategic priorities of the activities of JSCo RZD in the field of sustainable development are to achieve the UN Sustainable Development Goals. The UN Sustainable Development Goals aim at taking measures to optimize the use of scarce resources, the application of environment-, energy- and material- saving technologies, maintain the stability of social and cultural systems, ensure the integrity of biological and physical natural systems.

THE MAIN AREAS OF SOCIAL SUPPORT FOR EMPLOYEES AND NON-WORKING PENSIONERS OF JSCO RZD:



THE COMMITMENT OF JSCO RZD TO THE UN'S 17 SUSTAINABLE DEVELOPMENT GOALS IS REPRESENTED BY ASPECTS OF ECONOMIC SUSTAINABILITY, ENVIRONMENTAL SECURITY AND SOCIAL STABILITY.

AREA	PROGRAMS	SDGs
MAINTENANCE OF HEALTH AND HEALTHY LIFESTYLES	sanatorium and resort rehabilitation	
	clinical examination	
	preventive vaccination	
	partial compensation of employees' expenses for sports	
	holding corporate sports contests and separate tournaments	
SOCIAL SUPPORT FOR EMPLOYEES	provision of package tours to children's holiday camps	
	free railway tickets	
	provision of housing for employees	
	subsidizing a part of mortgage interest	
	non-state pension provision	
INSURANCE	Voluntary health insurance	
MEASURES AIMED AT STRENGTHENING FAMILY VALUES	"Roads of the Future" is a project for children's recreational and educational leisure during holidays.	
	"Path to Your Safety" is a project for child injury prevention and cultivation of a culture of personal safety.	
	"Open Doors of the Company" is a project for career guidance for high school students — children of JSCo RZD employees.	
	"3D Network: Road, Home, Friends"	
SUPPORT FOR WOMEN	A set of measures to support women: improving work and rest conditions and social support	

ECONOMIC IMPACT



Three horizontal red lines.

Three horizontal blue lines.

SHARE OF JSCO RZD IN THE RUSSIAN TRANSPORT SYSTEM



The degree of branching of railways and their significant capacity allow for a qualitative and timely response to the demand for both domestic and international transport. The sustainable operation of railway transport ensures vital operation and effective development of all sectors of the national economy.

Since its establishment, even in the conditions of unstable market, JSCo RZD has consistently provided transport services to the economy and population of the country.

FREIGHT TRANSPORT TURNOVER

In 2019, according to Rosstat, the freight transport turnover in Russia increased by 0.6% compared to 2018 and was 5,670.9 billion tkm.

All modes of transport, except marine (-1%), air (-5.4%) and inland water (-4.9%) transport, showed a growth.

The loaded freight turnover of rail transport increased by 0.2%.

The share of railway transport in the structure of freight turnover of the national transport system amounted to 45.9% (which is -0.2 p.p. below the level of 2018).

The share of rail transport except pipeline transport amounted to 87.2% (which is -0.3 p.o. below the level of 2018).

FREIGHT TURNOVER IN RUSSIA BY MODE OF TRANSPORT

MODE OF TRANSPORT	2019		Share of modes of transport in the total freight turnover, %	
	billion tkm	Changes 2019/2018, %.	2018	2019
Freight transport turnover	5670,9	0,6	100,0	100,0
including				
rail	2602,5	0,2	46,1	45,9
including in the infrastructure of JSCo RZD and JSC Stock Company Railways of Yakutia	2601,9	0,2	46,1	45,9
automobile	275,4	6,3	4,6	4,9
marine ²	36,5	-1,0	0,7	0,6
inland water ²	62,8	-4,9	1,2	1,1
air (transport aviation)	7,4	-5,4	0,1	0,1
piping	2686,2	0,7	47,3	47,4
For reference:				
the share of rail transport except pipeline transport			87,5	87,2
the share of JSCo RZD except pipeline transport			87,5	87,2

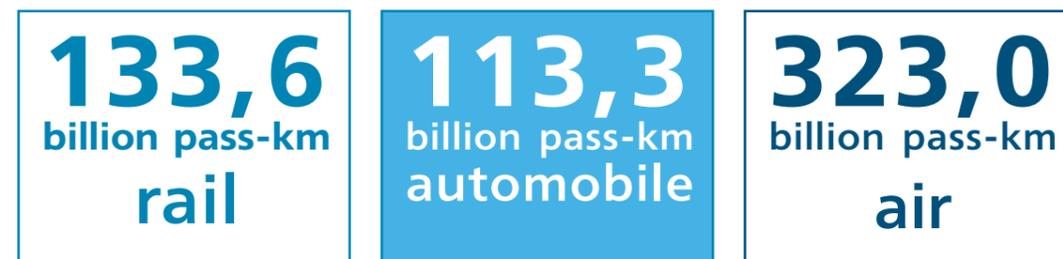
¹ Freight turnover according to JSCo RZD without taking into account the mileage of own empty cars

² For reference: the carriage of goods by sea and inland waterway takes into account carriages conducted under the contract of carriage of goods by own and (or) leased (chartered) vessels (including those leased to foreign companies (charterers) under time charter terms) flying the State Flag of the Russian Federation and confirmed by relevant transport documents

PASSENGER TRANSPORT TURNOVER

In 2019, the passenger turnover in Russia increased by 7.2% compared to 2018 and was 570.5 billion pass-km. The increase in passenger turnover of public transport was due to an increase in this indicator in air transport (12.6%). The passenger turnover of rail transport increased by 3.1% compared to 2018, but its share in the total passenger turnover decreased to 23.4% (-1 p.p.). The share of automobile (bus) transport in passenger transport decreased by 1.7 p. p. to 19.9%.

THE PASSENGER TURNOVER OF INDIVIDUAL MODES OF TRANSPORT WAS AS FOLLOWS:

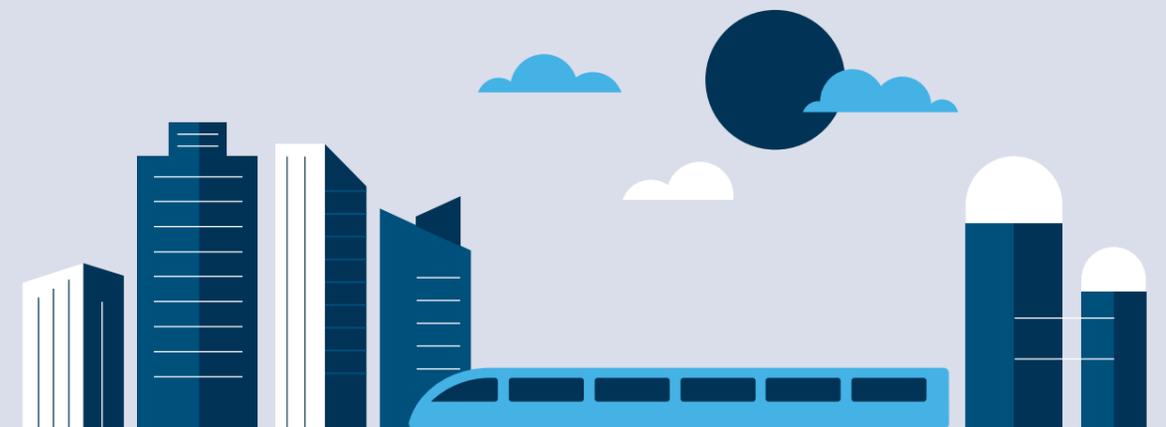


PASSENGER TURNOVER BY MODE OF TRANSPORT IN 2018

MODE OF TRANSPORT	2019		Share of transport modes in the total passenger turnover, %	
	billion pass-km	Changes 2019/2018, %	2018	2019
Passenger turnover of public transport ¹	570,5	7,2	100,0	100,0
including rail	133,6	3,1	24,4	23,4
including in the infrastructure of JSCo RZD ²	133,4	3,1	24,3	23,4
automobile (bus)	113,3	-1,3	21,6	19,9
inland water	0,54	-5,4	0,09	0,1
air	323,0	12,6	53,9	56,6

¹Excluding urban transport

²According to JSCo RZD



OVERVIEW OF KEY PERFORMANCE INDICATORS

TRANSPORT AND LOGISTICS:

- Loaded freight turnover reached 2,601.9 billion tkm (+0.2% compared to 2018).
- Increased loading of iron ore (3.5 million tons or 3.0%), chemical and mineral fertilizers (1.3 million tons or 2.2%), cement (1.2 million tons or 4.7%), cargo in containers (4.1 million tons or 13.1%).
- As part of the initiative to support non-raw exports, a new product "Agroexpress" has been created for transportation of products of agricultural sector and food industry in fast container trains to China.

In order to create optimal conditions for the provision of high-quality services to railway transport users on a permanent basis, the Days of Customers of JSCo RZD have been arranged.

The development of free IT-services continues: since 2019, a brand new principle of the provision of information services has been introduced; thus, the decision to provide basic information on rail freight transport and the technical condition of rolling stock after January 2019 shall be implemented at no extra cost as part of the provision of basic transport services.

The project "AUTOAGENT" has been implemented, as part of which customers have the possibility to automatically execute shipping documents for empty cars.

2601,9
billion tkm
freight turnover

3,5 (3,0%)
million tons
loading of iron ore

1,3 (2,2%)
million tons
chemical and
mineral fertilizers

TRANS-SIBERIAN LANDBRIDGE

Trans-Siberian LandBridge service was launched in the second quarter of 2019 in cooperation with the transport group FESCO to expedite delivery of various cargo items from Japan ports and from the Republic of Korea.

The service allows to reduce the time of cargo transportation twice in comparison with "deer-sea" shipping to 21 days and make it possible to ship containers back from Europe to Japan or the Republic of Korea.



PASSENGER CARRIAGE:



In November 2019, passenger traffic on MCD-1 "Odintsovo — Lobnya" and MCD-2 "Podolsk — Nakhabino" was opened in the Moscow transport hub.

The project "URBAN ELECTRIC TRAIN" was implemented in 12 cities.

At the expense of the Company four years in a row, a 50 percent discount is provided to children aged 10 to 17 in the period from June 1 to August 31 when travelling in placard and general cars of long-distance trains. In just four years, 10 million children have been transported at this tariff.

In August 2019, THE FIRST TRAIN (MOSCOW – ANAPA) with special seats for passengers with children was launched.

In honor of the 75th anniversary of the Victory in the Great Patriotic War of 1941-1945, an open-ended campaign has been implemented to provide free travel to participants and disabled people of the Second World War and their accompanying persons.

At the end of 2019, the number of railway stations fully adapted for low-mobile passengers was 48. 137 railway stations are expected to have been adapted by 2025.

IN 2019, 1,197.8 MILLION PASSENGERS WERE TRANSPORTED (+3.5% COMPARED TO 2018).

RECONSTRUCTION OF 6 RAILWAY STATIONS

KRASNOYARSK,
ABAKAN,
MOGOCHA,
NIZHNY NOVGOROD,
VOLGOGRAD,
ULAN-UDE

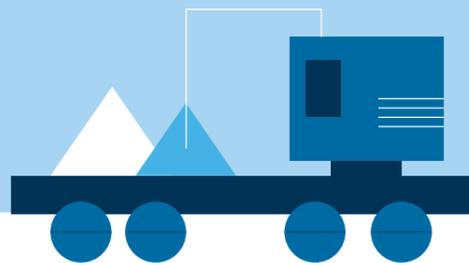
RECONSTRUCTION OF 9 PLATFORMS

TAMBOV PLATFORM,
KRASNOYARSK PLATFORM,
NO. 1 KRASNOYARSK, NO.
2 KRASNOYARSK, NO. 1
SARATOV, NO. 1 IVANOVO,
NO. 1 PETROZAVODSK, NO. 5
FINLANDSKY, NO. 1 ABAKAN



RAIL TRANSPORT AND INFRASTRUCTURE:

- 1 THE COMPANY ENSURED THE SHIPMENT OF COAL FOR EXPORT AT THE REQUEST OF KEY COAL ENTERPRISES. IN ADDITION TO LAST YEAR INDICATORS, MORE THAN 7 MILLION TONS OF COAL (+7.5%) WERE EXPORTED.
- 2 FREIGHT SHIPMENTS IN CONTAINERS INCREASED BY 13.1% COMPARED TO 2018.
- 3 THE FREIGHT TURNOVER WAS 3,305 MILLION TKM, REMAINING AT THE LEVEL OF 2018.
- 4 THE RATE OF DELIVERY OF LOADED SHIPMENTS INCREASED BY 1.3% COMPARED TO 2018 AND WAS 395 KM/DAY.
- 5 THE AVERAGE DAILY PRODUCTIVITY OF THE OPERATIONAL FLEET LOCOMOTIVE (IN FREIGHT TRAFFIC) INCREASED BY 1.3% COMPARED TO 2018 AND WAS 1,610 THOUSAND TKM GROSS.
- 6 RAILWAY INFRASTRUCTURE ON SAKHALIN ISLAND HAS BEEN REBUILT, INCREASING "THE 1520 SPACE" BY MORE THAN 770 KM.
- 7 THE INTERTRAIN INTERVAL ON THE MCC HAS BEEN REDUCED TO 4 MINUTES.



FOREIGN PROJECTS AND INTERNATIONAL COOPERATION

In the field of transport and logistics activities, initiatives aimed at improving the transit potential of Russia and creating efficient transport routes as part of the Euro-Asian transport links have been implemented.

As part of participation in the activities of relevant international organizations, the development of the legal and regulatory framework for involving additional cargo traffic and increasing transit volumes in the RZD network has been continued. The development of the mechanism of regular meetings of the heads of railway administrations of member countries of the organization

has been continued at the site of the Shanghai Cooperation Organization.

The implementation of infrastructure projects earlier initiated in Serbia and the infrastructure management in Mongolia and Armenia have been continued. The preparation of the feasibility study on the project in India has been completed. Projects for upgrading the railway infrastructure in Egypt, Vietnam, Slovenia and other countries are under development.



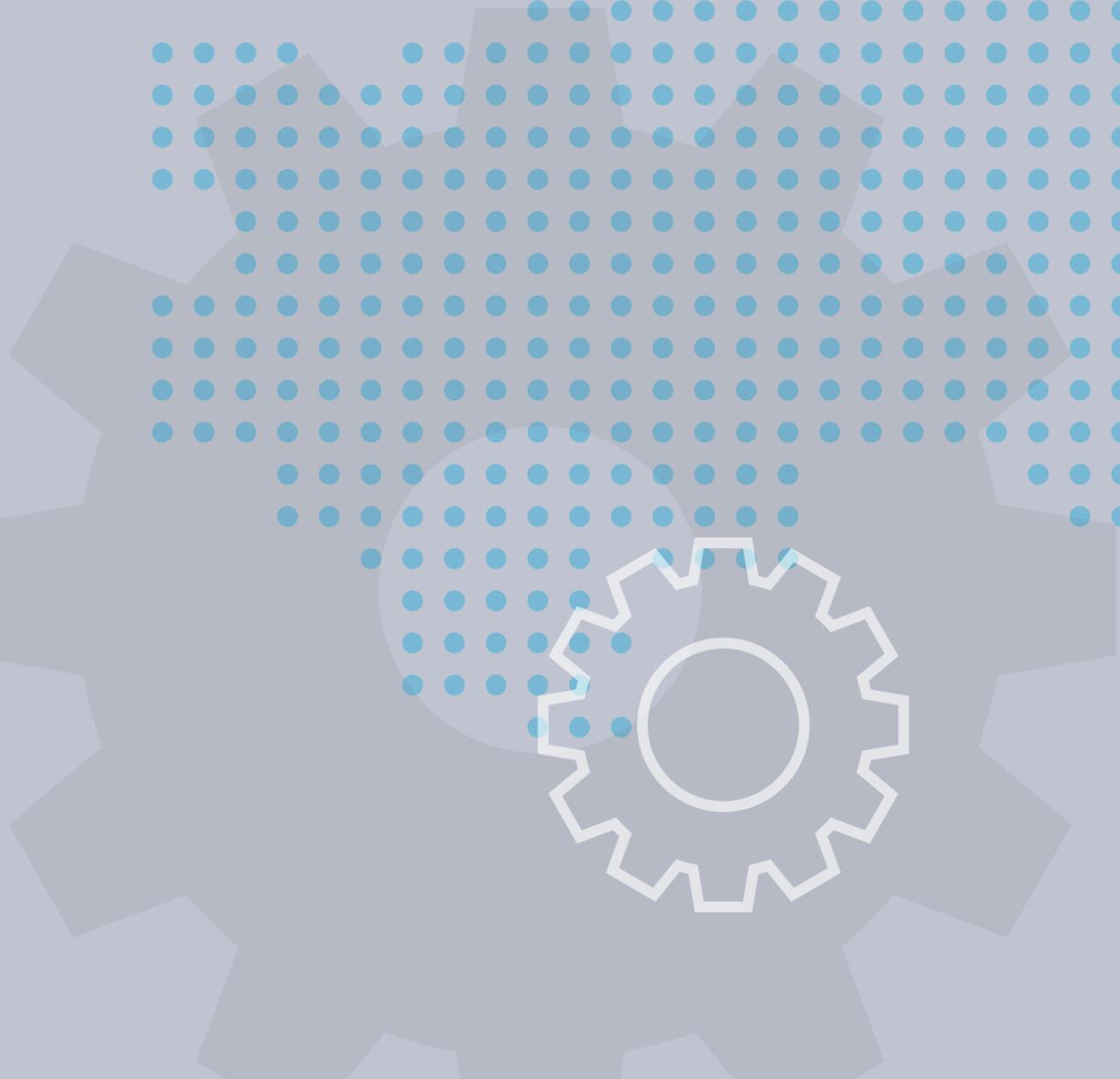
by 3,6 %

REVENUES FROM TRANSIT CONTAINER TRANSPORT AND INTERNATIONAL LOGISTICS HAVE BEEN INCREASED BY 3.6% COMPARED TO 2018.



THE PORTFOLIO OF FOREIGN PROJECTS HAS BEEN EXPANDED — TWO CONTRACTS HAVE BEEN SIGNED IN SERBIA AND CUBA.

EFFECTIVE MANAGEMENT



CORPORATE GOVERNANCE



The corporate governance system of JSCo RZD has been developed in accordance with the current standards and taking into account the specifics of operation and management of JSCo RZD as "a single business entity" and 100% state-owned company. The orders of the Government of the Russian Federation, which pays special attention to raising the level of corporate governance in companies with state participation, are crucial for the development of the corporate governance practice of JSCo RZD.

When implementing mechanisms and means of corporate governance, JSCo RZD is guided, inter alia, by documents of the Bank of Russia as a regulator and the Federal Agency for State Property Management (Rosimuschestvo) as a corporate governance development methodologist in companies with state participation.

JSCo RZD strives to shift from the operational management of subsidiaries and affiliated entities to the strategic management and introduces the best corporate practices.

MANAGEMENT STRUCTURE OF JSCO RZD



GENERAL MEETING OF SHAREHOLDERS OF JSCO RZD

The supreme management body of JSCO RZD is the General Meeting of Shareholders. Since all voting shares of JSCO RZD belong to the sole shareholder, namely the Government of the Russian Federation, in accordance with Article 47 of the Federal Law "On Joint-Stock Companies", Article 5 of the Federal Law "The Features of Management and Disposal of Railway Transport Property", Clause 67 of the Charter of JSCO RZD, all decisions on matters that are the competence of the General Meeting of Shareholders shall be made by the sole shareholder, namely the Government of the Russian Federation, alone and shall be made in writing in the form of resolutions and orders.

BOARD OF DIRECTORS OF JSCO RZD

The main task of the Board of Directors of the Company is to implement policies that ensure the dynamic development of the society, increase the sustainability of its work, and increase profitability. The Board of Directors of Russian Railways also defines priority areas of activity, approves prospective plans and main programs of activity, including the budget and investment program, defines general principles and approaches to the organization of the risk management system of JSCO RZD.

By the decision of the Board of Directors dated July 24, 2019, Maxim Alexeevich Akimov was elected Chairman of the Board of Directors of JSCO RZD

MEMBERS OF THE BOARD OF DIRECTORS OF JSCO RZD

REPRESENTATIVES OF THE RUSSIAN FEDERATION:

Maxim Alexeevich Akimov

Oleg Valentinovich Belozerov

Grigory Viktorovich Berezkin

Arkady Vladimirovich Dvorkovich

Yevgeny Ivanovich Dietrich

Kirill Alexandrovich Dmitriev

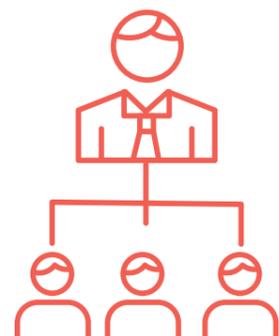
Andrey Yuryevich Ivanov

Dmitry Nikolayevich Patrushev

Vladimir Andreevich Puchkov

Mikhail Alexeevich Rasstrigin

Alexandr Nikolayevich Ryazanov



INDEPENDENT DIRECTORS:

Christian Kern

Sergey Georgievich Nedoroslev

Sergey Vadimovich Stepashin

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS OF JSCO RZD

The remuneration of a member of the Board of Directors of JSCO RZD includes basic and additional parts. The basic remuneration of a member of the Board of Directors of JSCO RZD is calculated depending on the participation of a member of the Board of Directors of JSCO RZD in meetings of the Board of Directors. The maximum basic remuneration of a member of the Board of Directors of JSCO RZD is 4,000,000 rubles.

The additional remuneration shall be paid provided that a Member of the Board of Directors of JSCO RZD personally participated (provided his/her written opinion) in at least 75% of the in-person meetings of the Committee of the Board of Directors of JSCO RZD held in the relevant corporate year. If a member of the Board of Directors of JSCO RZD acts as a Member and (or) Chairman of the Board of Directors of JSCO RZD in more than two Committees, the additional remuneration shall be paid for exercising the functions in two Committees. The additional remuneration shall be calculated and paid for the period of actual performance of additional functions.

By the decision of the Annual General Meeting of Shareholders of JSCO RZD, 45.37 million rubles were allocated to remunerate Members of the Board of Directors of JSCO RZD in the reporting year.

FOR PERFORMING ADDITIONAL FUNCTIONS, MEMBERS OF THE BOARD OF DIRECTORS OF JSCO RZD GET AN ADDITIONAL REMUNERATION CALCULATED ON THE BASIS OF THE PARAMETER OF THE BASIC PART OF REMUNERATION, INCREASED BY THE FOLLOWING FACTOR:

3,5 for acting as the Chairman of the Board of Directors (except for persons exercising the functions of the Chairman of the Board of Directors in his/her absence)

1,5 for acting as the Chairman of the Committee of the Board of Directors

0,5 for acting as a Member of the Committee of the Board of Directors

DEVELOPMENT OF THE MANAGEMENT SYSTEM OF JSCO RZD

The development of RZD Holding is underpinned by the improvement of the management system (hereinafter referred to as the MS) on the basis of the process approach and organizational development, the elaboration of the effective management of the business complex, the flexible improvement of the MS, the establishment of the target model of the MS and organizational structure of the Company in accordance with market changes and internal transformation, and ensuring the long-term financial stability, economic efficiency and competitiveness of JSCO RZD.

The management system of RZD Holding is based on the process approach, according to which the management of the activity is built as the management of the complex

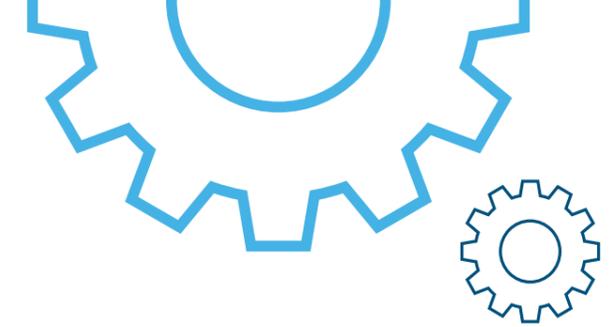
of processes (in end-to-end processes). The Company also uses functional management, which allows it to clearly delineate responsibility and control discipline. The project approach is applied for project-oriented activities, such as research, construction, etc.

The main approach to process design is the "top-down" approach, which assumes the development of a complex process model of RZD Holding by a consistent decomposition of its upper-level elements to lower-level elements.

AS PART OF ENSURING A WIDER USE OF THE PROCESS APPROACH IN MANAGEMENT, RZD HOLDING IS FOCUSED ON THE FOLLOWING TASKS:

- clear definition of areas of responsibility of managers, exclusion of zones of absence and duplication of responsibility, ensuring "transparency" of the organization's activities;
- analysis of the existing organizational structure and development of possible and appropriate areas of its optimization;
- identification, description and optimization of end-to-end processes to improve interfunctional interaction and eliminate inefficient process elements;
- ensuring consistency of management decisions and optimization activities;
- improving economic management of key business processes and products;
- identification of gaps between the current and target capabilities of the economic complex and management system in terms of processes, tools and resources;
- development of the applied basis for the quality management system and lean production tools, etc

It is important to note that it is impossible to completely abandon the territorial approach to the management of JSCO RZD since its economic complex covers the entire territory of the Russian Federation and is a significant factor in the social and economic development of the country. Due to the geographical scale of the economic complex, full implementation of the functions of management of JSCO RZD without territorial governing bodies is inefficient and will lead to the need for resolving issues by the Corporate Center.



THE OBJECTIVES OF THE MS DEVELOPMENT ARE:



JSCO RZD is gradually moving to operation in the form of a complex of vertically integrated activity-specific units.

Along with the transition to the activity-specific organization, the organizational model developed at JSCO RZD is aimed at creating a **MATRIX MANAGEMENT STRUCTURE**, in which special attention is paid to ensuring proper operation of the units responsible for effective interaction of the Company's divisions across all management verticals, including at the regional level.

The management matrix structure is implemented through the development of horizontal end-to-end communications at all levels of management, ensuring the interaction of economic verticals responsible for coordination of the activities of divisions at the regional and linear levels. Also, the management matrix structure is enhanced by ensuring a wider

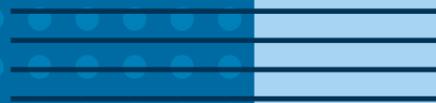
use of design management principles at all levels of management.

In view of close economic and financial relations between transport process participants united by a key asset, namely the railway transport infrastructure, it is anticipated that a strategic management model with enhanced planning and control functions will be established, determining the areas of organizational development of JSCO RZD. This is carried out to implement the effect of synergy, ensure the compliance with safety requirements and continuity of the transport process.

The implementation of the principles of specificity and management matrix in practice will generally create appropriate conditions for JSCO RZD to remove a number of restrictions and further unlock the potential for delegation of authority.

Taking into account the similarity of tasks, technologies and additional synergetic effects of coordinated activities of responsible function units, there are organization management bodies established to provide the management organization and control of divisions by functional verticals with respect to the features of specific areas of activity, such as: cost and efficiency management, human resources management, development, etc

INFORMATION TRANSPARENCY OF THE ACTIVITIES OF JSCO RZD



INFORMATION TRANSPARENCY OF THE ACTIVITIES OF JSCO RZD

JSCo RZD implements a policy of information openness and providing complete and reliable information about the company's activities to all stakeholders.

Interaction with mass media on the provision of feedback, information on projects implemented by RZD Holding, arrangement of photo and video shooting at the facilities of the rail transport infrastructure shall be performed by the press service of the company.



<http://www.rzd.ru>



<http://www.gudok.ru>



<http://www.rzdtv.ru>

INTERACTION WITH STAKEHOLDERS

PRINCIPLES FOR IDENTIFYING AND SELECTING STAKEHOLDERS FOR INTERACTION

- The Company's interaction with stakeholders is carried out in accordance with the principles of corporate conduct, the most important of which are openness, accuracy and completeness of information about the Company's activities, coverage of interests of all stakeholders, and rapid response to the expression of these interests.
- The Company is committed to a balanced consideration of stakeholder interests, which is particularly important in the context of government tariff regulation and active innovation.
- The Company's activities in the field of interaction with stakeholders are aimed at both parties external to the Company and its own employees, who are internal stakeholders.
- The Company has specialized units for managing interaction with stakeholders. → The primary responsibility is distributed among a number of departments of the Company in accordance with their competence. Key units, from responsible for interaction with internal stakeholders are the Department of Social Development and the Human Resources Department. → The Department of Corporate Communications, the Department of Interaction with Federal and Regional Authorities, and the Legal Department share the main responsibility for interaction with external stakeholders.

WWW.RZD.RU

CORPORATE
WEB PORTAL

up to **5** million

DAILY
page views

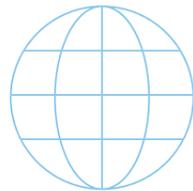
up to **600**

THOUSAND
UNIQUE VISITORS

The portal has the status of official media (Mass Media Registration Certificate EI No. F577-25927), which allows the company to promptly publish necessary information for different targeted audiences.

Another channel for the dissemination of information about the company's activities for railway employees, employees of JSCo RZD Holding, passengers and all concerned parties is corporate media, namely the official periodical printed publication of the company – the newspaper “Gudok” and the corporate television – RZD TV. They allow to promptly inform the staff about the activities of JSCo RZD at all sites of the railway network and are an effective communication channel for feedback between the staff and the management of RZD Holding.

STAKEHOLDERS	APPROACHES TO AND MECHANISMS OF INTERACTION
STAFF	<ul style="list-style-type: none"> Collective contract relations Social partnership Employees surveys and sociological monitoring Reporting to stakeholders Management functions Conflict resolution procedures
EDUCATIONAL INSTITUTIONS	<ul style="list-style-type: none"> Arrangement of the target admission of students Providing benefits for children of employees of JSCo RZD Joint scientific and cultural events Participation of employees of RZD Holding in the activities of educational institutions
SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> Arrangements for issuing technical conditions Arrangements for determining the economic efficiency of the project for JSCo RZD and an investor Establishment of project implementation working groups Development and signing of cooperation agreements in the implementation of projects Regular working meetings at various levels Entering into contracts for the provision of services on joining the infrastructure of non-public use of the investor to the infrastructure of JSCo RZD
STATE AUTHORITIES AND LOCAL COMMUNITIES IN THE REGIONS OF PRESENCE	<ul style="list-style-type: none"> Implementation of the General Agreements on Cooperation and Cooperation in the Field of Rail Transport Preparation, conclusion and implementation of medium-term agreements on social and economic cooperation with state authorities of the constituent entities of the Russian Federation Days of Railways with the participation of heads of regions and representatives of RZD Holding Regular working meetings of representatives of regional centers of corporate governance (RCCG) and heads of the constituent entities of the Russian Federation Joint participation of the constituent entities of the Russian Federation and RZD Holding in image-building solemn events Meetings of Interregional and Regional Transport Coordination Councils, permanent Working Groups and Committees, with the participation of representatives of the RCCG, the constituent entities of the Russian Federation, and regional enterprises. Preparation and joint work during conference calls of the Ministry of Transport of the Russian Federation, with the participation of representatives of RZD Holding, suburban passenger companies, and the constituent entities of the Russian Federation Ensuring interaction with regional legislative bodies as part of meetings of the relevant committees Expert support for senators and deputies Preparation and implementation of plans of activities of JSCo RZD developed on the basis of plans of lawmaking activities of the Federation Council and the State Duma, as well as taking into account lawmaking activities of the Government of the Russian Federation Monitoring and management of events at the Federal Assembly's venue Monitoring and analysis of information placed in the Automated System for Supporting Lawmaking Activities (ASOZD) of the State Duma Arrangement of meetings of JSCo RZD representatives with the Administration of the President of the Russian Federation, the Federal Assembly of the Russian Federation, the Russian Government Office, ministries and other federal authorities, authorities of the constituent entities of the Russian Federation, and local self-government authorities Handling appeals from senators and deputies Involvement of external stakeholders in joint activities with the Company Orientation to preventive management of the external environment.



STAKEHOLDERS	APPROACHES TO AND MECHANISMS OF INTERACTION
SUBJECTS OF SOCIAL PARTNERSHIP	<ul style="list-style-type: none"> Interaction with national and international public organizations on the implementation of the Sustainable Development Goals of the United Nations, participation in joint events, consideration of initiatives, including those related to federal legislation in the field of social and labor relations Interaction with sectoral trade unions on social protection of employees and non-working pensioners Public non-financial reporting on sustainable
PARTNERS	
MEDIA AND PUBLIC ORGANIZATIONS	<ul style="list-style-type: none"> Preparation and dissemination of press releases on the activities of JSCo RZD Preparation of responses to journalists' inquiries Arrangement of press conferences, briefings, interviews with the Company management Arrangements of trips of journalists to cover events with the participation of the management of JSCo RZD and the progress of implementation of investment projects of the Company Accompanying journalists when shooting at infrastructure facilities
PASSENGER COMPLEX CUSTOMERS	<ul style="list-style-type: none"> Provision of railway station complex services of JSCo RZD Provision of passenger transportation services Provision of food services in the journey Implementation of feedback channels: <ul style="list-style-type: none"> Questionnaire survey at railway stations; Unified Information and Reference Centre Contact via mobile app JSCo RZD website Survey on the website www.opros.fpc.ru and in Sapsan trains Passenger satisfaction study: <ul style="list-style-type: none"> Russian Public Opinion Research Center (VCIOM); Internal research
FREIGHT CUSTOMERS	<ul style="list-style-type: none"> Provision of the basic freight service Provision of transport and logistics services related to the basic freight service, including public railway infrastructure services Provision of information services of JSCo RZD Implementation of feedback channels: <ul style="list-style-type: none"> Unified Freight Traffic Call Center of JSCo RZD as part of the Unified Information and Service Center of JSCo RZD Contact via the mobile application of RZD Cargo JSCo RZD website section "Freight Transport" Service sales centers Customer satisfaction study: <ul style="list-style-type: none"> Russian Public Opinion Research Center (VCIOM); RZD-Partner



IMPROVEMENT OF THE LEGAL AND REGULATORY FRAMEWORK

In 2019, the Council of the State Duma passed 1,122 federal bills for consideration. JSCo RZD examined all bills on involvement in the regulation of railway transport. 130 bills of the total number of bills are supported in the interests of the Company.



KEY INITIATIVES IMPLEMENTED IN 2019:

- as a result of the constructive, open and reasoned position of JSCo RZD, in cooperation with federal legislative and executive authorities and the expert community, decisions were made to support RZD Holding in 2019 in the amount of 110.8 billion rubles (Federal Law No. 459-FZ "On the Federal Budget for the Year 2019 and for the Planned Period of 2020 and 2021" dated November 29, 2018, as amended by Federal Law No. 175-FZ dated July 18, 2019 and Federal Law No. 389-FZ dated December 2, 2019);
- amendments have been made to the Tax Code of the Russian Federation, providing for the submission of a unified tax return on corporate property tax, based on Federal Law No. 63-FZ "On Amendments to Part Two of the Tax Code of the Russian Federation and Article 9 of the Federal Law "On Amendments to Parts One and Two of the Tax Code the Code of the Russian Federation and Certain Legislative Acts of the Russian Federation on Taxes and Fees" dated April 15, 2019;
- Federal Law No. 90-FZ "On Amendments to the Federal Law "On Communications" and the Federal Law "On Information, Information Technologies and Protection information" dated May 1, 2019 establishes the obligation for owners of technological communication networks to fulfill requirements in terms of performing criminal intelligence activities, with the need to install software and hardware complexes SORM in technological communication networks. The rules established by the federal law provide for the adoption of a number of organizational and technical measures in order to ensure the sustainable operation of the Russian Internet segment in the conditions of hacking attacks or inability to connect Russian telecom operators to foreign Internet root servers. At the same time, these measures are proposed to be extended not only to communication networks of telecom operators, but also to technological communication networks;
- Federal Law No. 151-FZ "On Amendments to the Federal Law "On Participation in the Shared Construction of Apartment Buildings and Other Real Estate Objects and on Amendments to Certain Legislative Acts of the Russian Federation" and Certain Legislative Acts of the Russian Federation" dated June 27, 2019 governs, in addition to shared construction issues, legal relations in terms of the introduction of the information modeling technology into the activity of the construction complex, as provided for by Order No. Pr-1235 of the President of the Russian Federation dated July 19, 2018 (the technology shall fully operate for all market participants starting from 2021, taking into account the need to pass by-laws at the level of the Government of the Russian Federation and the Ministry of Construction of Russia);
- regulatory legal acts governing the issuance of certificates for the right to operate traction rolling stock based on Federal Law No. 233-FZ "On Amendments to the Federal Law "On Rail Transport in the Russian Federation" dated July 26, 2019;
- Federal Law No. 266-FZ "On Amendments to Article 97 of the Federal Law "Charter of Rail Transport of the Russian Federation") dated August 2, 2019 establishes the liability of the railway carrier for late delivery of goods, empty cars and containers at the rate of 6% of the carriage fee for each day of delay and the maximum liability at the rate of 50% of the carriage fee;
- an important decision was to amend Federal Law No. 270-FZ "On Amendments to the Federal Law "On Transport Safety" and Certain Legislative Acts of

the Russian Federation on Transport Security” dated August 2, 2019 taking into account the proposals of JSCo RZD for the phased implementation of the requirements for ensuring transport safety in terms of equipping transport infrastructure and vehicles with technical means (Art. 13 of the law), while the time limits for the phased implementation of the requirements shall be established by the Government of the Russian Federation;

- the regulatory legal framework was amended in terms of improvement of legal regulation of relations on urban zoning and territory planning and relations on seizing plots of land for state and municipal needs based on Federal Law No. 283-FZ “On Amendments to the Urban Planning Code of the Russian Federation and Certain Legislative Acts of the Russian Federation” dated August 2, 2019;
- Federal Law No. 322-FZ “On Amendments to Articles 164 and 165 of Part Two of the Tax Code of the Russian Federation” dated September 29, 2019 amends Articles 164 and 165 of Part Two of the Tax Code of the Russian Federation concerning the extension of the VAT rate of 0 percent to the transit of empty containers and railway rolling stock, in terms of increasing tax revenues by increasing the transit freight traffic;
- Federal Law No. 403-FZ “On Amendments to the Federal Law “On Education in the Russian Federation” and Certain Legislative Acts of the Russian Federation” dated December 2, 2019 introduces amendments aimed at improving the practical training of students, which is important for the career guidance programs developed by the Company;
- Federal Law No. 415-FZ “On Amendments to Article 12.3 of the Federal Law “On Transport Safety” dated

December 2, 2019 establishes standards allowing employees of transport security divisions to use civilian self-defense weapons and, in particular, electroshock devices, which are weapons used by citizens of the Russian Federation, public officials and private organizations;

- Federal Law No. 442-FZ “On Amendments to the Code on Administrative Offences of the Russian Federation” dated December 16, 2019 amends the Code on Administrative Offences of the Russian Federation providing for increased liability for failure to comply with the requirements of a bailiff, when failure of the debtor to comply with the executive document may entail a threat to life or health of people, liability measures in the form of imposing a fine on legal entities in the amount of one million to three million rubles or administrative suspension of the activities for up to ninety days;
- Federal Law No. 455-FZ “On Amendments to the Federal Law “On Features of Regulation of Certain Legal Relations in Connection with the Accession of Territories to the Constituent Entity of the Russian Federation — the City of Federal Importance Moscow and on Amendments to Certain Legislative Acts of the Russian Federation” and Certain Legislative Acts of the Russian Federation” dated December 27, 2019 pursuant to the list of instructions No. Pr-1181GS of the President of the Russian Federation
- dated July 17, 2019 suspends certain mandatory requirements for establishing zones with special conditions for using territories. In particular, until January 1, 2022, the procedure for obtaining a construction permit is simplified — the obligation to establish a zone with special conditions for using the territory before issuing a construction permit and

submit the decision on establishing such a zone with an application for a construction permit is postponed (the current problem of interaction with the Ministry of Construction of the Russian Federation in obtaining a construction permit for JSCo RZD facilities is resolved);

- Resolution No. 135 of the Government of the Russian Federation
- “On Amendments to the Charter of JSCo RZD” dated February 13, 2019, Order No. 212-r of the Government of the Russian Federation on reducing the quorum to three-fourths of the votes of the total number of elected members of the Board of Directors of the Company when making decisions in the course of approving transactions in the amount of more than 3 billion rubles but not exceeding 25% of the book value of the Company’s assets;
- Decree No. 466-r of the Government of the Russian Federation dated March 19, 2019 approves the long-term development program of JSCo RZD until 2025, its implementation will have a multiplicative impact on the acceleration of social and economic processes, including through the expansion of production capacities, innovative demand, tax revenues to budgets at all levels and support for small and medium businesses;
- Resolution No. 320 of the Government of the Russian Federation “On Approval of the Rules for Granting Subsidies to Railway Organizations from the Federal Budget for Partial Reimbursement of Losses in Income Arising from the Provision of the Public Social Service to Citizens in the Form of Free Rail Passes in Suburban Connection Subject to the Maintenance of Personalized Travel Records” dated March 27, 2019;

Resolution No. 406 of the Government of the Russian Federation “On Approval of the Rules of Granting Subsidies to JSCo RZD from the Federal Budget for Reimbursement of Losses in Income Arising from Preferential Tariffs for Grain Transportation” dated April 6, 2019;

- Resolution No. 458 of the Government of the Russian Federation “On Amendments to Certain Acts of the Government of the Russian Federation” dated April 17, 2019, providing for removal of the obligation to perform a continuous ploughing or mineralization of the diversion strip at the edge of the forest for sections of railways where there is no movement of steam locomotive traction trains;
- Resolution No. 545 of the Government of the Russian Federation
- “On Amendments to the Rules of Provision of Services of Rail Transportation of Passengers, as well as Goods, Baggage and Cargo Luggage for Personal, Family, Household and Other Needs not Related to Business Activities” dated April 30, 2019 (in terms of clarifying the issuance of long-distance train travel documents for children under one month old);
- Resolution No. 791 of the Government of the Russian Federation “On Amendments to Resolution No. 844 of the Government of the Russian Federation dated October 17, 2011” dated June 22, 2019 in terms of excluding the application of the preferential exclusive tariff for public rail infrastructure services at the MCC site;
- Order No. 20 of the Ministry of Transport of Russia “On Amendments to the Procedure for Closing Public Railway Tracks, Including Low-Intensity Lines and Sections, as approved by Order No. 327 of the Ministry

of Transport of the Russian Federation dated December 22, 2011" dated January 25, 2019 in terms of the introduction of the procedure for closing public railway tracks with the missing upper structure of the track;

- Order No. 42 of the Ministry of Transport of Russia "On Amendments to the Criteria for Defining Categories of Trains for Passenger Transportation Depending on Their Speed and Route Distance, as approved by Order No. 99 of the Ministry of Transport of Russia dated July 18, 2007" dated February 8, 2019 provides for the possibility of establishing suburban routes longer than 200 km within the borders of a single constituent entity of the Russian Federation;
- Order No. 66 of the Ministry of Transport of Russia "On Approval of the Rules for Transport of Perishable Goods by Rail" dated March 4, 2019 shows a new approach to the rules that will allow to increase the competitiveness of the industry and the rail freight traffic;
- Order No. 70 of the Ministry of Transport of Russia "On Approval of the Rules of Rail Transport of Escorted Goods and the List of Goods Requiring Mandatory Escort along the Route" dated March 4, 2019 is aimed at eliminating contradictions in the regulatory framework concerning the protection of transportation of energy gases. In accordance with it, energy gases are subject to protection by departmental security subdivisions of the Federal Rail Transport Agency (Roszheldor) at the expense of consignors, consignees;
- Order No. 96 of the Ministry of Transport of Russia "On Amendments to the Rules of Rail Transportation of Passengers, Baggage and Cargo Luggage, as Approved by Order No. 473 of the Ministry of Transport of Russia dated December 19, 2013" dated April 9, 2019 governs re-issuance of tickets for long-distance

trains in terms of the possibility of charging or paying the difference in the fare;

- Order No. 155 of the Ministry of Transport of Russia "On Approval of the General Requirements to Rail Transport for Sealing Cars and Containers with Locking and Sealing Devices and the List of Goods that Can be Transported in Cars and Containers without Locking and Sealing Devices, but with Mandatory Installation of Loops" dated May 29, 2019;
- Order No. 174 of the Ministry of Transport of Russia "On Amendments to the List of Goods that Can be Transported by Rail in Bulk, as Approved by Order No. 294 of the Ministry of Transport of Russia dated September 19, 2013" dated June 13, 2019;
- Order No. 191 of the Ministry of Transport of Russia "On Approval of Unified Forms of Rail Transport Documents for Goods" dated June 19, 2019;
- Order No. 267 of the Ministry of Transport of Russia "On Approval of the Rules of Rail Transportation of Goods with a Declared Value" dated August 15, 2019;
- Order No. 273 of the Ministry of Transport of Russia "On Approval of the Procedure for Issuing the Certificate for Driving a Locomotive Running on Railway Tracks, Multiple-Unit Rolling Stock and/or Special Self-Propelled Rolling Stock, Suspending and Withdrawing the Certificate, as well as the Requirements for its Execution and the Certificate Form" dated August 22, 2019;
- Order No. 328 of the Ministry of Transport of Russia "On Amendments to Order No. 245 of the Ministry of Transport of Russia "On the Features of Determining the Shortest Distances for the Transportation of Goods on Selected Sections of the Russian Railways" dated December 21, 2009" dated October 11, 2019.

AGREEMENTS WITH THE CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION

There were 72 agreements in effect during 2019. 14 agreements of these, which expired as of December 31, 2018, were renewed (Republic of Bashkortostan, City of St. Petersburg, Penza, Tula, Tyumen, Oryol, Kursk, Ryazan, Smolensk, Omsk, Tomsk Regions, Perm and Primorsky Territories, Khanty-Mansi Autonomous Area).

INTERACTION WITH THE PUBLIC CHAMBER OF THE RUSSIAN FEDERATION

In 2019, public hearings were held at the Public Chamber of the Russian Federation on the initiative of JSCo RZD concerning "Actual issues of ensuring safety of passengers and users of rail transport services."

INTERACTION WITH THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS (RSPP)

JSCo RZD is actively present in the RSPP, representatives of the Company are members of the Board of the RSPP and work in advisory, deliberative, coordination and expert bodies of the Union. The cooperation between the RSPP and JSCo RZD improves the efficiency of rail transport interaction with customers and consignors. The Company and the industrialists have established mutually beneficial partnerships in all areas of cooperation, from ongoing projects to long-term documents, programs and decisions.

The RSPP has a Commission on Transport and Transport Infrastructure, chaired by O.V. Belozеров, CEO – Chairman of the Board of JSCo RZD, while representatives of the Company are its permanent members. This platform allows to discuss the most important issues related to the functioning of the railway industry, namely current issues of the progress to date

and prospects for the development of railways, tariff formation, purchase prices, and the largest investment projects.

Within the competence of the RSPP in terms of transport and transport infrastructure, the Industrial Rail Transport Sector has been established. This is due to the fact that there are currently more than 20 thousand independent railway farms of industrial enterprises and rolling stock operators in Russia, as well as for the purpose of further improvement of the regulatory and technical framework that determines the operation of non-public rail transport and coordination of the activities of economic entities. The sector includes representatives of private railway companies, being members of the RSPP, as well as the relevant divisions of JSCo RZD, interacting with railway operators and companies owning the non-public infrastructure.

The delegation of the company headed by O.V. Belozеров, CEO – Chairman of the Board of JSCo RZD, took part in the events of the Week of Russian Business and the annual Congress of the Russian Federation Union of Industrialists and Entrepreneurs with the participation of the President of the Russian Federation V.V. Putin.

IN COOPERATION WITH THE RSPP, JSCO RZD HAS HOLD:

- the meeting of the RSPP Commission on Transport and Transport Infrastructure and the RSPP Mechanical Engineering Commission and the Competition Development Committee;
- the meeting of the RSPP Commission on Transport and Transport Infrastructure.
- Representatives of JSCo RZD took part in the following events under the auspices of the RSPP:
 - 6 meetings of the Bureau of the Board of the RSPP;
 - 2 meetings of the Board of the RSPP;
 - 2 meetings of representatives of Russian business with the President of the Russian Federation V.V. Putin;
 - 2 meetings of representatives of Russian business with the Chairman of the Government of the Russian Federation D.A. Medvedev;
 - 5 meetings of the Integration Council of the RSPP on interaction with the Eurasian Economic Commission;
 - Russia-France Business Dialogue within the framework of the St. Petersburg International Economic Forum — 2019;
 - the meeting of members of the Board Bureau of the RSPP with the First Deputy Chairman of the Government of the Russian Federation, Minister of Finance of the Russian Federation A.G. Siluanov, Vice Chairman of the Government of the Russian Federation M.A. Akimov;
 - 5 meetings of the Project Committee on the selection and evaluation of investment projects;
 - 2 meetings of the National Council under the President of the Russian Federation on Professional Qualifications;
 - 4 meetings of the RSPP Committee on Charity and Patronage;
 - Conference on "Priority Transport Infrastructure Development Projects";
 - Special session "Rail Freight Market";
 - Forum "Business Infrastructure Initiatives";
 - National Industrial Forum;
 - the Fifth All-Russian Forum "National Qualifications System of Russia".

DURING THE REPORTING PERIOD, THE MOST SIGNIFICANT ACTIVITIES WERE AS FOLLOWS:

- 2 meetings of the Council of the Chamber of Commerce and Industry of the Russian Federation on industrial development and competitiveness of Russia;
- 2 meetings of the Council of the Chamber of Commerce and Industry on customs policy;
- plenary meeting of the BRICS Business Council;
- BRICS Business Forum;
- meeting of the BRICS Business Council with the heads of state members of the association;
- X Forum of Innovative Technologies InfoSpace;
- Business Forum "Strategy of Advancing Development: Partnership between the State and Business";
- Summing up of the VI phase of the special project "BUSINESS BAROMETER OF CORRUPTION" implemented by the Chamber of Commerce and Industry of Russia pursuant to Clause 36 of the National Anti-Corruption Plan for 2018-2020, as approved by Decree No. 378 of the President of the Russian Federation dated June 29, 2018;
- Round table on "Formation of anti-corruption principles of business in Russia";
- the 13th International Railway Equipment Exhibition 2019 (IREE);
- XIV National Congress "Modernization of Russian Industry: Development Priorities";
- all-Russian interactive campaign dedicated to the annual International Anti-Corruption Day

The Russian Chamber of Commerce and JSCo RZD cooperate closely in daily activities. The productive joint activities are carried out within the framework of Chamber Committees and Councils. The issue of participation of small and medium businesses in the company's procurement process is resolved jointly within the framework of the partnership program.

INTERACTION WITH THE ALL-RUSSIAN PUBLIC ORGANIZATION OF SMALL AND MEDIUM BUSINESS "SUPPORT OF RUSSIA"

- annual business forum "Small Business — National Project" of the All-Russian Public Organization of Small and Medium Business "SUPPORT OF RUSSIA" with the participation of President of the Russian Federation V.V. Putin.

INTERACTION WITH THE SELF-REGULATORY ORGANIZATION UNION OF RAILWAY OPERATORS

- 11 meetings of the Presidium of the SRO Union of Railway Operators;
- 3 meetings of the Coordination Council on Cooperation between JSCo RZD and the SRO Union of Railway Operators.

INTERACTION WITH THE UNION OF TRANSPORT WORKERS OF RUSSIA

- Round table on "Integration of digital transformation of the transport complex of EAEU member states"

INTERACTION WITH THE UNION OF MECHANICAL ENGINEERS OF RUSSIA

- VIII International Youth Industry Forum "Engineers of the Future 2019"

INTERACTION WITH THE ALL-RUSSIAN POLITICAL PARTY "UNITED RUSSIA"

- 2 meetings of the Presidium of the General Council of the Party "UNITED RUSSIA";
- 2 joint meetings of the Supreme Council and the General Council of the Party "ONE RUSSIA" with the participation of the Chairman of the Party, the Chairman of the Government of the Russian Federation D.A. Medvedev;
- the meeting of the Working Group of the Party "Sustainable Development" project on "Promoting the achievement of the goals of national development in the regions of the Russian Federation";
- the extended meeting of the Public Council of the party project Locomotives of Growth on "The implementation of national projects in conditions of accelerated technological development";
- the plenary meeting of the conference of the All-Russian Political Party "United Russia";
- XIX Congress of the All-Russian Political Party "UNITED RUSSIA" with the participation of the President of the Russian Federation V.V. Putin and the Chairman of the Party, the Chairman of the Government of the Russian Federation D.A. Medvedev

INTERACTION WITH THE ALL-RUSSIA PEOPLE'S FRONT

- 2 meetings of the central headquarters of the All-Russia People's Front;
- XV All-Russian Exhibition Forum "GOVERNMENT ORDER — FOR Fair Procurement" with the motto: "Accelerating the digitalization of procurement — implementing the decrees of the President!"



**DEVELOPMENT OF
CORPORATE ETHICS
IN THE FIELD OF
ANTI-CORRUPTION**



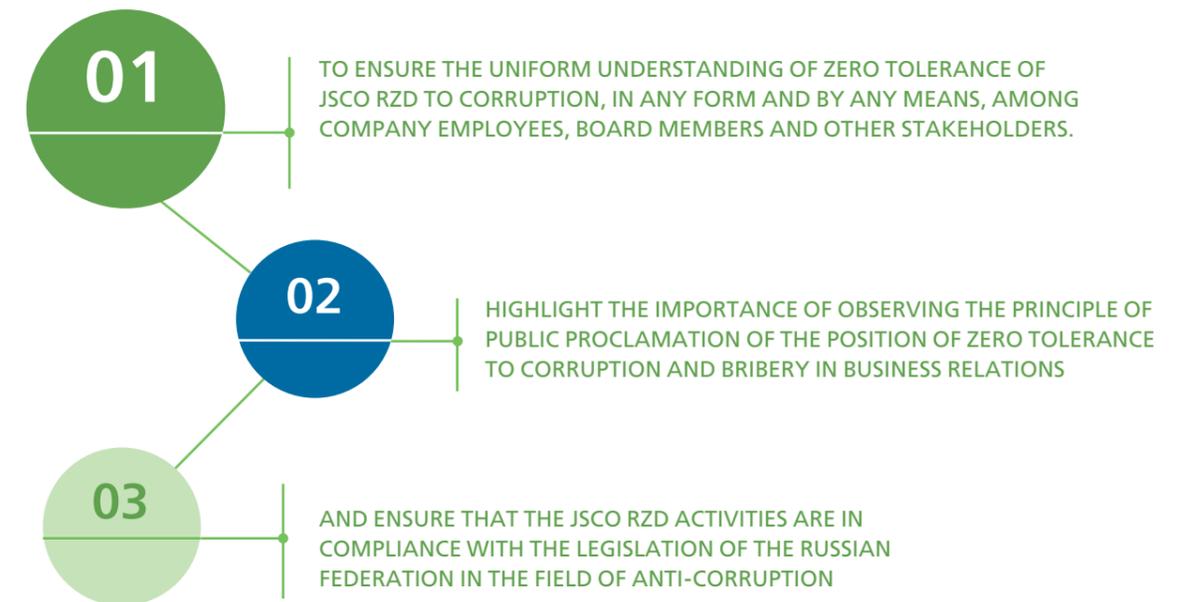
GOALS AND OBJECTIVES OF THE ANTI-CORRUPTION POLICY



In order to implement the state policy in the field of preventing and combating corruption, JSCo RZD consistently takes measures to strengthen ethical and moral standards of responsible anti-corruption behavior.

The anti-corruption policy of JSCo RZD is a set of interrelated principles and procedures aimed at preventing and suppressing corrupt practices and minimizing corruption risks (as approved by Order No. 472r of JSCo RZD dated February 24, 2015)

THE PRIORITY GOALS AND OBJECTIVES OF THE ANTI-CORRUPTION POLICY OF JSCo RZD ARE:



The system of measures to prevent corruption is based on the anti-corruption standards established by the Company, namely restrictions, prohibitions and obligations, by including these standards into model employment contracts with employees and ensuring their strict compliance by employees and managers at all levels.

Thus, the Collective Agreement of JSCo RZD for 2017-2019 stipulates the obligation of employees to be responsible for compliance with the principles and anti-corruption requirements established by JSCo RZD regardless of the position, while similar requirements are included in the revision of the Collective Agreement of JSCo RZD for 2020-2022.

The Company provides a unified and integrated approach to the development and implementation of measures aimed at preventing and combating corruption, the risk management and internal control processes are implemented in this area on an ongoing and regular basis, which is part of the corporate-wide system of risk management and internal control.

In accordance with the principles of the anti-corruption policy of the Company, the relevant practices have been implemented in the form of corporate procedures for subsidiaries and affiliated entities of JSCo RZD



THE IMPROVEMENT OF THE COMPANY'S REGULATORY FRAMEWORK CONTINUES IN THE FIELD OF PREVENTING AND COMBATING CORRUPTION:

- 01** Order No. 49 of JSCo RZD "On Improving the Procurement Management Quality of JSCo RZD" dated May 16, 2019 approves the Program for improving the quality of management of procurement activities. According to Clause 2.2.5 of the Program, one of the main tasks is to eliminate internal contradictions and the risk of corruption relations;
- 02** Order No. 1401/r of JSCo RZD dated July 10, 2019, adopted in order to improve procurement activities, provides for the possibility of concluding an anti-corruption agreement with the counterparty as an alternative to the inclusion of the anti-corruption clause in the contract;
- 03** Order No. 3034/4 of JSCo RZD dated December 25, 2019 approves the Code of Ethics of Internal Auditors. The provisions of the Code establish the basic ethical standards and rules, including in terms of observing the principle of objectivity and avoidance of conflicts of interest, for internal auditors to observe while performing their professional (job) duties;
- 04** Order No. 2360/r of JSCo RZD dated October 25, 2019 approves the list of requirements for the mandatory training of managers and specialists of JSCo RZD, providing for the mandatory training in the field of preventing and combating corruption by various categories of managers and specialists of JSCo RZD;
- 05** Order No. 2051/r of JSCo RZD dated September 16, 2019 establishes the unified principle of arranging anti-corruption activities not only at the central, but also at the regional and linear levels of corporate governance, as well as the procedure for its implementation. Through the appointment of those responsible for arranging activities on combating corruption and prevention of corruption offenses at all level of corporate governance, the organizational, functional vertical has been established. The number of employees involved in this activities is more than 6 thousand.

COMBATING CORRUPTION AND PREVENTION OF CORRUPTION OFFENCES

The fundamental document establishing the regulatory and organizational principles of anti-corruption activities of the Company is the anti-corruption plan of JSCo RZD for 2018-2020. The activities established therein are focused on the implementation of the state policy in the field of anti-corruption and are aimed at fulfilling the tasks of increasing the efficiency of the risk management and internal control system in this area, eliminating the causes and conditions of corruption, ensuring transparency of procurement activities, annual training of JSCo RZD employees in preventing and combating corruption, practical application and implementation of the unified approach to the implementation of anti-corruption principles.

Educational and other measures established in the plan contribute to the development of anti-corruption behavior of JSCo RZD employees, the promotion of anti-corruption standards and development of anti-corruption legal awareness in the Company, and raising the level of ethical behavior of employees of the Company.

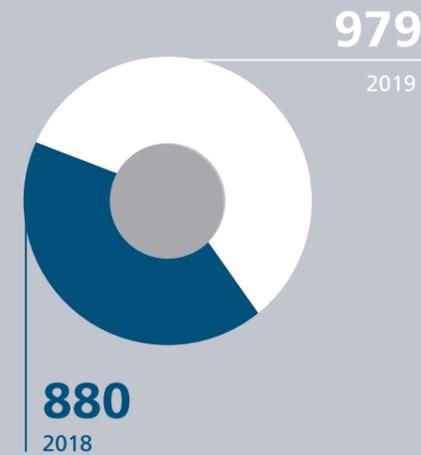
Annual surveys and sociological studies conducted in order to identify the attitude of representatives of business community, public organizations, citizens and employees of RZD Holding to corruption in general and evaluation of the Company's anti-corruption policy provide feedbacks.

METHODS OF RESOLVING CONFLICTS OF INTERESTS

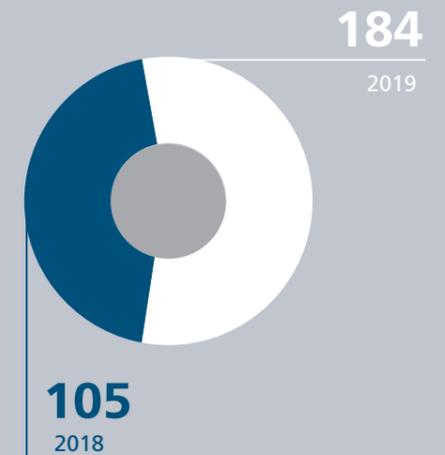
- 2** RESTRICTED ACCESS TO INFORMATION WITHIN THE SCOPE OF PERSONAL INTEREST
- 26** TRANSFER TO A POSITION NOT RELATED TO THE CONFLICT OF INTEREST
- 38** ANOTHER JOB
- 48** SUSPENDED FROM DUTIES RELATED TO THE CONFLICT OF INTEREST
- 70** REFUSAL OF PERSONAL INTEREST LEADING TO THE CONFLICT OF INTEREST

RESOLUTION OF CONFLICTS OF INTEREST

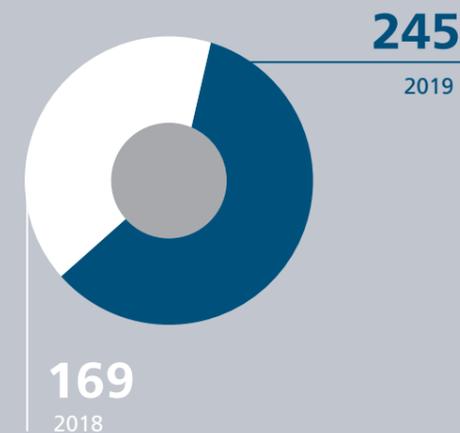
DECLARATION CONSIDERED



CONFLICTS OF INTEREST IDENTIFIED



DECLARATION VOLUNTARILY SUBMITTED



NUMBERS OF PERSONS DISCIPLINED



"ANTI-CORRUPTION HOTLINE"

Preventive measures taken to identify and resolve conflicts of interest remains one of the priority areas of anti-corruption activities of JSCo RZD.

The Company has the Central Commission for resolving conflicts of interest. Regional commissions for resolving conflicts of interest operate at the railway sites, have held 89 meetings, promptly addressed the issues of 125 workers, identified conflict situations and recommended the ways for their resolution and response measures.

In addition, 979 conflict of interest declarations were considered in 2019, where 184 conflict of interest cases were identified, including for the concealment of information about the participation of an employee or his/her relatives in the activities of commercial structures interacting with RZD Holding, lobbying for the interests of such organizations, provision of employment to directly subordinated relatives or related persons

19 employees were brought to disciplinary action for non-fulfillment of anti-corruption requirements.

AS A RESULT OF THEIR REVIEW, 43 EMPLOYEES OF THE COMPANY ARE DISCIPLINED, OF WHICH :



In order to ensure openness of the Company and feedback from civil society, there is the "ANTI-CORRUPTION HOTLINE", which received 647 appeals in 2019, 316 of which are corruption-related.

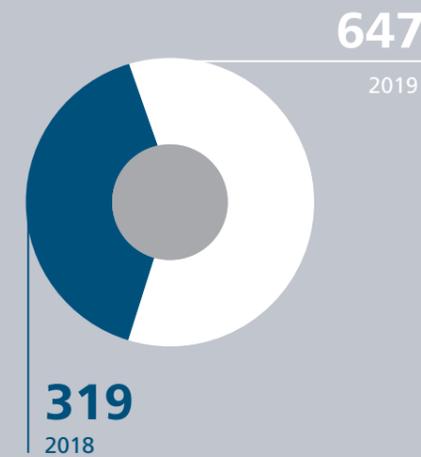
Following the Company's policy of refusal of gifts by JSCo RZD employees due to their official position, 232 notifications of receiving gifts were reported in 2019, which were handled in accordance with the procedure established by JSCo RZD.

In order to routinely evaluate the effectiveness of the risk management and internal control system in the field of preventing and combating corruption, the internal audit is carried out, the Audit and Risk Committee of the Board of Directors of JSCo RZD is regularly informed on the results of monitoring of these processes and anti-corruption measures taken by the Company.

OPERATION OF THE ANTI-CORRUPTION HOTLINE OF JSCo RZD

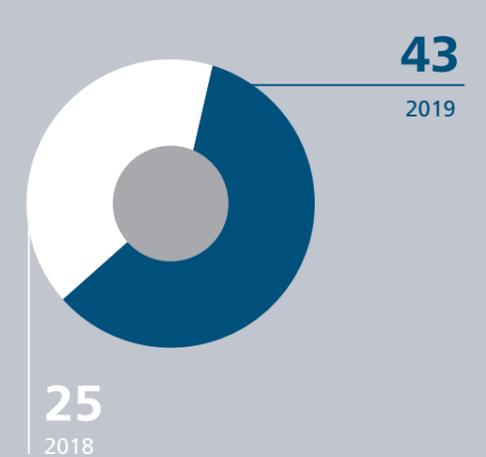
NUMBER OF APPEALS RECEIVED

102% more



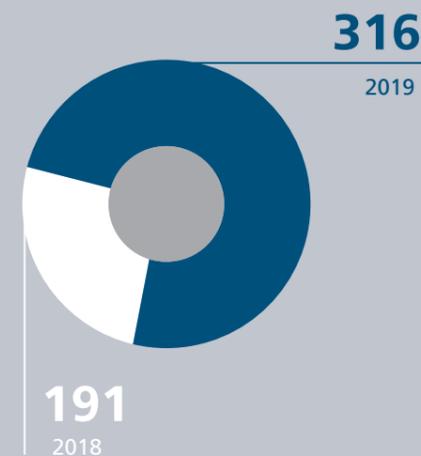
NUMBER OF EMPLOYEES DISCIPLINED

72% more



NUMBER OF CORRUPTION-RELATED APPEALS

65% more



NUMBER OF APPEALS SUBMITTED TO LAW ENFORCEMENT AGENCIES

19 times more



DEVELOPMENT OF INTOLERANCE TO CORRUPTION



Education and promotion of ethical values, strengthening of anti-corruption legal awareness and internal positive beliefs of employees and managers are one of the means for developing intolerance to corruption.

The Company has established a centralized system of training of employees of JSCo RZD in preventing and combating corruption.

Thus, 629 employees of the Company were trained at the Law Institute of the Russian University of Transport (MIIT) under the program "Organizational and Legal Basis for Combating Corruption in JSCo RZD", and 376 employees of the Company were trained at the Autonomous Non-Profit Organization of Continuing Professional Education Corporate University of Russian Railways under the program "Prevention and Resolution of Conflict of Interest".

The remote training system has updated and placed two remote training courses for employees of JSCo RZD in the field of combating corruption: "Basics for Combating and Preventing Corruption in JSCo RZD" (for all employees of the Company) and "Preventing and Combating Corruption in JSCo RZD". Special course" (for heads of divisions of JSCo RZD). All newly admitted employees of the Company take a distance course "Basics for Combating and Preventing Corruption in JSCo RZD".

The following events were held on the issues of legal education and campaigning in the field of anti-corruption: 17 scientific and practical workshops "Actual issues of implementation of anti-corruption policy in organizations with state participation" together with the Moscow Interregional Transport Prosecutor's Office, the Center for Security Studies of the Russian Academy of Sciences; schools of best practices; Security Days on combating corruption in the Company; anti-corruption issues were included in youth projects; printed products (brochures, memos, posters, booklets) were prepared.

CENTRALIZED SYSTEM OF TRAINING OF EMPLOYEES OF JSCo RZD



EDUCATIONAL ESTABLISHMENT	TRAINING PROGRAM	NUMBER OF EMPLOYEES TRAINED
LAW INSTITUTE OF THE RUSSIAN UNIVERSITY OF TRANSPORT (MIIT) UNDER THE ADVANCED TRAINING PROGRAM	"Organizational and Legal Basis for Combating Corruption in JSCo RZD"	629
AUTONOMOUS NON-PROFIT ORGANIZATION OF CONTINUING PROFESSIONAL EDUCATION CORPORATE UNIVERSITY OF RUSSIAN RAILWAYS	"Prevention and Resolution of Conflict of Interest"	376
REMOTE TRAINING COURSES FOR EMPLOYEES OF JSCo RZD IN THE FIELD OF ANTI-CORRUPTION		
FOR ALL EMPLOYEES OF THE COMPANY	"Basics for Combating and Preventing Corruption in JSCo RZD" (from November 2019)	
FOR HEADS OF DIVISIONS OF JSCo FTZD	"Preventing and Combating Corruption in JSCo RZD". Special course" (from November 2019)	

In cooperation with the Publishing House "Gudok", RZD TV, regional media, as well as through the placement of thematic publications on the Internet and social media, the Company informs employees about the activities carried out by JSCo RZD in the field of preventing and combating corruption. More than 570 informational materials were published in 2019.

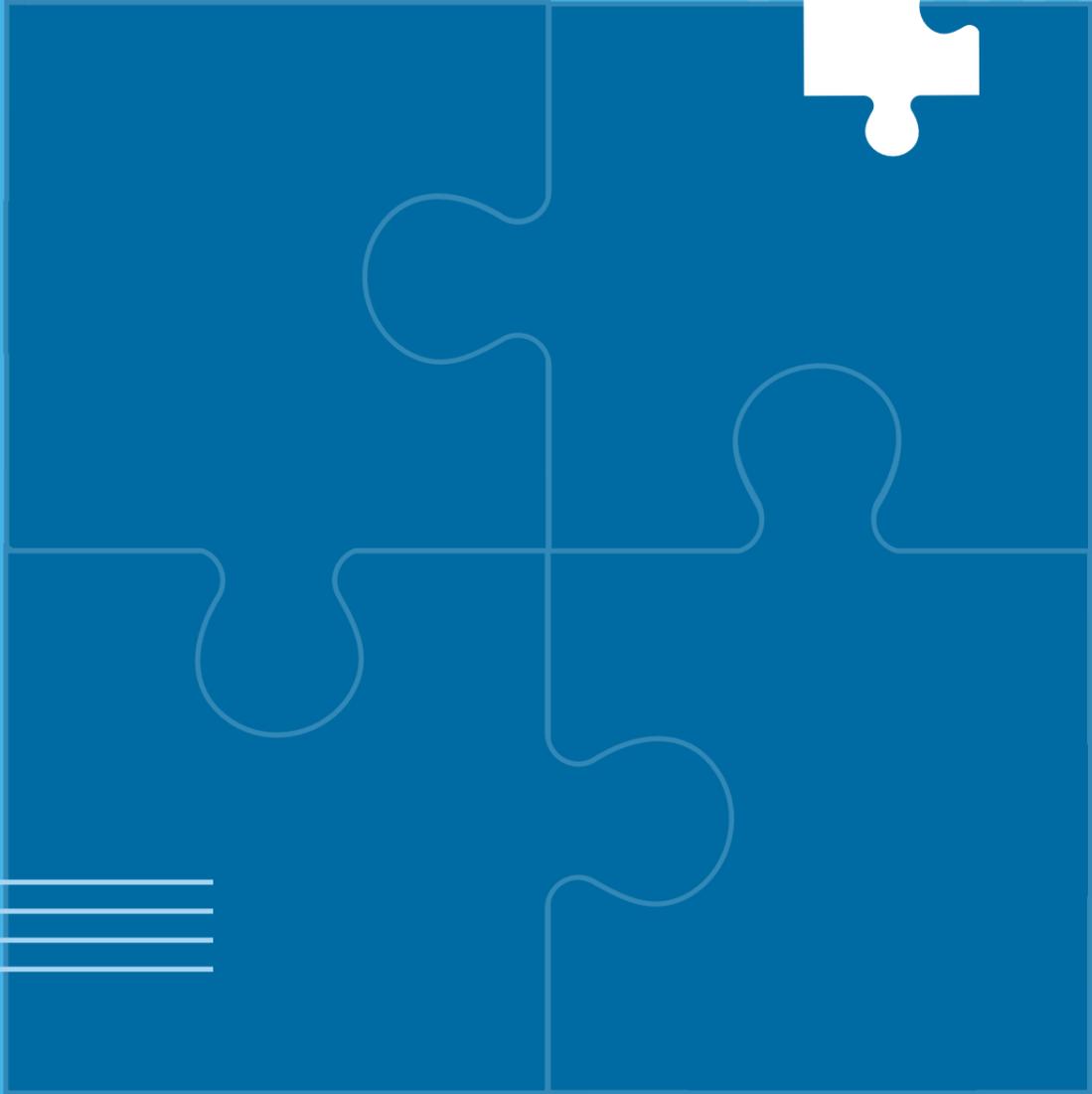
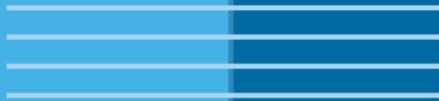
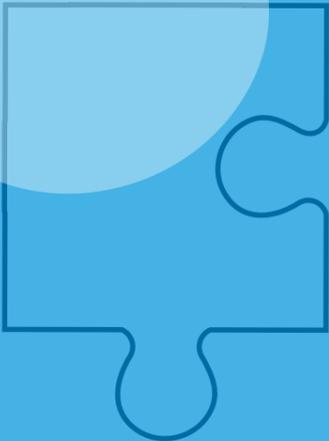
For the purpose of implementing the principle of openness and transparency of anti-corruption activities

of the Company, information on the ongoing work in the specified field is posted under the section "Anti-Corruption" on the official website of JSCo RZD.

In addition, the Anti-Corruption Portal created in the intranet system provides employees with information about the implementation of practices and procedures of the Company in the field of preventing and combating corruption.



SUPPLY CHAIN MANAGEMENT



SUPPLY CHAIN MANAGEMENT



In the procurement of goods, works and services, JSCo RZD is primarily guided by the current legislation of the Russian Federation, in particular by Federal Law No. 223-FZ "On Procurement of Goods, Works and Services by Certain Types of Legal Entities" dated July 18, 2011 and Federal Law No. 135-FZ "On Protection of Competition" dated July 26, 2006, as well as the Regulation on Procurement Goods, works and Services for the Needs of JSCo RZD.

In order to improve the efficiency of procurement activities and improve the system of logistics of the Company, in 2019 JSCo RZD took measures to combine two divisions - **THE CENTRE FOR THE MANAGEMENT OF PROCUREMENT ACTIVITIES AND ROSZHELDORSNAB**.

The operating model of the resulting branch of JSCo RZD (Central Directorate of Procurement and Supply) will be based on the implementation of category management.

WITHIN THE FRAMEWORK OF ITS ACTIVITIES, THE CENTRAL DIRECTORATE OF PROCUREMENT AND SUPPLY WILL FOCUS ON THE FOLLOWING AREAS OF DEVELOPMENT:

- development of the end-to-end supply and procurement process;
- implementation of the categorical management process for supply and procurement, including the development of categorical strategies for key groups of material and technical resources (MTR);
- synchronization of the production program of customers and the delivery plan with production facilities of suppliers;
- operational optimization of the warehouse and logistics complex with the introduction of principles of 4PL model;
- creation of the unified automated system of supply processes.

The work on integration and expansion of cooperation of manufacturers of railway equipment is a separate focus area aimed at the scientific and technical, production and technological and innovative development of transport machinery, improvement of the quality and reliability of railway equipment with the participation of JSCo RZD.

In 2019, 17,430 competitive purchases (lots) were made, with the average number of bidders amounting to 3.4, which is higher than the indicator for the same period of last year (3.0).

The dynamics of the main indicators of procurement activities of JSCo RZD are presented in the table.

ОСНОВНЫЕ ПОКАЗАТЕЛИ ЗАКУПОЧНОЙ ДЕЯТЕЛЬНОСТИ ОАО «РЖД»

INDICATOR	2018		2019	
	billion rubles	%	billion rubles	%
Total volume of purchases, including:	1 450,6	100,0	1 277,6	100,0
based on the results of competitive procedures	901,4	62,2	897,1	70,2
on the basis of administrative documents of JSCo RZD	164,4	11,3	127,1	9,9
on other legitimate grounds	384,8	26,5	253,4	19,8
Based on the results of open auctions in electronic form (% is calculated from the amount of purchases on a competitive basis)	356,6	39,6	390,6	43,5
Share of purchases from small and medium businesses	215,7	56,3	229,1	62,8
Share of purchases, participants of which can only be represented by small and medium businesses	83,1	21,7	68,9	18,9
Savings in procurement (% of initial (maximum) prices put up for auction)	9,8	3,0	10,8	4,1

IN 2019, JSCO RZD SIMPLIFIED THE STRUCTURE OF COMPETITIVE PROCUREMENT DOCUMENTATION:

- the procedure for submitting the application was simplified (documents can be submitted as part of the application process by filling out the forms specified in the documentation in Word format);
- applications can be entirely filed by purchase participants in electronic form;
- the list of requirements and the list of documents submitted as part of the application were shortened;
- the requirement for signing separate documents by the participant as part of the application process was removed. The application can be signed by affixing the electronic signature when it is submitted on the electronic platform;
- the structure of documentation was changed in order to automate the process of documentation preparation and placement.

IN 2019, THE SHARE OF CONTRACTS CONCLUDED FOR THE PURCHASE OF GOODS OF RUSSIAN ORIGIN, WORKS AND SERVICES PERFORMED (PROVIDED) BY RUSSIAN COMPANIES AMOUNTED TO 95.4% (1,219.5 BILLION RUBLES) OF THE TOTAL VALUE OF THE CONTRACTS CONCLUDED.

JSCO RZD regularly holds events to increase the availability of the Company's purchases for market participants. The JSCO RZD website contains methodical materials on "How to become a supplier of JSCO RZD". How to find JSCO RZD purchases, sample documentation forms, regulatory documents and other information necessary to prepare for participation in the procurement.

JSCO RZD actively participates in workshops arranged by JSC Small and Medium Business Corporation. Thus, in 2019, 73 training workshops covering the entire network of JSCO RZD were held, which were visited by 7,474 representatives of small and medium businesses.



JSCO RZD is rated by entrepreneurs among the most "friendly" largest customers in terms of loyalty of small and medium businesses.

In 2019, JSCO RZD was awarded by the Agency for Strategic Initiatives and JSC Small and Medium Business Corporation according to the rating of loyalty of the largest customers making purchases from small and medium business entities.

INCREASED ACCESS TO PROCUREMENT:

- the maximum amount of security for applications for participation in competitive procedures conducted without restriction of participation was reduced to 5%. The requirement to secure applications for participation in the purchase is not established if the initial (maximum) price is less than 5 million rubles;
- in order to simplify the procurement of small volumes from 0.5 million rubles without VAT to 2.0 million rubles without VAT, a method of procurement called competitive selection was introduced. Automated systems were updated appropriately.

In 2019, measures were taken to establish prospective requirements for procurement participants and supplied goods, works and services:

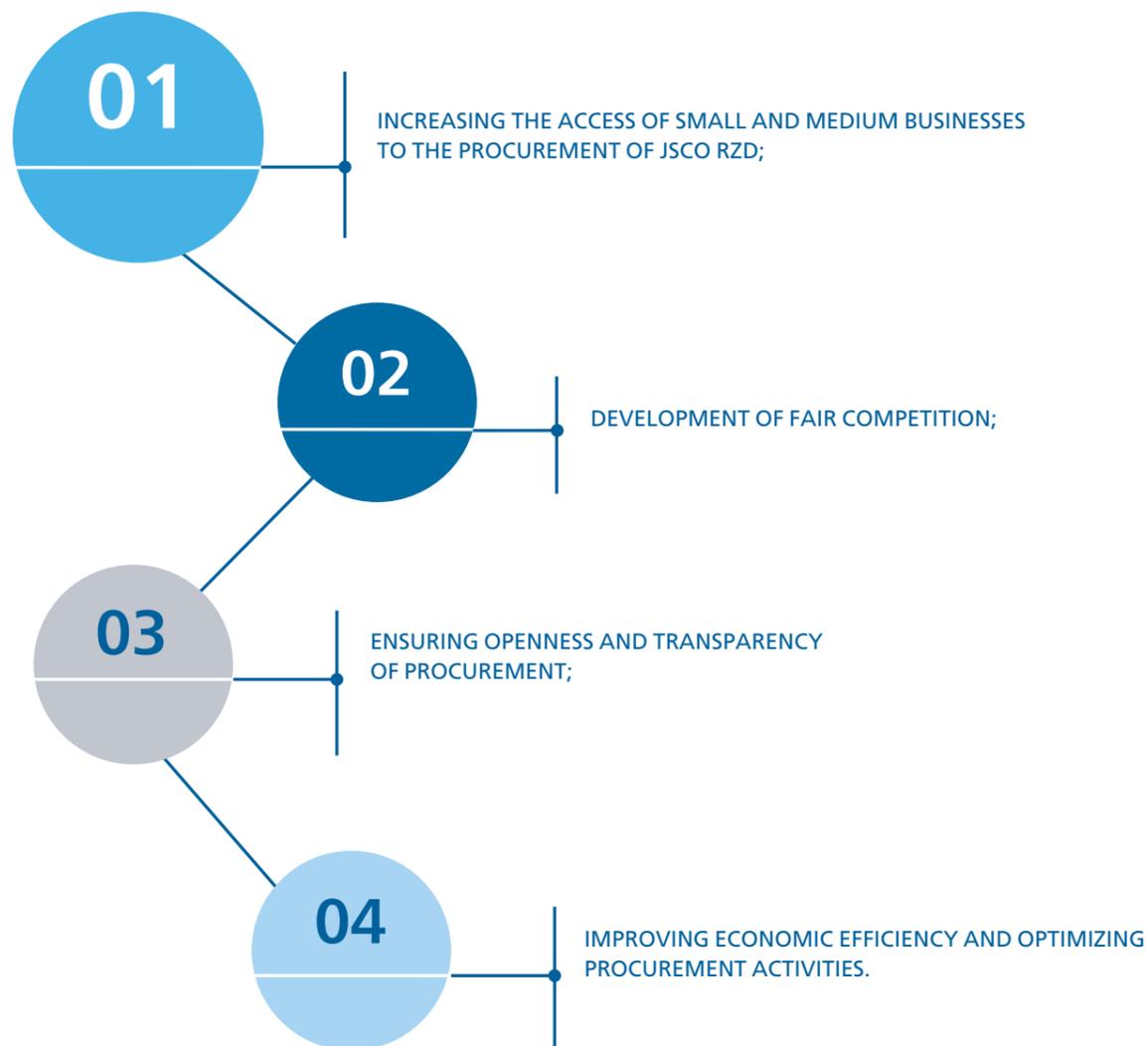
- procurement conditions were standardized in terms of testing "the lot designer" during the procurement;
- the procedure for obtaining "feedback" from procurement participants (questionnaire) was developed in order to identify the level of competition;
- the section "Tenders" of corporate JSCO RZD web portal was modified in terms of the introduction of interactive forms of user experience.

WITHIN THE FRAMEWORK OF THE CONCLUDED COOPERATION AGREEMENTS, JSCO RZD ACTIVELY COOPERATES WITH JSC FEDERAL CORPORATION FOR THE DEVELOPMENT OF SMALL AND MEDIUM BUSINESS, ALL-RUSSIAN PUBLIC ORGANIZATION OF SMALL AND MEDIUM BUSINESS "SUPPORT OF RUSSIA" ON THE ISSUES OF ACCESS OF SMALL AND MEDIUM BUSINESS ENTITIES TO THE PROCUREMENT OF JSCO RZD AND ITS SUBSIDIARIES.

The Company implements THE PARTNERSHIP PROGRAM with small and medium businesses, under which partners receive information and methodical support.

The partnership program aims at searching among small and medium businesses and creating the list of partners producing and selling high-tech products, carrying out scientific and research, development and process activities. AS OF DECEMBER 31, 2019, 182 SMALL AND MEDIUM BUSINESSES WERE MEMBERS OF THE PARTNERSHIP PROGRAM.

PURSUANT TO DIRECTIVE NO. 1519P-P13 OF THE GOVERNMENT OF THE RUSSIAN FEDERATION DATED FEBRUARY 20, 2019, JSCO RZD DEVELOPED A PROGRAM TO IMPROVE THE QUALITY OF MANAGEMENT OF PROCUREMENT ACTIVITIES OF JSCO RZD, THE MAIN GOALS AND OBJECTIVES OF WHICH ARE AS FOLLOWS:

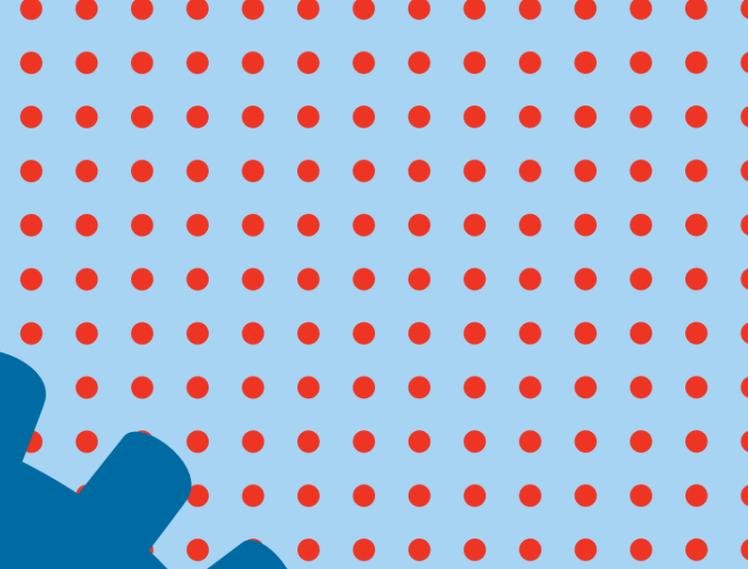
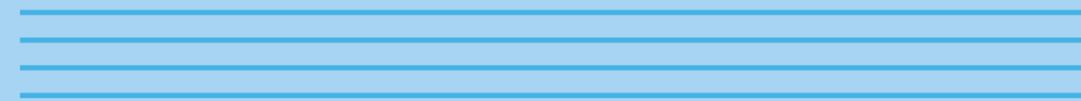
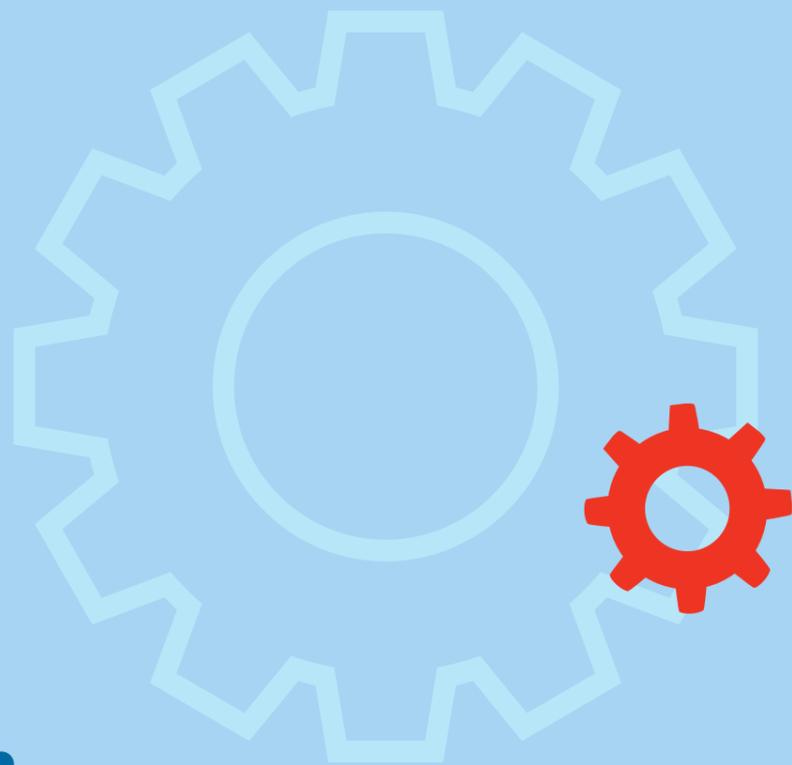
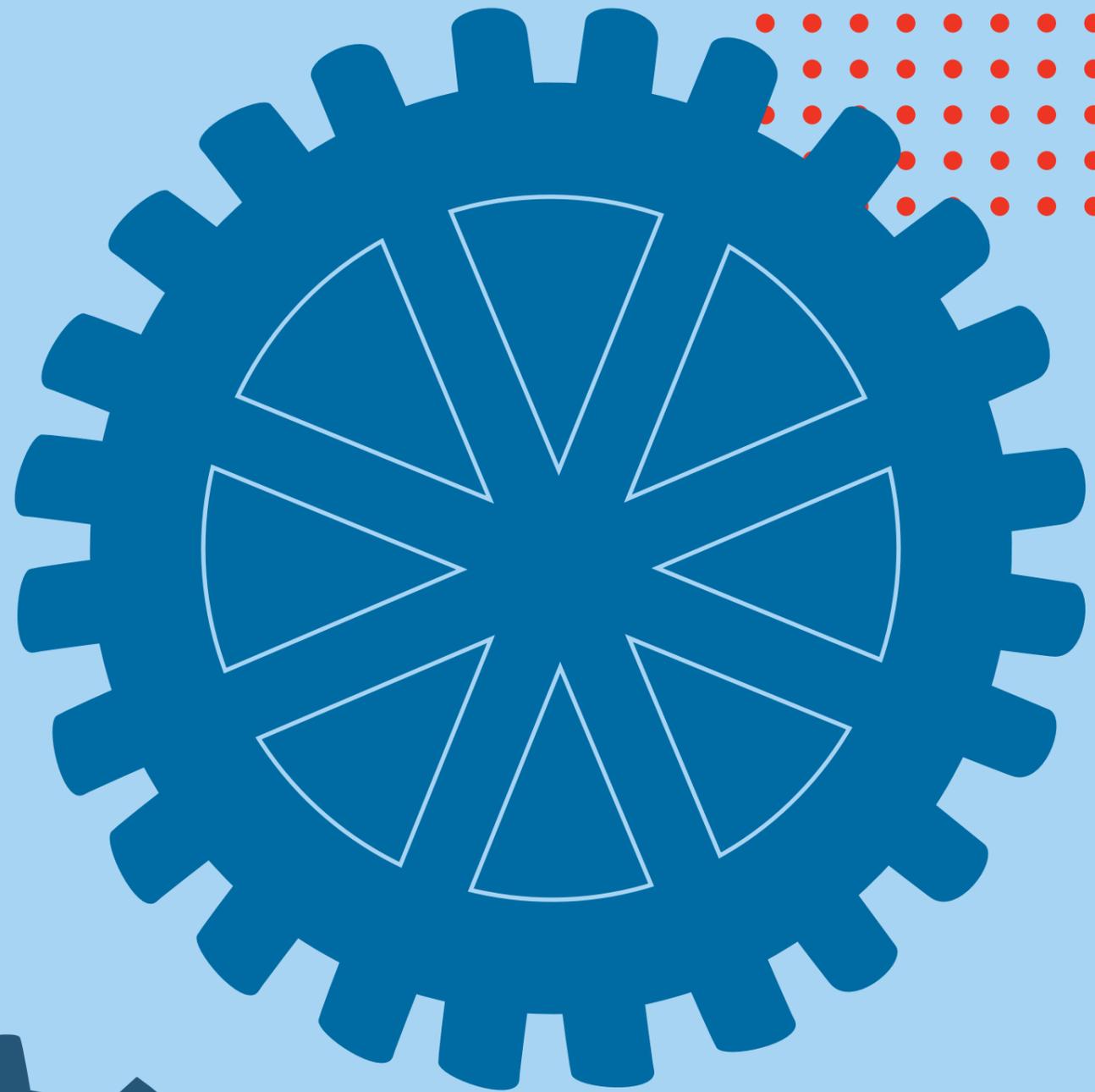
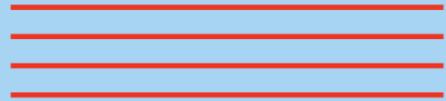


IN ORDER TO FULFILL THE OBJECTIVES OF THE PROGRAM, THE FOLLOWING MEASURES ARE IMPLEMENTED AIMED AT INCREASING THE ACCESS OF SMALL AND MEDIUM BUSINESSES TO THE PROCUREMENT OF JSCO RZD:

- 1** analysis of information on contracts concluded with small and medium business entities based on the results of procurement and on small and medium business entities that took part in procurement, in order to increase the number of nomenclature items in the lists of goods, works and services purchased from small and medium business entities approved by the largest customers, including under proposals of JSC Small and Medium Business Corporation;
- 2** informing small and medium businesses about the procurement procedure of JSCO RZD within the framework of training workshops held by JSC Small and Medium Business Corporation on participation of small and medium businesses in procurement;
- 3** reduction in the proportion of purchases from a single supplier among small and medium businesses;
- 4** providing financial, legal, methodical, information and other support to small and medium businesses in order to promote their development as potential suppliers (operators, contractors) in cases when such measures are provided for by federal laws;
- 5** ensuring timely payment under contracts with small and medium business entities;
- 6** expansion of the practice of using the assignment of the right of claim (factoring) when performing contracts for the supply of goods (performance of works, provision of services) concluded with small and medium business entities, including based on the results of procurement through tendering;
- 7** development of the functionality of the electronic store of JSCO RZD in order to increase the number of contracts concluded with small and medium business entities with the use of the functionality.

TIMEFRAMES FOR IMPLEMENTATION OF THE PROGRAM FOR 2019-2024.

INNOVATIVE DEVELOPMENT

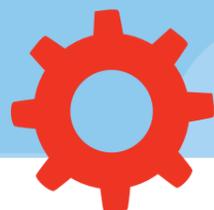


INNOVATIVE DEVELOPMENT



Innovative and scientific and technical development of RZD Holding is carried out in accordance with the priorities defined by the Long-Term Development Program and the Strategy of Scientific and Technological Development of RZD Holding for the period until 2025 and in the long run until 2030 (“White Book”) taking into account strategic goals of development of the country and trends of global technical and technological development.

THE INTEGRATED PROGRAM OF INNOVATIVE DEVELOPMENT OF RZD HOLDING (HEREINAFTER REFERRED TO AS THE IPID) represents an instrument for implementing the Long-Term Development Program through innovation.



MAIN AREAS OF INNOVATIVE DEVELOPMENT:

- development of transport and logistics systems in a single transport space based on customer orientation;
- creation and implementation of dynamic transport control systems using artificial intelligence;
- introduction of innovative systems of automation and mechanization of station processes ('intelligent station');
- development and implementation of promising technical means and technologies of the infrastructure of track complex, railway automation and telemechanics, electrification and electricity supply, innovative information and telecommunications technologies;
- establishing requirements for the development and introduction of innovative rolling stock;
- development of the traffic safety management system and risk management methods related to the safety and reliability of the transport process;
- development and implementation of technical means and technologies for the development of fast and high-speed traffic;
- development of technologies for the management of heavy freight traffic;
- increasing the energy efficiency of production activities;
- implementation of the best available technologies in environmental activities;
- development of the quality management system.

1 031,07 million rubles

Financing of works under the JSCo RZD scientific and technical development plan for 2019

4,071.8 million rubles

Total costs under the scientific and technical development plan for 2020

In 2017, the Board of Directors of JSCo RZD approved priority measures of innovative development in accordance with the Integrated Program of Innovative Development of RZD Holding for the period until 2020 (IPID-2020) for 2018-2019. In 2019, a new IPID was developed for the period until 2025 (hereinafter referred to as IPID-2025). It provides for the implementation of 11 groups of key projects, contains proposals for the development of the organizational structure of innovation management and establishes partnership mechanisms based on the principle of open innovation.

KEY INNOVATIVE DEVELOPMENT PROJECTS IN 2019

In 2019, tickets of 24 suburban passenger companies from all over Russia were sold via the mobile application Russian Railways for Passengers. Depending on the ticket list available in a particular region, passengers can purchase full-fare, children-fare and special tickets to transport baggage, carry-on luggage, pets and bicycles in commuter trains.

IN 2019, A PILOT PROJECT WAS LAUNCHED FOR THE CREATION OF A BLOCKCHAIN PLATFORM OF FREIGHT TRANSPORT WITH THE PARTICIPATION OF JSCO RZD, CONSIGNORS, CONSIGNEES, ROLLING STOCK OWNERS, FREIGHT OPERATORS, PORTS, TERMINAL OPERATORS, CUSTOMS AUTHORITIES AND BANKS. THE FOLLOWING WERE IMPLEMENTED:

- processing of key rail freight operations;
- connecting information systems of external participants;
- design solutions at the Oktyabrskaya railway site.



A NATIONAL PLATFORM FOR CAR FLEET MANAGEMENT WAS DEVELOPED TO SERVE AS A UNIFIED CORPORATE AUTOMATED SYSTEM OF MANAGEMENT OF JSCO RZD ROLLING STOCK. IT WILL ALLOW TO:

- ensure centralization and unification of IT processes;
- expand the set of mobile services for employees of JSCO RZD;
- eliminate duplication of information systems of the car complex in imported software;
- ensure the use of unified regulatory and reference information about rolling stock on the import-independent platform UniData (automated complex for maintaining regulatory and reference information);
- improve cooperation between business units in related industries of JSCO RZD;
- increase the operational efficiency of line staff and reduce transaction costs through the introduction of mobile services;
- ensure transparency of the process of management of production activities through consolidation of data in a single information space and implementation of the component "Business Intelligence" on the Pentaho BI platform;
- monitor the life cycle of a freight car.

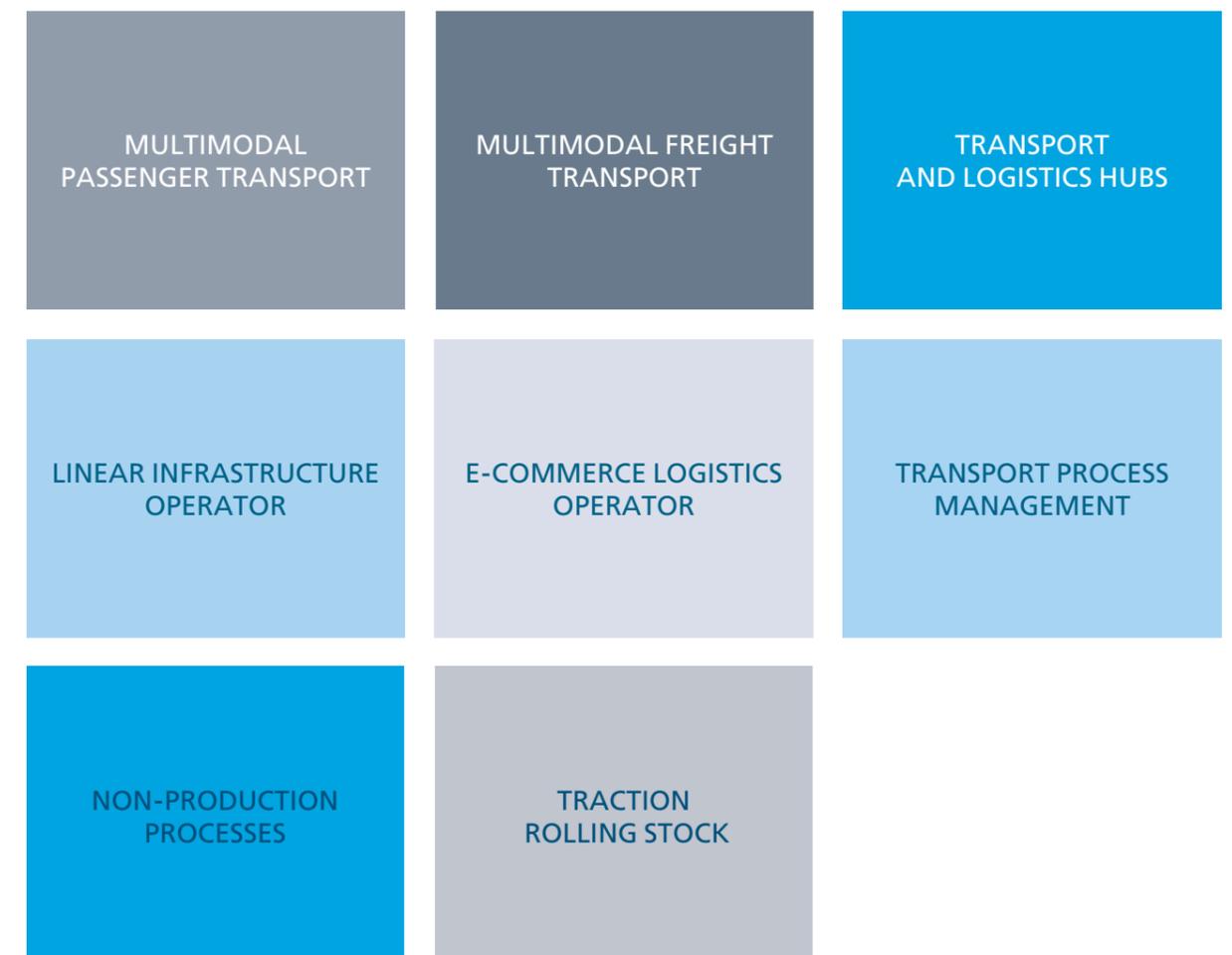
In July 2019, JSCO RZD entered into an agreement with the Government of the Russian Federation for the development of the high-tech area "Quantum Communications" in the Russian Federation. In August 2019, the **DEPARTMENT OF QUANTUM COMMUNICATIONS OF JSCO RZD** was established, which provides interaction with the scientific community and technology companies in terms of the implementation of quantum data transfer and protection technologies.

JSCO RZD developed a draft road map "Quantum Communications", which in January 2020 was submitted by the Ministry of Digital Development, Communications and Mass Media of the Russian Federation to the Government of the Russian Federation.

IN 2019, THE COMPANY APPROVED THE DIGITAL TRANSFORMATION STRATEGY OF

JSCO RZD until 2025 and updated the information technology development strategy of JSCO RZD until 2025. The digital transformation strategy of JSCO RZD (hereinafter referred to as the Strategy) was developed in accordance with the decision of the Board of Directors adopted in September 2018. It is related to the Long-Term Development Program of JSCO RZD until 2025 in terms of time frames, financial indicators, activities and targets. The digital transformation projects imply not only the introduction of digital technologies, but also the performance of activities to optimize business processes, update regulatory documents and cultivate a digital culture among employees of the Company.

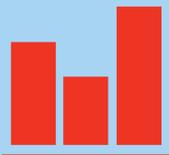
THE MAIN PRODUCT OF THE TRANSFORMATION OF JSCO RZD WILL BE REPRESENTED BY EIGHT DIGITAL PLATFORMS:



ECONOMIC SUSTAINABILITY



FINANCIAL PERFORMANCE ANALYSIS



In 2019, the main objectives of the Company were to ensure the balance of operating activities and cost management.



Financial statements under the Russian Accounting Standards (RAS) and audit opinion for 2019



Financial statements under the IFRS and audit report for 2019

PERFORMANCE RESULTS OF JSCO RZD FOR 2019

Revenue from transportation increased by **3.6%** compared to 2018. In terms of freight transportation, the revenue growth was 3.4% compared to 2018. In the context of a change in the structure of cargo turnover, the income rate increased by **3.4%**.

Revenue from passenger transportation increased by **11.9%** compared to 2018. Due to the improved operational efficiency, the cost growth was only 1.9% in 2019 with the increase in consumer prices by 4.5% and the average annual increase in prices in the industry by 2.9%.

Revenue from other activities was **22.9 billion rubles**.

Taking into account these factors, the operating profit increased by 18.1% and amounted to **166.3 billion rubles**.

Dividends from subsidiaries and affiliated entities of JSCo RZD amounted to a record 28.7 billion rubles. In addition, shares of subsidiaries and affiliated entities were sold in the amount of 11.8 billion rubles with a profit of 0.8 billion rubles.

At the end of 2019, loans and borrowings amounted to **1,477.5 billion rubles**. At the same time, for the purpose of optimization of the debt portfolio structure and reduction of the cost of its maintenance, a number of successful placement and refinancing transactions were implemented, as a result of which the interest rate was 5.89% at the end of the year.

As a result of the improved operational efficiency and financial policy, **net profit increased to 53.5 billion rubles** compared to 18.4 billion rubles in 2018 (against target 27 billion rubles)

EBITDA was **417.2 billion rubles** in 2019, which is 9.7% more compared to the previous year (380.2 billion rubles in 2018).

The Company continued to implement a large-scale investment program. At the end of 2019, investments in the development and renewal of fixed assets were all-time high and exceeded **674 billion rubles**.

MAIN FINANCIAL AND ECONOMIC RESULTS

INDICATORS	Unit of measurement	2018 ³	2019		Changes compared to the target		Changes compared to the previous year	
			target	actual			+/-	%
Total revenues	billion rubles	1798,4	1858,6	1848,1	-10,4	99,4	49,7	102,8
Revenue from transportation, infrastructure and locomotive traction services	billion rubles	1585,1	1654,2	1641,9	-12,4	99,3	56,8	103,6
freight transport	billion rubles	1454,5	1517,3	1503,4	-13,9	99,1	48,8	103,4
provision of infrastructure services	billion rubles	105,7	109,6	110,6	1,0	100,9	4,9	104,7
passenger carriage	billion rubles	24,9	27,4	27,9	0,5	101,8	3,0	111,9
long-distance routes	billion rubles	19,8	21,3	21,7	0,4	101,8	1,9	109,7
suburban routes	billion rubles	5,1	6,1	6,2	0,1	101,7	1,1	120,6
Revenue from other activities	billion rubles	213,3	204,3	206,2	1,9	100,9	-7,0	96,7
Total expenses	billion rubles	1657,6	1697,4	1681,8	-15,6	99,1	24,2	101,5
Costs of transportation, infrastructure and locomotive traction services	billion rubles	1469,5	1515,1	1498,5	-16,6	98,9	29,0	102,0
freight transport	billion rubles	1332,2	1366,8	1350,1	-16,7	98,8	18,0	101,4
provision of infrastructure services	billion rubles	114,6	122,2	122,3	0,1	100,1	7,7	106,7
passenger carriage	billion rubles	22,7	26,0	26,0	0,0	100,0	3,3	114,4
long-distance routes	billion rubles	13,1	15,4	15,6	0,2	101,5	2,5	118,9
suburban routes	billion rubles	9,6	10,6	10,4	-0,2	97,7	0,8	108,2
Costs of other activities	billion rubles	188,1	182,3	183,4	1,0	100,6	-4,8	97,5
Total sales profit	billion rubles	140,8	161,2	166,3	5,1	103,2	25,5	118,1
Revenue from transportation, infrastructure and locomotive traction services	billion rubles	115,7	139,2	143,4	4,2	103,1	27,8	124,0
Revenue from other activities	billion rubles	25,1	22,0	22,9	0,9	104,0	-2,3	91,0
Result from other revenues and expenses	billion rubles	-84,0	-84,7	-68,0	16,7	80,3	15,9	81,1
Profit before tax	billion rubles	56,8	76,4	98,2	21,8	128,5	41,4	172,8
Income tax and other similar liabilities	billion rubles	-38,5	-49,5	-44,8	4,7	90,5	-6,3	116,4
Net profit	billion rubles	18,4	27,0	53,5	26,5	198,2	35,1	291,1
EBITDA	billion rubles	380,2	416,0	417,2	1,2	100,3	37,0	109,7

³ The indicators of 2017 are brought into line with the provisions of 2018 due to the introduction of changes on accounting of revenues in terms of transfer of revenues from infrastructure services during freight transport and locomotive traction to revenues from freight transport starting from January 1, 2018 (by Order No. 14r of JSCo RZD dated January 9, 2018)..

ASSETS, CAPITAL AND LIABILITIES

INDICATOR	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019	changes
Fixed assets	2019/2018	5159,5	5514,4	355,0
Financial investments	435,2	430,8	441,0	10,2
Other non-current assets	296,4	313,7	336,7	23,1
TOTAL NON-CURRENT ASSETS	5633,6	5903,9	6292,2	388,2
Stocks	79,6	94,6	104,3	9,7
Accounts receivable	124,2	137,5	138,7	1,2
Cash and cash equivalents	86,6	76,0	65,1	-11,0
Other current assets	38,4	45,5	43,1	-2,4
TOTAL CURRENT ASSETS	328,8	353,6	351,2	-2,5
CAPITAL	4300,9	4358,5	4498,4	140,0
Borrowed funds	934,8	997,5	1143,0	145,5
Other liabilities	138,5	156,3	164,9	8,6
TOTAL LONG-TERM LIABILITIES	1073,3	1153,8	1307,9	154,1
Borrowed funds	140,7	263,7	334,5	70,8
Accounts payable	385,0	419,6	441,6	22,0
Other short-term liabilities	62,6	62,1	60,9	-1,2
TOTAL SHORT-TERM LIABILITIES	588,3	745,3	837,0	91,7
BALANCE	5962,4	6257,6	6643,3	385,7

MAIN EFFECTS OF IMPLEMENTATION OF MEASURES TO IMPROVE OPERATING EFFICIENCY OF THE COMPANY FOR 2019

ESTIMATION AND OPTIMIZATION OF CURRENT EXPENSES — 3.8 BILLION RUBLES

- energy saving and increasing energy efficiency;
- optimization of costs for work and services performed/provided by third party companies;
- reducing costs by applying reuse materials;
- improving the efficiency of maintenance of track facilities.

INCREASED ASSET MANAGEMENT EFFICIENCY — 7.7 BILLION RUBLES.

- optimization of the fleet of traction rolling stock by increasing the efficiency of its use;
- changing railway repair schemes;
- improving the efficiency of equipment, buildings and facilities maintenance and repair management;

INCREASED EFFICIENCY OF THE PROCUREMENT AND SUPPLY CHAIN MANAGEMENT SYSTEM — 3.7 BILLION RUBLES.

- price reduction during competitive procedures for purchased services.

INCREASED LABOR PRODUCTIVITY — 9.4 BILLION RUBLES.

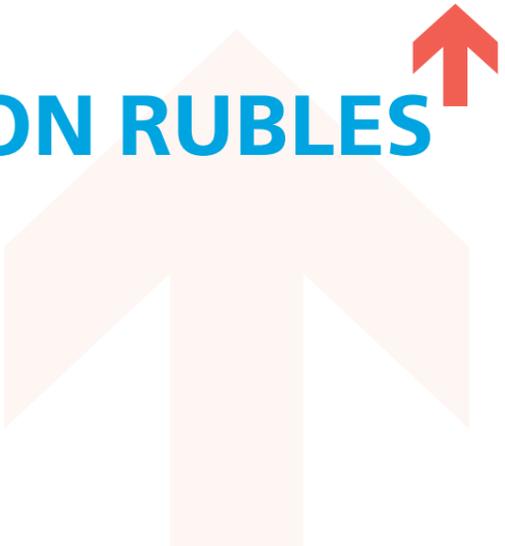
- implementation of a set of technological and organizational activities.

INTRODUCTION OF ADVANCED TECHNOLOGIES AND INNOVATIONS — 1.3 BILLION RUBLES.

- implementation of “Lean production” projects and other programs.

OTHER ACTIVITIES — 4.6 BILLION RUBLES.

- provision of tax preferences;
- optimization of travel and other expenses.

TOTAL 30.5 BILLION RUBLES 

COST OPTIMIZATION



JSCo RZD makes efforts to improve the internal efficiency on a regular basis. The integrated program of activities aimed at improving efficiency includes, inter alia, cost optimization.

The optimization program is being developed taking into account the performance indicators of JSCo RZD, best Russian and foreign practices, results of technological aspects, managerial practices and efficiency improvement methods in the following areas:

- increase in labor productivity;
- improving quality indicators of the use of rolling stock;
- introduction of resource-saving technologies;
- improving procurement procedures and cooperation with suppliers to contain prices;
- reducing the specific consumption of electricity for train traction;
- arrangement of polygon technologies;
- optimization of assets, including through the sale of non-core assets;
- review of applicable standards and regulations, taking into account the use of up-to-date materials, technical means and technologies of the transportation process and the repair and track work system;
- improvement of technologies and innovation, particularly through
- improving applicable standards within the classification of railway lines, specialization of freight and passenger traffic, introduction of new technical means and equipment, improvement of transport technology, improvement of efficiency of low-intensity lines, etc.

The program is being implemented through changes in business processes, technologies, introduction of new technology and software, revision of internal and external regulatory frameworks, collaboration with suppliers and contractors, containing price pressure.

EQUITY CAPITAL AND DIVIDENDS

EQUITY CAPITAL

JSCo RZD is included in the list of strategic enterprises and strategic joint-stock companies approved by Decree No. 1009 of the President of the Russian Federation dated August 4, 2004.

As of December 31, 2019, the total number of shares of JSCo RZD was 2,388,026,901, with 2,298,526,901 ordinary shares and 89,500,000 preferred shares. In 2019, the authorized capital of JSCo RZD was increased by the total amount of 125,391,677 thousand rubles, particularly through its registration by Order No. 2745-4 of the Government of the Russian Federation dated December 12, 2018 in the amount of 54,884,072 thousand rubles and contributions to the authorized capital in the amount of 70,507,605 thousand rubles.

DIVIDEND POLICY

Based on 2018 year-end results, dividends on ordinary shares of JSCo RZD were paid in 2019 in accordance with Order No. 1393-r of the Government of the Russian Federation dated June 29, 2019. The following amounts were allocated for the payment of JSCo RZD dividends at the end of 2018:

- on preferred shares — 7 million rubles, or 0.01% of the par value of preferred shares, amounting to 70,000 million rubles;
- on ordinary shares — 13,357 million rubles, or 72.74% of net profit under the RAS.

In accordance with Order No. 1393-r of the Government of the Russian Federation dated June 29, 2019, 918.1 million rubles were allocated for the reserve fund in 2018. No deductions were made for other funds.

FORECAST OF THE DISTRIBUTION OF THE COMPANY'S NET PROFIT RECEIVED FOLLOWING THE RESULTS OF 2019

At the end of 2019, JSCo RZD received a net profit of 53.5 billion rubles. In accordance with Clause 42 of Section 6 of the Charter of JSCo RZD, the reserve fund is established in the amount of 5% of the net profit in the reporting period (2,673 million rubles). Dividends on ordinary shares of JSCo RZD for 2019 will be paid in accordance with the Directive of the Government of the Russian Federation.

PAYMENT OF TAXES AND CONTRIBUTIONS

Based on the accounting data, the total amount of taxes and insurance contributions amounted to 324 billion rubles in 2019, or 102% compared to 2018, including:

- to the federal budget — 34.4 billion rubles, or 87.4% compared to 2018;
- to regional and local budgets — 135.2 billion rubles, or 102.7% compared to 2018;
- to extrabudgetary funds — 154.4 billion rubles, or 105.3% compared to 2018.

DYNAMICS OF DISTRIBUTION OF NET PROFIT OF THE COMPANY, BILLION RUBLES

INDICATOR	2014	2015	2016	2017	2018
Net profit	-44,078	0,318	6,500	17,500	18,363
Deductions to the reserve fund	0,000	0,016	0,325	0,875	0,918
Accrued dividends, including	0,045	0,302	5,147	8,755	13,364
on ordinary shares	0,045	0,297	5,142	8,750	13,357
on preferred shares	-	0,005	0,005	0,005	0,007

AMOUNTS OF ACCRUED PAYMENTS ON TAXES AND INSURANCE CONTRIBUTIONS REFLECTED IN THE ACCOUNTING STATEMENTS OF JSCO RZD, BILLION RUBLES.

INDICATOR	2018	2019	+/-	%
Total taxes and fees	317,69	323,96	6,27	102,0
Federal budget	39,38	34,41	-4,97	87,4
VAT	37,10	29,36	-7,74	79,1
Income tax	1,94	4,64	2,70	в 2,4 раза
Income tax calculated for a tax agent on income received by a foreign organization from sources in the Russian Federation	0,12	0,18	0,06	150
Income tax calculated on income in the form of profits controlled by a foreign company	0,01	0,01	0,00	-
Other taxes to the federal budget	0,21	0,22	0,01	104,8
Regional and local budgets	131,69	135,19	3,5	102,7
Income tax	10,79	25,88	15,09	в 2,4 раза
Personal income tax	63,19	66,65	3,46	105,5
Property tax	56,17	41,21	-14,96	73,4
Land tax	1,33	1,22	-0,11	91,7
Other taxes	0,21	0,23	0,02	109,5
Extrabudgetary funds	146,62	154,36	7,74	105,3
Pension Fund	107,54	113,31	5,77	105,4
Social Insurance Fund	12,38	12,95	0,57	104,6
Health Insurance Fund	24,82	26,14	1,32	105,3
Accident Insurance Fund	1,88	1,96	0,08	104,3

STATE SUPPORT FOR JSCO RZD IN 2019

In 2019, the state support for JSCO RZD from budgets of various levels and the National Welfare Fund (NWF) amounted to 121.8 billion rubles, including 96.6 billion rubles from the federal budget (of which 40.2 billion rubles through interbudgetary transfer from the budget of the City of Moscow), 19.5 billion rubles from the NWF, and 5.7 billion rubles from regional budgets and extrabudgetary funds.

SUBSIDIES FOR REIMBURSEMENT OF REVENUE LOSSES DUE TO GOVERNMENT TARIFF REGULATION

On a long-term basis until 2030, the Government of the Russian Federation carries out state regulation of tariffs for JSCO RZD services for the use of public railway infrastructure when transporting passengers on suburban routes. Reimbursement of revenue losses of the infrastructure owner is made in the form of subsidies from the federal budget. In 2019, JSCO RZD received a subsidy in the amount of 37.1 billion rubles from the federal budget for reimbursement of revenue losses due to the regulation of tariffs for infrastructure services on suburban routes.

The Government of the Russian Federation decided to subsidize JSCO RZD from the federal budget in 2019 to reimburse revenue losses arising from the establishment of preferential tariffs for grain transportation. In 2019, the subsidy was received by JSCO RZD in the amount of 0.004 billion rubles.

CONTRIBUTIONS TO THE AUTHORIZED CAPITAL OF JSCO RZD

In the reporting year, the implementation of state projects for the development of the railway transport infrastructure continued, while their financing is carried out through the budget of JSCO RZD by way of making contributions to the authorized capital.

IN 2019, THE AMOUNT OF MONETARY CONTRIBUTIONS TO THE COMPANY'S AUTHORIZED CAPITAL FROM THE FEDERAL BUDGET AMOUNTED **59,2 BILLION RUBLES** INCLUDING:

47,25 BILLION RUBLES

for the development of the transport complex of the Moscow region (40.2 billion rubles of which through inter-budget transfer from the budget of the City of Moscow)

11,98 BILLION RUBLES

for the development of the railway infrastructure between Mezhdurechensk and Taishet.

SUBSIDIES AND REIMBURSEMENT OF LOSSES FROM REGIONAL BUDGETS AND EXTRABUDGETARY FUNDS

In 2019, the Company received state support from regional budgets and extrabudgetary funds in the amount of **5.7 billion rubles**, including:

- 4,9 BILLION RUBLES** ca subsidy for reimbursement of expenses related to the maintenance of infrastructure for passenger transport on the Little Ring of the Moscow Railway;
- 0,07 BILLION RUBLES** subsidies provided to reimburse lost income arising from state regulation of tariffs for rail transportation of passengers on suburban routes in the Krasnodar Territory;
- 0,2 BILLION RUBLES** subsidies provided in connection with the regulation of electricity and thermal energy tariffs;
- 0,02 BILLION RUBLES** subsidies received for the maintenance of low-intensity railway sections;
- 0,04 BILLION RUBLES** reimbursement of costs for the reconstruction of public rail transport infrastructure facilities;
- 0,03 BILLION RUBLES** a subsidy for reimbursement of costs for design and survey works to assess economic efficiency of the development of transport infrastructure in the territory of the Samara Region for the provision of high-speed rail services;
- 0,4 BILLION RUBLES** financing from the Social Insurance Fund for planned measures for prevention of injuries.

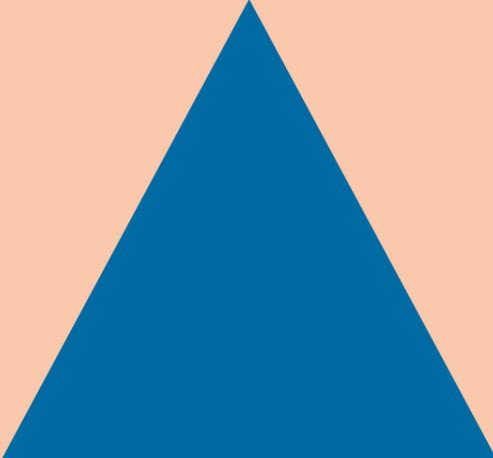
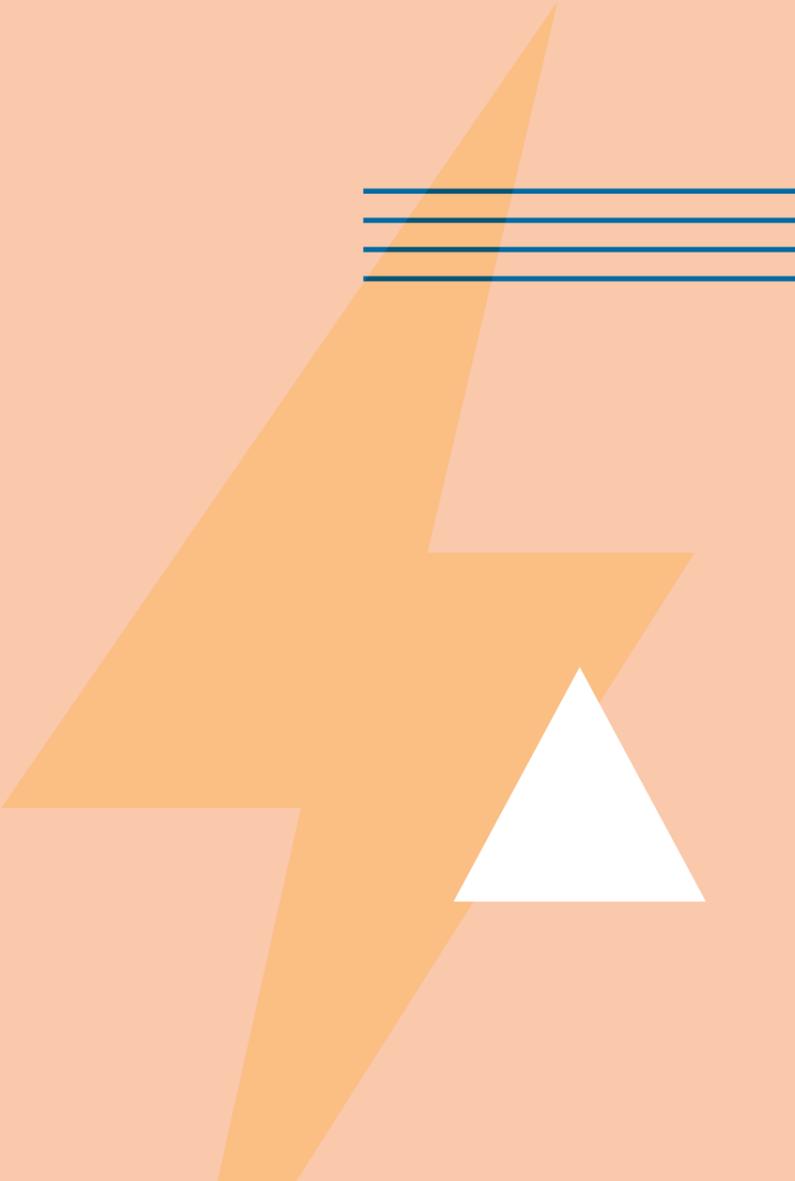
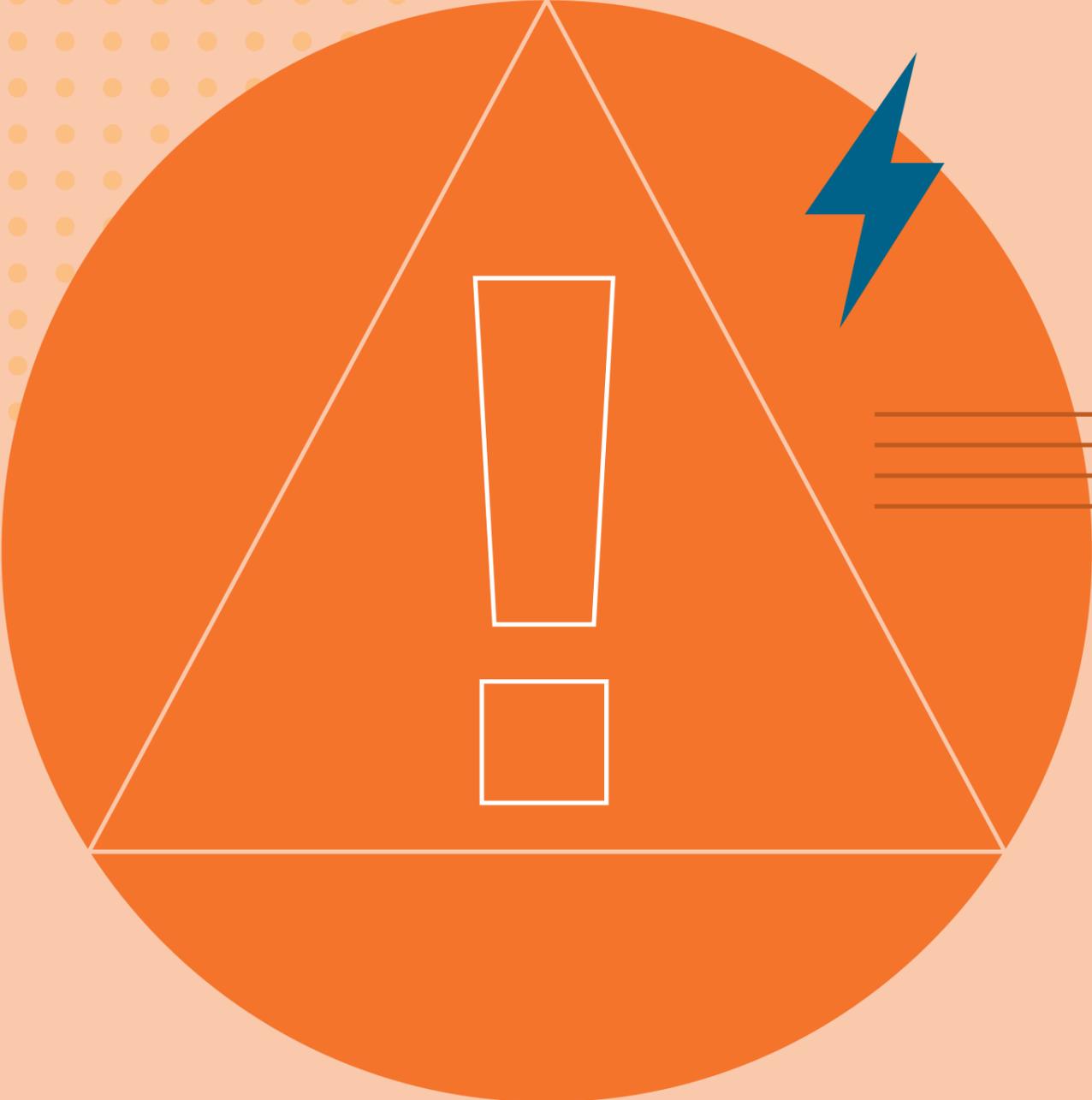
19,5 BILLION RUBLES

In addition, JSCO RZD received 19.5 billion rubles from the National Welfare Fund (NWF) in the form of a contribution to the authorized capital for the issuance of preferred shares for the purpose of financing the program of modernization of the railway infrastructure of the Baikal-Amur Mainline and the Trans-Siberian Railway while increasing traffic and carrying capacities..

0,3 BILLION RUBLES

Real estate worth 0.3 billion rubles was transferred from state ownership in the form of a contribution to the authorized capital of the Company.

RISK MANAGEMENT



RISK MANAGEMENT

In the course of achieving its goals, the Company's activities are subject to external and internal risks. The Efficient Risk Management is a continuous and systemic process taking place at all levels of the Company, integrated with business and decision-making processes and aimed at increasing confidence in achieving the goals.

In this case, internal control is considered as an integral part of the risk management system, and the risk management and internal control system (hereinafter referred to as the RMICS) is considered as part of corporate governance. This is reflected in both the approved regulatory and methodological documents and the risk management process, which is constantly being developed and improved.

GOALS AND OBJECTIVES

THE MAIN OBJECTIVE OF THE RMICS IS TO ENSURE REASONABLE CONFIDENCE IN THE ACHIEVEMENT OF THE JSCO RZD GOALS. THE GOALS OF THE COMPANY ARE REPRESENTED BY THE FOLLOWING TYPES OF GOALS, INCLUDING (BUT NOT LIMITED TO):

- strategic (including protection and rise in the value of society);
- operational (including in the area of improving operational efficiency and efficient use of resources, ensuring continuity and stability of production activities, ensuring all types of safety, security of assets, etc.);
- goals in the field of compliance with applicable international regulatory acts, regulatory legal acts of the Russian Federation, internal regulatory documents of the Company (compliance);
- goals in the field of ensuring reliability, timeliness and quality of all types of reporting.

THE MAIN TASKS OF THE RMICS ARE AS FOLLOWS:

- establishment of the infrastructure and regulatory and methodological framework for the effective functioning of the risk management process;
- integration of risk management and internal control procedures into the strategic and operational activities of the Company, which will allow to proactively respond to risks and adverse changes in the external and internal environment (through planning and implementing risk management activities);
- raising awareness of risks among the participants of the RMICS and other stakeholders;
- reducing the number of unforeseen events that could adversely affect the achievement of the JSCO RZD goals.

EVALUATION OF THE EFFECTIVENESS OF THE RMICS

IN ORDER TO IMPROVE THE EFFICIENCY AND TIMELY ADJUST THE RMICS OF THE COMPANY, IT IS SUBJECT TO REGULAR EVALUATION. THE COMPANY APPLIES INTERNAL (INCLUDING INTERNAL AUDIT DIVISION EVALUATION) AND EXTERNAL EVALUATION.

Internal evaluation is carried out on a periodic basis, but at least once a year. External evaluation of the risk management and internal control system is carried out through the involvement of an external independent expert. The frequency of external evaluation of the RMICS shall be established by the Board of Directors of JSCO RZD on the recommendation of the Audit and Risk Committee.

In 2019, significant work was carried out aimed at further adjusting the RMICS of JSCO RZD to ensure compliance with best practices with the involvement of Ernst & Young Evaluation and Advisory Services Ltd.

The consultant noted a high level of training both employees of the Center (including vocational training and certification) and other managers and employees of JSCO RZD.

KEY RISKS OF JSCO RZD

RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE LONG-TERM DEVELOPMENT PROGRAM UNTIL 2025

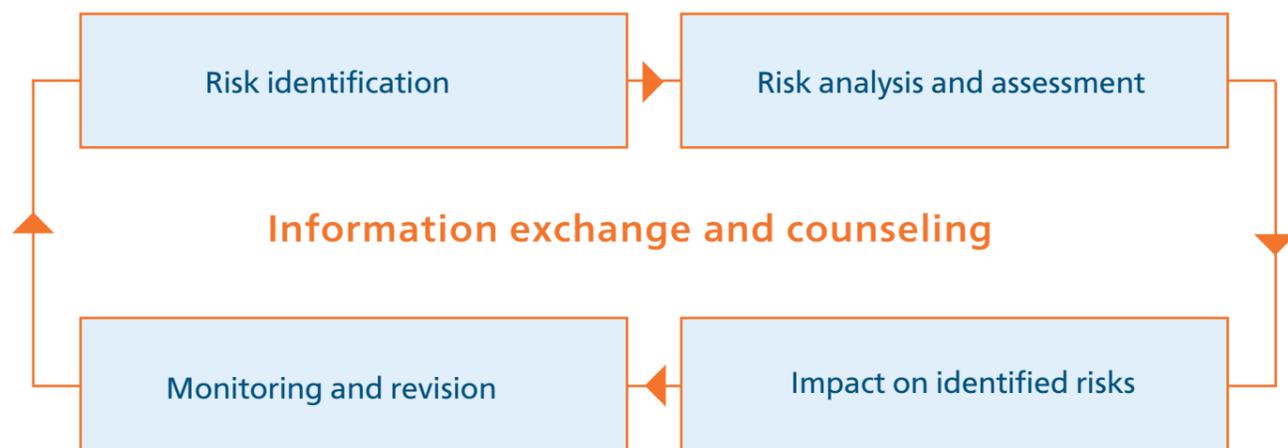
The key risks of JSCO RZD associated with the implementation of the Long-Term Development Program until 2025 are determined taking into account their impact on the achievement of key performance indicators and grouped into categories by source of occurrence.

RISKS THE IMPLEMENTATION OF WHICH WILL LEAD TO THE GREATEST IMPACT ON THE LONG-TERM DEVELOPMENT PROGRAM INCLUDE:

- lag of the income rate from tariff indexation against an outstripping increase in prices for the products consumed by JSCO RZD;
- lack/failure to implement long-term government decision in terms of financing the rail transport development;
- significant changes in the market models of freight and passenger transport with the reduction of the share of RZD Holding in transport segments.

To prevent and respond to these risks in a timely manner, JSCO RZD intends to constantly interact with state authorities and major consumers of JSCO RZD services, informing them about potential adverse consequences of the decisions. To reduce potential adverse consequences of the implementation of risks, JSCO RZD will increase customer orientation and the quality of services and implement a program to enhance efficiency.

RISK MANAGEMENT PROCESS



RISKS BY AREAS OF ACTIVITY

The risk structure of JSCO RZD is determined by special attention the Company pays to the most significant areas of activity and continuous improvement of the management of relevant processes in the context of the constantly changing external environment to achieve ambitious goals.

IN GENERAL, THE COMPANY MANAGED TO ACHIEVE THE OBJECTIVES SET IN 2019, DESPITE THE IMPLEMENTATION OF RISKS IN A NUMBER OF AREAS OF ACTIVITY:

- freight transport;
- traffic management;
- capital construction, reconstruction and overhaul;
- legal support and compliance;
- operation, maintenance and repair of rolling stock;
- international activities.

THE MAIN RISK MANAGEMENT MEASURES IMPLEMENTED IN 2019 INCLUDE:

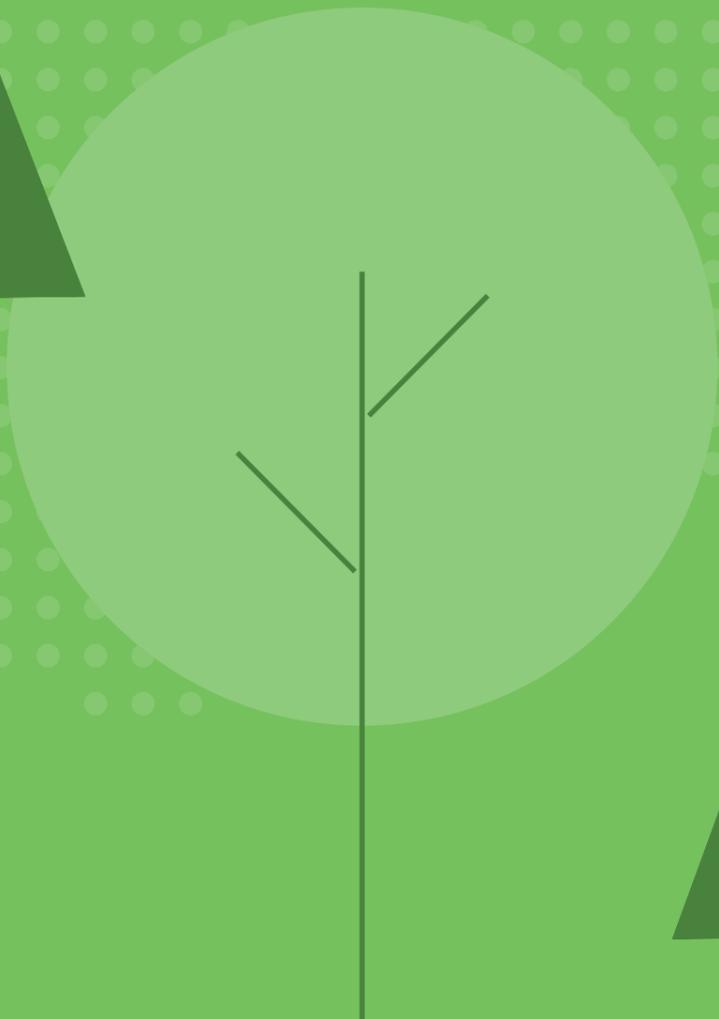
- analysis and optimization of internal processes aimed at identifying the main problem areas, developing and implementing systemic measures to reduce their impact and prevent negative events in future periods (including improvement of internal regulatory documents of the Company), taking into account the best practices in the market;
- automation and digitalization, which also allows to increase the reliability and efficiency of data, reduce the human factor and manual labor, accelerate the process of making managerial decisions;
- legislative initiatives aimed at increasing the transparency of the Company's activities, including through the use of the "regulatory guillotine" tool;
- training and improving the competence of employees of the Company.

INSURANCE

The Company provides insurance for a complex of real estate, rolling stock, personal insurance of employees, liability of the railway transport infrastructure owner and the carrier, and liability of the directors and heads of the Company and 73 controlled companies.

In the reporting year, 1,024 insurance cases were settled. The total amount of insurance reimbursement received in 2019 was 896.5 million rubles. In order to ensure a unified approach to the insurance protection of subsidiaries, since 2010 there is a unified corporate concept of insurance protection of JSCO RZD controlled companies, updated in 2018 to unify approaches to insurance protection in RZD Holding, taking into account the best practices and current trends in insurance management.

ENVIRONMENTAL SAFETY

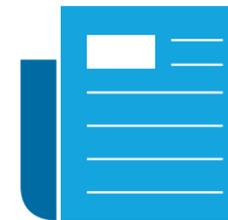


ENVIRONMENTAL PROTECTION



JSCo RZD is the largest nature user operating in the territory of 77 constituent entities of the Russian Federation. The priorities of JSCo RZD in the area of environmental management and improvement of environmental safety until 2025 is determined by the Fundamentals of the state policy in the field of ecological development of the Russian Federation for the period until 2030, as approved by the President of the Russian Federation on April 30, 2012, and by Decree No. 204 of the President of the Russian Federation «On National goals and Strategic Objectives of the Development of the Russian Federation for the period until 2024» dated May 7, 2018.

JSCo RZD CARRIES OUT ITS ENVIRONMENTAL ACTIVITIES IN ACCORDANCE WITH THE FOLLOWING DOCUMENTS:



Policy of RZD Holding in the field of occupational and environmental protection, industrial and fire safety;

“Environmental Strategy of JSCo RZD for the Period until 2020 and in the Long Run until 2030”;

“Strategy for the Development of Railway Transport in the Russian Federation until 2035”

RAIL TRANSPORT IS ONE OF THE MOST ENVIRONMENTALLY FRIENDLY MODES OF TRANSPORT. AT THE SAME TIME, THE COMPANY MAKES CONSTANT EFFORTS TO IMPROVE THE EFFICIENCY OF ITS ENVIRONMENTAL ACTIVITIES.

The main environmental risks of the Company are related to the negative impact of the Company's facilities on the environment, the use of natural resources, including non-renewable ones.

JSCo RZD is an environmentally responsible company that contributes to the development of environmental activities and applies voluntary environmental liability mechanisms.

In 2012-2017, structural divisions of 12 branches, including those providing the operation of high-speed trains between Moscow and St. Petersburg, were audited by the certification body for compliance with the requirements of GOST R ISO 14001-2007 «Environmental Management Systems». Certificates of conformity to the environmental management system were issued to 68 divisions.

JSCo RZD pays great attention to improving the skills of managers and specialists responsible for environmental safety. More than 2.5 thousand people are trained annually under the environmental programs “Ensuring environmental safety» Ensuring environmental safety of facilities used for economic or other activities by managers and specialists of general economic management systems», «Ensuring environmental safety when working in the field of waste management for I-IV hazard classes».

THE MAIN ENVIRONMENTAL GOAL OF JSCo RZD IS TO TAKE CARE OF ENVIRONMENTAL SAFETY AND HUMAN HEALTH.

Taking into account the priorities of the state policy in the field of environmental protection, the main goal of JSCo RZD in the field of environmental protection is to enhance environmental safety, rational nature management and conservation of natural systems.

PROTECTION OF THE ATMOSPHERE

IN 2019, EMISSIONS OF HARMFUL SUBSTANCES INTO THE ATMOSPHERIC AIR FROM STATIONARY SOURCES DECREASED BY 8.8% COMPARED TO 2018

Emissions of harmful substances into the atmosphere from stationary sources is reduced through the construction of new and reconstruction of existing boiler houses, shift of boiler houses to more environmentally friendly fuels, increased fuel combustion efficiency, introduction of electric heating, elimination of low-performance coal boiler houses, reconstruction of existing and introduction of new dust and gas collecting equipment.

TECHNICAL RE-EQUIPMENT TO REDUCE ENVIRONMENTAL IMPACT:

- overhaul of diesel locomotives with the replacement of obsolete engines with advanced more environmentally friendly ones;
- overhaul of tracks with the replacement of wooden sleepers with environmentally friendly reinforced concrete ones;
- purchase of wooden sleepers impregnated with antiseptics of a more environmentally friendly 4 hazard class;
- equipping passenger rolling stock with environmentally friendly closed toilets with collection tanks;
- use of more environmentally friendly fuels (gas, fuel oil) at boiler houses, introduction of dust and gas collecting equipment;
- introduction of new space heating systems;
- introduction of water saving technologies, circulating water supply systems, rate setting and metering of water consumption.

The share of JSCo RZD in the environmental pollution of Russia is currently **less than 1%** in terms of emissions of harmful substances into the atmosphere, discharge of polluted wastewater into surface water bodies, and waste generation.



WATER RESOURCE MANAGEMENT

The total number of licenses granting the right to extract water resources in 2019 is 1,250, including 831 drinking water licenses. In addition, 63 water use agreements granting the right to use natural resources from surface sources are concluded.

In order to comply with Law No. 2395-1 of the Russian Federation «On Subsoil» dated February 21, 1992 and Law No. 74-FZ of «Water Code of the Russian Federation» dated June 3, 2006, 84 licenses were obtained in 2019, and the following types of works were performed for obtaining and reissuing licenses and fulfilling licensing requirement.

- development of projects of sanitary protection zones – **64**;
- development of grouting projects – **49**;
- development of projects of geological studies of subsoil – **29**;
- stock assessment – **10**;
- development of water intake projects – **20**;
- projects of water intake schemes – **16**;
- geophysics – **71**;
- development of monitoring programs – **94**.

TOTAL FUNDING FOR THESE WORKS AIMED AT FULFILLING THE REQUIREMENTS AND TERMS AND CONDITIONS OF LICENSES FOR THE RIGHT TO USE SUBSOIL FOR 2019 AMOUNTED TO 100.375 MILLION RUBLES.



WATER CONSUMPTION

As a result of the production activities of JSCo RZD enterprises, the amount of cold water services was 93,542 thousand cubic meters in 2019, including 56,927 thousand cubic meters from own sources, and 36,615 thousand cubic meters from third-party sources under the concluded agreements.

In order to ensure the sanitary and epidemiological safety of consumers, JSCo RZD carried out production control of the quality of drinking water with the involvement of subdivisions of the Federal Budgetary Healthcare Institution "Center for Rail Transport Hygiene and Epidemiology" in accordance with the requirements of SanPIN 2.1.4.1074-01 "Drinking water. Hygienic Requirements for Water Quality of Centralized Drinking Water Supply Systems. Quality Control";

SEWAGE TREATMENT

As a result of the production activities of JSCo RZD enterprises, the amount of wastewater discharge was 55.7 million cubic meters in 2019, including 11.8 million cubic meters at their own wastewater treatment plants (incl. 8.5 million cubic meters of insufficiently treated wastewater and 3.3 million cubic meters of partially clean wastewater) and 43.9 million cubic meters to centralized systems of water disposal to third-party treatment plants.

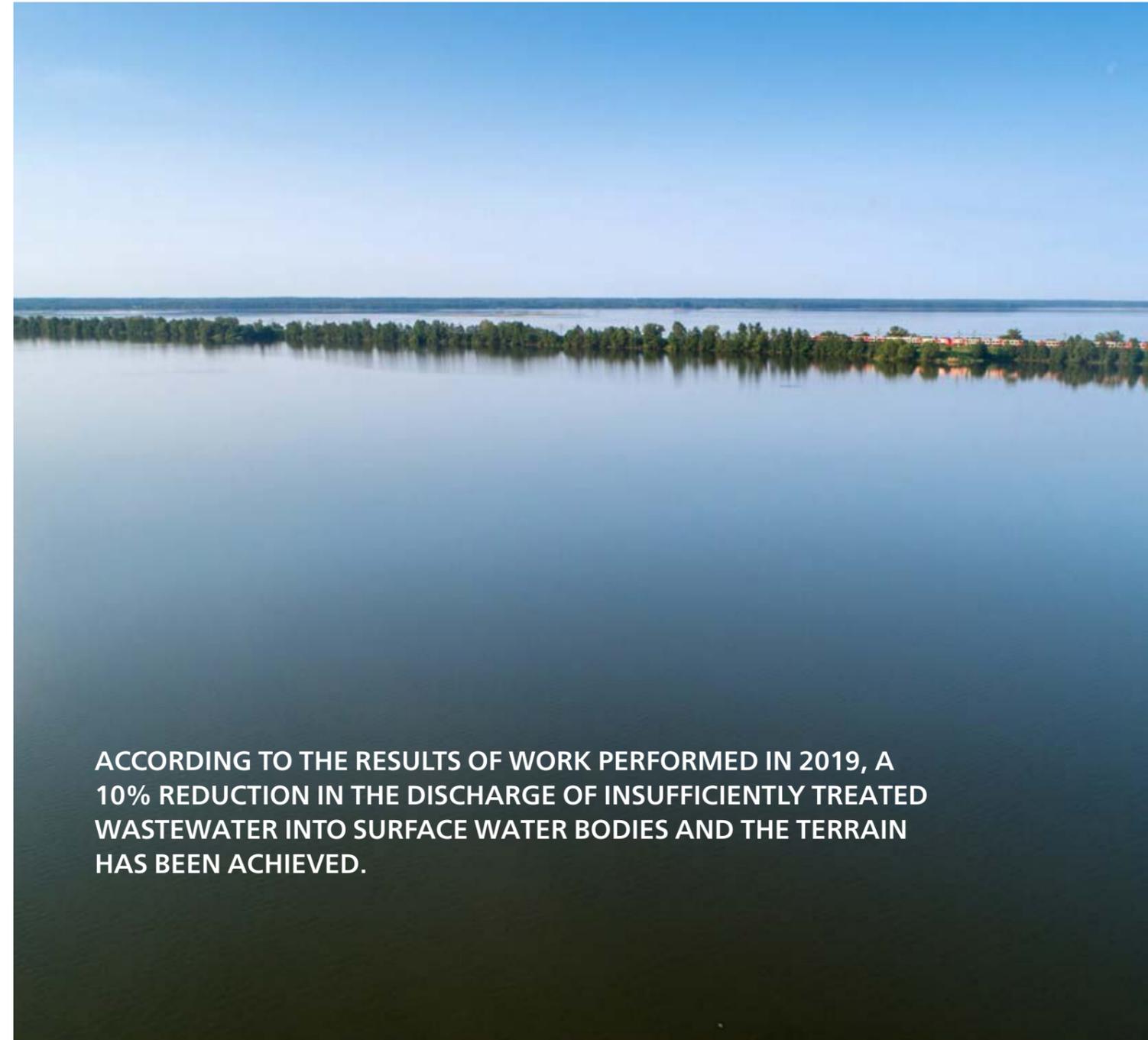
IN TOTAL, JSCO RZD HAS 236 TREATMENT PLANTS, INCLUDING:

- 89** treatment plants that discharge wastewater into water bodies;
- 103** wastewater treatment plants that discharge wastewater into centralized networks of water disposal;
- 6** plants that discharge wastewater into the terrain;
- 12** treatment plants that discharge wastewater into septic tanks;
- 1** treatment plant that discharges wastewater into sludge lagoons;
- 25** treatment plants that discharge wastewater into filtration fields.

OF 236 WASTEWATER TREATMENT PLANTS, 144 (61%) PLANTS DISCHARGE WASTEWATER EXCEEDING THE MAXIMUM PERMISSIBLE CONCENTRATIONS OF POLLUTANTS.

JSCo RZD has developed a long-term program to bring 144 treatment plants to the regulatory requirements with a period of implementation until 2025, which will allow to completely eliminate discharge insufficiently treated wastewater into the environment and centralized networks of water disposal.

In accordance with the decisions on the provision of water facilities for use, the planned quarterly production control of wastewater discharge into surface water bodies and centralized networks of water disposal is carried out.



ACCORDING TO THE RESULTS OF WORK PERFORMED IN 2019, A 10% REDUCTION IN THE DISCHARGE OF INSUFFICIENTLY TREATED WASTEWATER INTO SURFACE WATER BODIES AND THE TERRAIN HAS BEEN ACHIEVED.

ACOUSTIC IMPACT

JSCo RZD aims at bringing the level of acoustic impact on the environment into line with established standards, including the selection and use of the most effective noise protection technologies.

TO THIS END, JSCO RZD STANDARDIZED THE REQUIREMENTS FOR ACOUSTIC IMPACT FROM ALL TYPES OF RAILWAY ROLLING STOCK AND DEVELOPED THE FOLLOWING:

- RZD Company Standard 1.07.007-2010 "Acoustic Screens for Railway Transport. Rules of Acceptance, Commissioning and Maintenance During the Lifecycle";
- GOST 33325-2015 "Noise. Calculation Methods for External Noise Emitted by Railway Transport";
- GOST 33329-2015 "Acoustic Screens for Railway Transport. Specifications";
- GOST 33328-2015 "Acoustic Screens for Railway Transport. Methods of Control of Technical Requirements";
- GOST 33328-2015 "Acoustic Screens for Railway Transport. Methods of Control of Technical Requirements";
- GOST R 56394-2015 "Noise. Operative Noise Maps for Railway Transport. General Requirements and Methods of Construction"

Guidelines for the use of a set of soundproofing means and technical requirements for soundproofing joints for rail webs, the Album of technical solutions for developing a set of soundproofing measures were approved by Order No. 698r of JSCo RZD dated March 20, 2015.

In the field of noise protection, JSCo RZD is aimed at reducing the level of noise impact on the environment.

THE ACTIVITIES OF JSCO RZD TO REDUCE THE NOISE LEVEL INCLUDE:

- conducting studies and making noise maps in settlements, which allow for the ranking of noise risks and the development of priority measures to eliminate them;
- rail grinding, wheel trueing, rail lubrication;
- laying resilient rail fasteners;
- laying continuous welded rail tracks;
- replacement of cast iron brake pads with composite ones;
- equipping the laboratories of environmental protection centers with additional noise control equipment;
- installation of noise screens;
- forestation;
- development and implementation of new regulations aimed at noise rate setting and reduction;
- development and implementation of new technologies allowing to reduce noise;
- modernization of rolling stock.

AREAS OF ENVIRONMENTAL ACTIVITY

With a view to respecting citizens' constitutional rights to information on the state of the environment, improving the effectiveness of public control and the level of transparency of environmental safety data, JSCo RZD approved the Regulation on Environmental Openness. The Regulation defines the principles, forms, requirements for openness of information on the environmental impact.

In order to timely prevent risks of financial and image losses, degradation of performance indicators of JSCo RZD related to failure to comply with the requirements and expectations of stakeholders, the Methodology for internal assessment of environmental liability of JSCo RZD was approved.

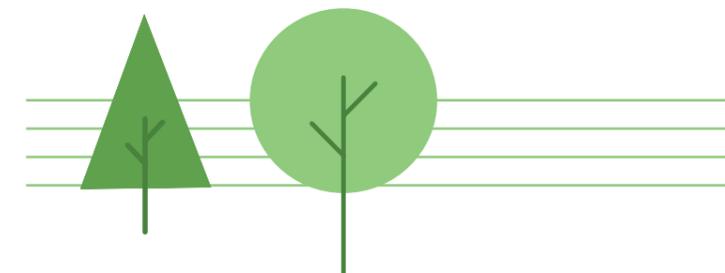
As part of monitoring compliance with environmental requirements by suppliers in the field of environmental protection, JSCo RZD uses the Methodology for accounting and assessing environmental requirements for products, raw materials and materials purchased by business units of JSCo RZD. These methods regulate the fulfillment of additional requirements, which allows to reduce the environmental impact, improve working conditions of employees and increase the economic performance of the Company by increasing energy efficiency and resource saving. The requirements are recommended to be taken into account when generating the list of purchased products and developing procurement documents.

THE ENVIRONMENTAL IMPACT WAS REDUCED THROUGH THE FOLLOWING KEY AREAS OF ACTIVITIES OF JSCO RZD:

- introduction of innovative technologies that ensure the protection of atmospheric air and water resources, increasing the use and disposal of industrial waste, reducing greenhouse gas emissions and noise exposure;
- improvement of the environmental management system;
- environmental monitoring of environmental impact.

As part of environmental monitoring, internal environmental audits and inspections are conducted annually in accordance with the corporate requirements established in the RZD Company Standard "Environmental Protection Management System of JSCo RZD. Rules for arranging and conducting internal audits and inspections".

Regular inspections of mainline and shunting diesel locomotives and track equipment for compliance with technical standards for emissions of harmful substances into the atmospheric air are carried out using 108 environmental monitoring points. Emission measurements are carried out during testing of diesel locomotives at rheostat test points after repair.



REDUCTION OF GREENHOUSE GAS EMISSIONS

The management of greenhouse gas emissions is part of the Company's corporate strategy. JSCo RZD annually presents data to estimate greenhouse gas emissions required to draw up the CDP report and participates in meetings of the working groups of the Russian Union of Industrialists and Entrepreneurs and the Ministry of Economic Development of the Russian Federation.

The Company participates in the review of regulatory documents at the federal level, provides suggestions and feedback taking into account the specifics of rail transport. In addition, in order to develop the system of accounting and management of greenhouse gas emissions, in 2019 JSCo RZD approved the **Program of Organizational and Technical Activities for 2020-2025**, which will ensure the achievement of target reduction in the specific level of greenhouse gas emissions, as established in the Long-Term Development Plan, by at least 4.5% compared to 2018 (at the end of 2019, this indicator was reduced by 1%).

The shift to new types of rolling stock plays an important role in reducing greenhouse gas emissions. In particular, the indicative calculation of the environmental impact resulting from the use of electric trains "Lastochka" showed a significant advantage of rail transport for carrying passengers over bus and automobile transport.

IN 2019, EMISSIONS FROM THE USE OF THE ELECTRIC TRAIN «LASTOCHKA» WERE 190.7 THOUSAND TONS OF CO², WHILE EMISSIONS FROM CARRYING THE SAME NUMBER OF PASSENGERS ON THE SAME ROUTES WOULD MAKE 238.8 THOUSAND TONS OF CO² (25% MORE) FOR BUSES AND 1,110 THOUSAND TONS OF CO² FOR AUTOMOBILE TRANSPORT (5.8 TIMES MORE).

WASTE MANAGEMENT

More than 80% of waste generated by the Company is subject to recycling. Most of them (scrap of ferrous and non-ferrous metals, waste oil products) are transferred to the waste processing market. In addition, waste is reused in the Company, including both waste of the 5 hazard class and waste of 2-4 hazard classes according to the license for waste management obtained by JSCo RZD.

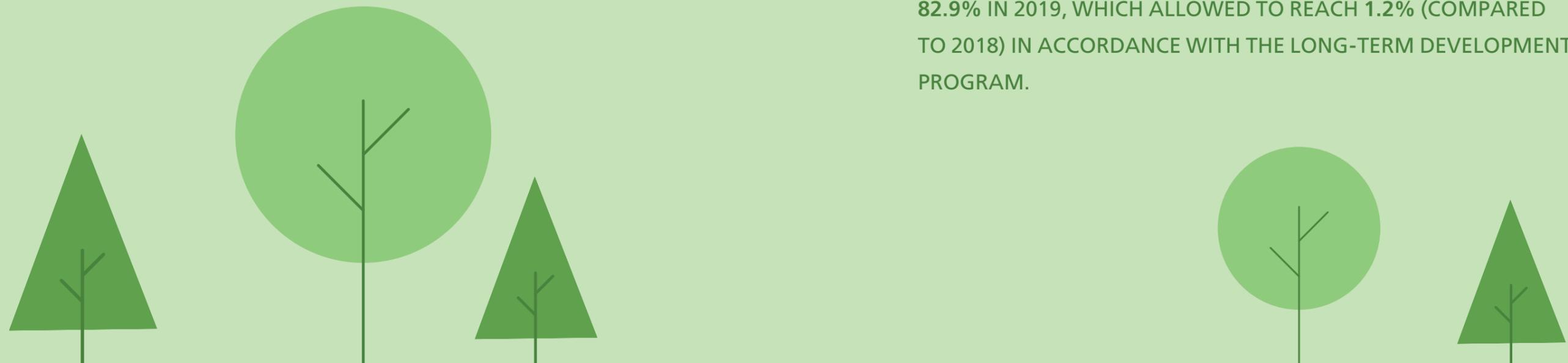
IN 2019, JSCo RZD GENERATED 1.486 MILLION TONS OF PRODUCTION AND CONSUMPTION WASTE, INCLUDING 0.088 MILLION TONS OF WASTE DISPOSED AND NEUTRALIZED IN THE STRUCTURAL DIVISIONS OF THE COMPANY.

In addition, the Company aims to increase the share of waste recycling. Thus, in 2019, a production line for processing waste rubber products and automobile tires was launched at the Ukladochny Station of the West Siberian Railway. The complex allows to process waste into chips of three fractions used for the production of flooring.

The tiles produced by the unit are used for the improvement of children's playgrounds and sports grounds, pedestrian paths and adjoining areas, residential, production and warehouse facilities. In 2019, 367 tons of waste were processed and 10.8 thousand square meters of products were manufactured

IN 2019, 367 TONS OF WASTE WERE PROCESSED AND 10.8 THOUSAND SQUARE METERS OF PRODUCTS WERE MANUFACTURED.

THE SHARE OF WASTE NEUTRALIZATION AND USE IN OPERATIONAL ACTIVITIES IN THE STRUCTURAL DIVISIONS OF THE COMPANY WAS 82.9% IN 2019, WHICH ALLOWED TO REACH 1.2% (COMPARED TO 2018) IN ACCORDANCE WITH THE LONG-TERM DEVELOPMENT PROGRAM.



CONSERVATION OF BIODIVERSITY

OJSCo RZD is seeking solutions for the effective use of all types of resources and reduction of the human impact on the environment. The current environmental protection activities of JSCo RZD show the steady dynamics of reducing the adverse impact of economic activity on the environment, primarily through the implementation of environmental programs, investment projects and technical upgrading, as well as the improvement of the existing environmental management system.

IN VIEW OF THESE, ONE OF THE PRIORITY AREAS OF ACTIVITY FOR JSCO RZD IS THE DEVELOPMENT AND SUBSEQUENT IMPLEMENTATION OF A SET OF LONG-TERM ENVIRONMENTAL MEASURES.

The Company pays great attention to the conservation of biodiversity in railroad rights of way and in the area of stations. In places where animals often appear on railway tracks, the reflective tape is used, joint rounds are arranged with the participation of representatives of the forest and hunting sectors.

AS PART OF THE ENVIRONMENTAL STRATEGY OF JSCO RZD AND IN ORDER TO CONSERVE BIODIVERSITY, IN 2019 EMPLOYEES OF THE COMPANY:

- released young fish into rivers - **MORE THAN 2,000 KG**;
- planted trees and shrubs - **MORE THAN 560 THOUSAND PIECES**;
- **PLANTED MORE THAN 10 THOUSAND SEEDS** in the greenhouses of the seed field for the purpose of implementation of "The Forest of Baikal" program.
- took part in the cleaning of territories as part of campaigns "Green Spring", "Green Friday", "The Forest of Victory", "All-Russian Ecological Volunteer Clean-Up «Green Russia»";
- launched 51 eco-friendly suburban "Green Trains";
- placed **MORE THAN 3000 POSTERS** about specially protected natural areas at the infrastructure facilities of JSCo RZD.

2000 KG
released young fish into rivers

560 THOU.
planted trees and shrubs

10 THOU.
PLANTED SEEDS IN THE GREENHOUSES



IN 2020, IT IS ANTICIPATED TO PLANT TREES AND SHRUBS IN THE AMOUNT OF MORE THAN 388 THOUSAND PIECES AND RELEASE ABOUT 1500 KG OF YOUNG FISH.

MAIN ENVIRONMENTAL ACTIVITIES IN 2019:

THE MAIN ENVIRONMENTAL ACTIVITIES CARRIED OUT IN 2019 ARE AS FOLLOWS:

- use of environmentally friendly technologies at 127 sites in the Republics of Buryatia and Karelia, Krasnodar, Perm, Primorsky and Khabarovsk Territories, Kaluga, Kirov, Samara, Amur and Nizhny Novgorod Regions;
- construction and reconstruction of 8 industrial and domestic wastewater treatment plants using the best available technologies in the Republic of Buryatia, Yakutia, Krasnodar and Altai Territories, Irkutsk, Saratov and Orenburg Regions;
- abandonment of 7 accumulated environmental damage facilities in the Krasnoyarsk and Khabarovsk Territories, Irkutsk, Chelyabinsk, Kursk and Kemerovo Regions;
- reconstruction of the industrial waste landfill in the Orenburg Region.

Every year, employees of JSCo RZD bring the territories of the railway rights of way bordering specially protected natural areas into the reference sanitary condition. At the same time, special attention is paid to fire prevention activities. Railway rights of way are constantly inspected for unauthorized bulk waste discharge, the fire-barrier line is ploughed, felling residues and last year's sleepers are removed, dead wood and shrub vegetation is cut down. In

places where animals often appear on railway tracks, the reflective tape is used, joint rounds are arranged with the participation of representatives of the forest and hunting sectors.

JSCO RZD AWARDS FOR THE ENVIRONMENTAL PROTECTION

In 2019, the Company's environmental activities were praised by federal executive authorities and public organizations:

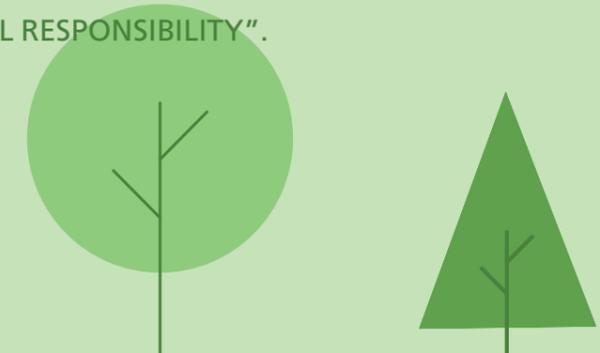
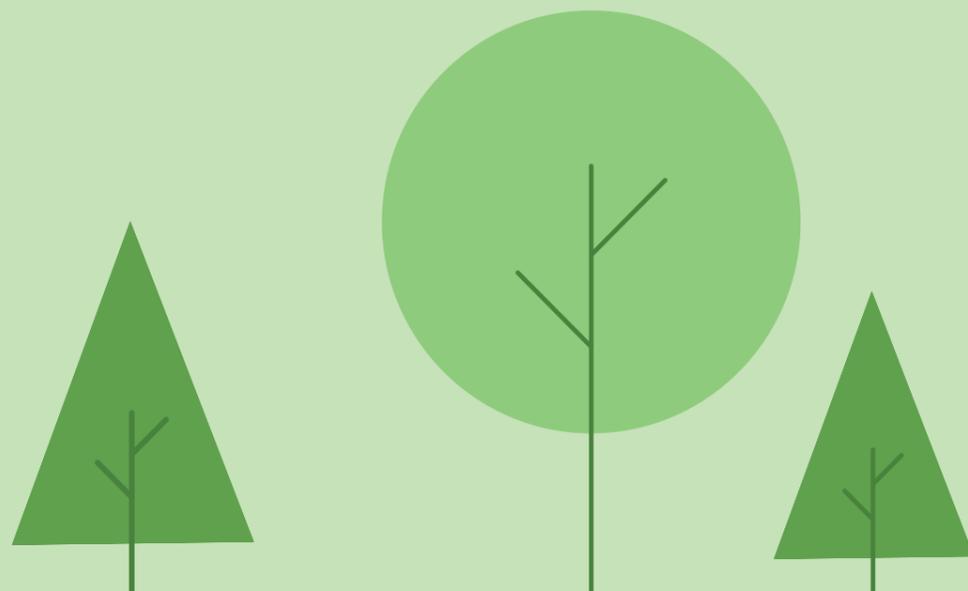
In February 2019, JSCo RZD took part in the All-Russian competition "Leaders of Russian Business: Dynamics, Responsibility, Sustainability - 2018". According to the results of the competition, JSCo RZD won the nomination "For Environmental Responsibility";

On June 5, 2019, the Privolzhskaya Directorate of Railway Stations was awarded the Gold Certificate, and the Oktyabrskaya Railway and the South Ural Directorate of Railway Stations were awarded the Silver Certificate for Participation in the International Project "Ecological Culture. Peace and Conciliation" established by the V.I. Vernadsky Non-Governmental Environmental Fund. In the nomination "Conservation of Natural Complexes and Biodiversity";

On June 5, 2019, for the active participation in the All-Russian Ecological Clean-Up, JSCo RZD was awarded the diploma "Green Spring-2019" for the initiative and significant contribution to environmental protection.



AS PART OF THE VIII INTERNATIONAL FORUM "HUMAN HEALTH AND ECOLOGY-2019", THE FIFTEENTH ALL-RUSSIAN COMPETITION "LEADER OF ENVIRONMENTAL ACTIVITIES IN RUSSIA-2019" WAS HELD IN MOSCOW ON OCTOBER 24, 2019, AND, AFTER SUMMING UP THE RESULTS, BY THE DECISION OF THE PUBLIC EXPERT COMMISSION JSC RUSSIAN RAILWAYS WAS AWARDED THE TITLE OF WINNER OF THE XV ALL-RUSSIAN COMPETITION "LEADER OF ENVIRONMENTAL ACTIVITIES-2019" IN THE NOMINATION "FOR ENVIRONMENTAL RESPONSIBILITY".



RESOURCE SAVING AND ENERGY EFFICIENCY

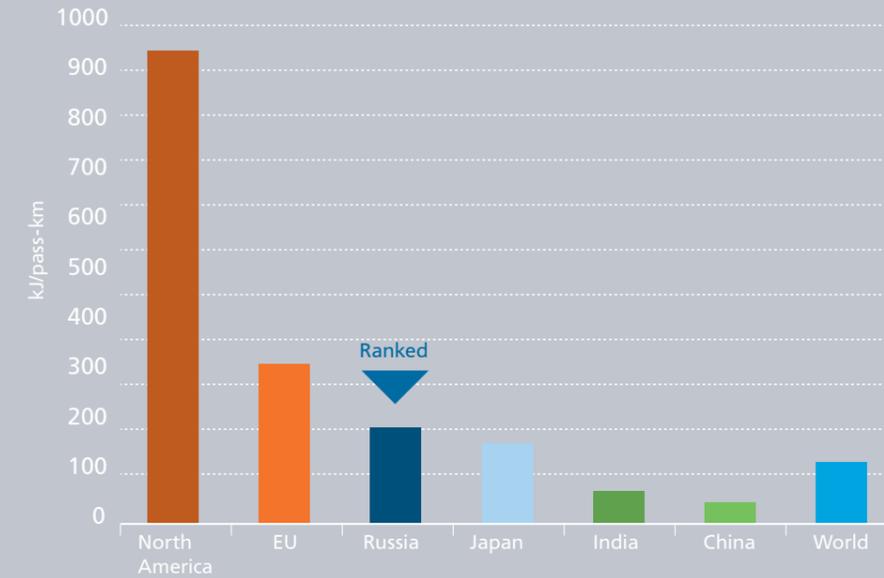
The implementation of the Energy Strategy of JSCo RZD for the period until 2020 and in the long term until 2030 and annually updated Program of Energy Saving and Energy Efficiency Improvement allows JSCo RZD to maintain a leading position in energy efficiency and environmental friendliness of freight and passenger transport among the world's railway companies. According to the report of the International Energy Agency, Russia ranks first in terms of energy efficiency of freight rail transport and fourth in passenger transport.

In 2020-2021 it is planned to develop the Energy Strategy of JSCo RZD for a new period until 2025 and in the long run until 2035, in which the priority areas for the development of the Holding's energy, including energy saving and increasing the energy efficiency of the Company, will be brought into line with key parameters of the Long-Term Development Program of JSCo RZD and the Energy Strategy of the Russian Federation for the period until 2035.

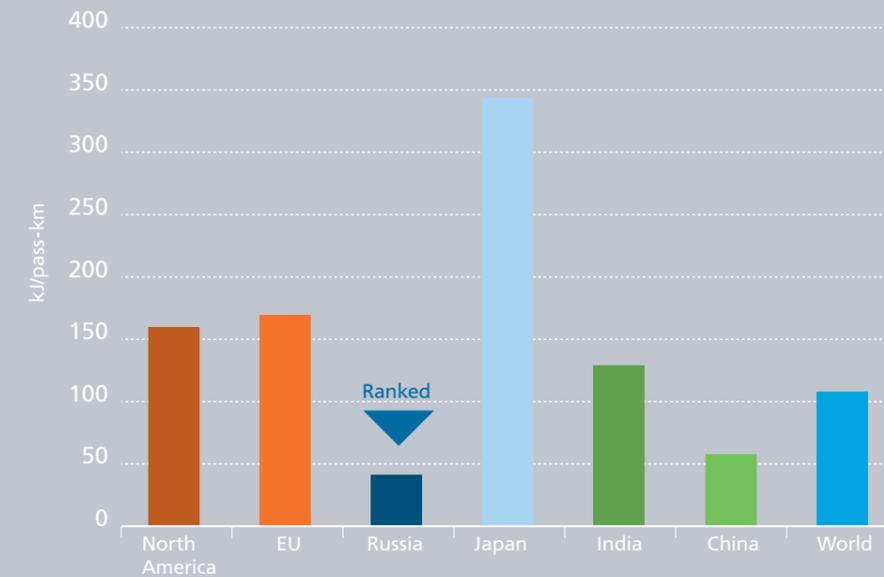
In 2019, the Company implemented all mandatory energy-saving measures, both on train traction and stationary needs, which allowed to meet the targets in the field of energy saving and energy efficiency defined by the Long-Term Development Program of JSCo RZD, as approved by the Decree No. 466-r of the Government of the Russian Federation dated March 19, 2019.

GOALS	TARGETS FOR 2019	ACTUAL INDICATORS FOR 2019
Reducing the energy intensity of production activities	by 0.7 kJ/10,000 tkm net reduced (-0.7%)	1.1 kg fe/10,000 tkm net reduced (-1.2%), up to 87.6 kJ/10,000 tkm net reduced
Improving energy efficiency of production activities	by 0,9 tkm net reduced/kJ (+0.7%)	1.4 tkm net reduced/kJ (+1.2%), up to 114.1 tkm net reduced/kJ

IN 2019, TOTAL SAVINGS OF FUEL AND ENERGY RESOURCES AS A RESULT OF THE IMPLEMENTATION OF THE ENERGY SAVING PROGRAM WAS 3,446.3 TJ WORTH 2,352 BILLION RUBLES.



* – According to the IEA report "Future of Railways". New Delhi, January 2019



* – According to the IEA report "Future of Railways". New Delhi, January 2019

ACTIVITIES AIMED AT THE IMPLEMENTATION OF THE ENERGY SAVING PROGRAM

IN 2019, THE COMPANY'S DIVISIONS SAVED THE FOLLOWING AS A RESULT OF THE IMPLEMENTATION OF THE ENERGY SAVING PROGRAM:

311,4 million kWh of electricity worth 1,132 million rubles;

17.6 thousand tons of diesel fuel worth 757 million rubles;

0.9 thousand tons of gasoline worth 39 million rubles;

7.0 thousand tons of fuel oil worth 106 million rubles;

22.7 thousand tons of coal worth 49 million rubles;

10.0 million m³ of natural gas worth 52 million rubles;

110.0 thousand Gcal of thermal energy worth 224 million rubles.

At the same time, the largest share of savings (43.7%) was achieved as a result of the implementation of measures to improve the technological processes of train control, such as driving trains according to «firm time-slots», including by equipping locomotives with driver information systems, reducing train downtime at intermediate stations and improving the operational performance of the locomotive fleet (29.4%).

Through the implementation of energy saving measures aimed at improving the energy efficiency of the transportation process:

174.5 million kWh of electric energy and 11.4 thousand tons of diesel fuel worth more than 1.1 billion rubles were saved.

In 2019, 2.4 thousand technical means of resource saving were introduced in the amount of 3,9 billion rubles.

THE COMPANY CONTINUES THE IMPLEMENTATION OF A COMPREHENSIVE PROGRAM FOR THE EQUIPMENT OF LOCOMOTIVES WITH RESOURCE-SAVING TECHNICAL MEANS.

Thus, in 2019, **2,069 technical means** were introduced, including:

Automatic electric traction driver with a recorder of motion parameters and a driver information system for traffic management according to firm time slots — **276 LOCOMOTIVES**;

Automatic heat traction driver with a recorder of train motion parameters — **55 LOCOMOTIVES**;

Protection device against slippage — **436 LOCOMOTIVE SECTIONS**;

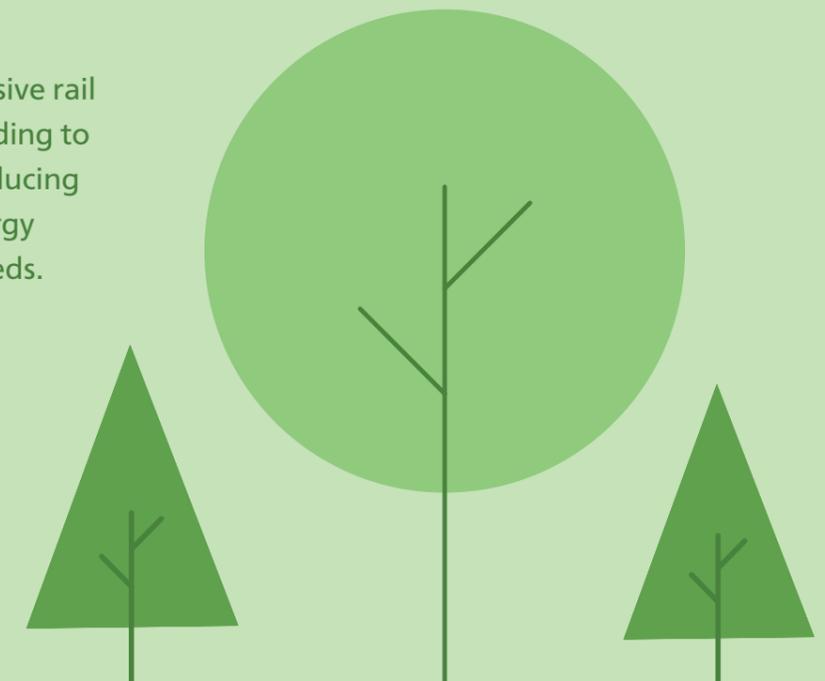
Electronic fuel supply control system for diesel locomotives — **50 LOCOMOTIVES**;

Eutomatic diesel engine start-stop system — **620 LOCOMOTIVES**;

System of recording diesel locomotive operation parameters and metering diesel fuel consumption with a single removable media — **362 LOCOMOTIVE SECTIONS**;

Autonomous driver information system with a function of electronic route of the driver — **360 LOCOMOTIVE SECTIONS**.

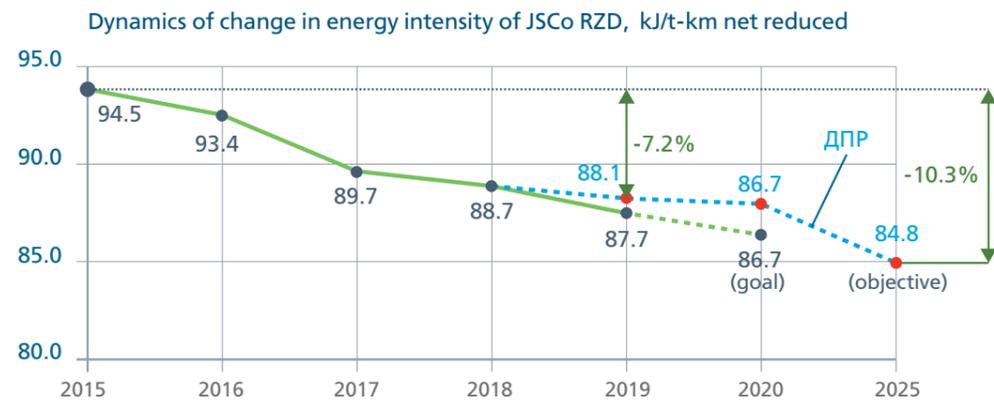
The implementation of this comprehensive program allows JSCo RZD to reduce energy-intensive rail transport by running trains according to energy optimal schedules and reducing the consumption of fuel and energy resources for non-production needs.



ENERGY INTENSITY OF PRODUCTION ACTIVITIES OF JSCo RZD

ENERGY INTENSITY

Despite the reduction in reserves for saving fuel and energy resources, the rate of decrease in the energy intensity of the production activities of JSCo RZD in the amount established by the International Union of Railways (kJ/t•km net reduced) is quite stable mainly due to investments of JSCo RZD in energy saving activities.



In 2019, the energy intensity of the production activities was as follows:

87.7 KJ/T-KM NET REDUCED

2.8 BILLION RUBLES

1.2 thousand resources saving technical means worth of were introduced in the branches of the Company

RENEWABLE ENERGY

IN ADDITION, AS PART OF THE RESOURCE SAVING PROGRAM, SOME PROJECTS WERE IMPLEMENTED IN 2019 USING TECHNOLOGIES BASED ON RENEWABLE ENERGY SOURCES:

13 heat pumps were introduced to provide thermal energy for JSCo RZD facilities

10 while 10 low-performance coal and diesel boilers were abandoned

It was the first time when JSCo RZD, in order to reduce the consumption of electric energy purchased by JSCo RZD from energy retail companies, launched a grid solar power plant (GSPP) at the Svetlograd station of the North Caucasus Railway, operated by photovoltaic panels of Russian origin, with a capacity of 30.7 kW and direct transmission of all generated electrical energy to the internal electrical network of the locomotive depot of the Svetlograd station.

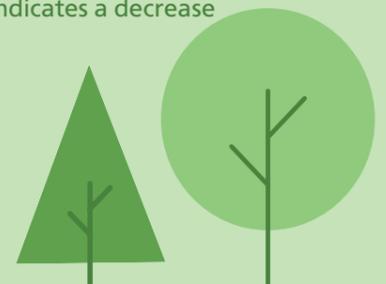
CONSUMPTION OF FUEL AND ENERGY RESOURCES

In 2019, the consumption of fuel and energy resources was **344.4 PJ**.

For train traction, **292.1 million tons** of fuel equivalent was spent, which is 84.8% of the total consumption of all types of fuel and energy resources.

The dynamics of the use of fuel and energy resources by the Company shows an indirect increase in their consumption from the amount of work performed.

In 2019, against an increase in the amount of transportation work **by 0.7%**, the consumption of fuel and energy resources decreased **by 0.9%**, which indicates a decrease in the specific consumption of energy resources by JSCo RZD.



CONSUMPTION OF MAIN TYPES OF FUEL AND ENERGY RESOURCES BY JSCO RZD IN 2018-2019.

ITEM NO.	TYPE OF ENERGY RESOURCE	Unit of measurement of fuel and energy resources in physical terms	2018	2019	2019 compared to 2018 (±%)
1.	Total electrical energy	mln kWh	50219,0	50067,5	-0,3
1.1.	for train traction	mln kWh	44406,0	44553,8	0,3
1.2.	for non-traction needs	mln kWh	5813,0	5513,7	-5,1
2.	Total diesel fuel	thousand t	2647,2	2633,3	-0,5
2.1.	for train traction	thousand t	2498,2	2473,8	-1,0
2.2.	non-traction needs	thousand t	149,0	159,5	7,0
3.	Coal*	thousand t	677,9	630,4	-7,0
4.	Fuel oil	thousand t	274,5	256,0	-6,7
5.	Natural gas	million cubic meters	494,3	430,8	-12,9
6.	Motor gasoline	thousand t	37,3	37,2	-0,4
7.	Thermal energy outsourced	mln Gkal	2,3	2,2	-4,1

RECOVERY ENERGY AMOUNT FOR 2018-2019.

	UNIT OF MEASUREMENT	2018	2019	2019 compared to 2018 (±%)
Recovery energy amount	mln kWh	2575,8	2621,7	1,8

ENERGY CONSUMPTION BY HEAT GENERATING PLANTS OF STRUCTURAL DIVISIONS OF RZD JSC FOR 2017-2018.

ITEM NO.	TYPE OF ENERGY RESOURCE	Unit of measurement of fuel and energy resources in physical terms	2017	2018		2019		compared to 2018r.
			phys. unit	phys. unit	PJ	phys. unit	PJ	%
1.	Total electrical energy	mln kWh	48429,6	50218,8	180,8	50067,5	180,2	99,7
1.1.	for train traction		42672,0	44405,8	159,9	44553,8	160,4	100,3
1.2.	for non-traction needs		5757,6	5813,0	20,9	5513,7	19,8	94,9
2.	Total diesel fuel	thousand t	2570,8	2647,2	112,5	2633,3	111,9	99,5
2.1.	for train traction		2426,8	2498,2	106,2	2473,8	105,1	99,0
2.2.	non-traction needs		144,0	149,0	6,3	159,5	6,8	107,0
3.	Liquefied gas for train traction	thousand t	1,72	0,9	0,05	0,9	0,04	97,4
4.	Total boiler heating oil	thousand toe			42,4		38,5	90,8
4.1.	coal	thousand t	703,5	677,9	14,7	630,4	13,7	93,0
4.2.	fuel oil	thousand t	288,8	274,5	11,0	256,0	10,3	93,3
4.3.	natural gas	million cubic meters	488,8	494,3	16,7	430,8	14,5	87,1
4.4.	liquefied gas	thousand t	0,7	1,1	0,05	1,7	0,08	153,9
4.5.	wood fuel	thousand cubic meters of dense timber	4,1	3,9	0,03	3,7	0,03	94,2
5.	Motor gasoline	thousand t	34,2	37,3	1,7	37,2	1,7	99,6
6.	Thermal energy outsourced	mln Gkal	2,3	2,3	9,5	2,2	9,1	95,9
7.	Other fuels	thousand toe		81,7	2,4	95,2	2,8	116,5
Total fuel and energy resources for train traction		thousand toe		18499,9	293,3	18514,1	292,1	100,1
Total fuel and energy resources for non-traction needs		thousand toe		4125,2	56,1	3906,0	52,2	94,7
Total fuel and energy resources for all activities		thousand toe		22625,2	349,4	22420,1	344,4	99,1
Amount of transportation work		million tkm gross	4589607	4785455		4788799		100,07

SOCIAL STABILITY



SOCIAL STABILITY



THE MAIN GOAL OF THE SOCIAL AND PERSONNEL AREA OF ACTIVITY IS THE DEVELOPMENT OF THE COMPANY'S HUMAN CAPITAL.

In order to achieve this goal, our efforts are aimed at ensuring the necessary inflow of labor resources, staff development based on advanced approaches to education and training, improvement of the staff motivation policy, implementation of the social policy, maintenance of staff health in accordance with traffic safety requirements. These actions allow us to create a comfortable environment where employees can develop professionally and be effective in their workplace. People are the core asset! After all, the competitiveness of the Holding and its development directly depend on motivation, training, satisfaction of employees with their work and social protection of our employees.



DESCRIPTION OF THE CSR MANAGEMENT SYSTEM

DIVISION	TASKS
HUMAN RESOURCES DEPARTMENT	<p>Development of complex mechanisms to stimulate the involvement of staff in the solution of corporate tasks and increase the efficiency of labor activity.</p> <p>Implementation of a unified corporate policy in the field of personnel management at JSCo RZD, its structural divisions, branches, subsidiaries and affiliated entities.</p> <p>Development and implementation of new technologies of personnel management that increase the efficiency of employees.</p> <p>Arrangement of competitions of teams of railways, other branches, structural divisions and professional competitions of employees of JSCo RZD.</p> <p>Arrangement of staff recruitment at JSCo RZD taking into account current requirements for knowledge, skills and competencies of employees.</p> <p>Examination of professional, business and personal qualities of employees, assessment of their organizational and leadership abilities and relevant training of a pool of managerial personnel.</p> <p>Improvement of the corporate system of continuous learning, training, retraining and development of managers, specialists and workers</p> <p>Implementation of a comprehensive corporate youth policy, involvement of the intellectual and creative potential of youth in solving strategic tasks, development of the required professional and corporate competencies among young people.</p> <p>Encouragement of employees of JSCo RZD with corporate awards and badges of honor, preparation of materials to put them forward for state and departmental awards of the Russian Federation.</p>
DEPARTMENT OF SOCIAL DEVELOPMENT	<p>Development of the main areas of social policy and ensuring the implementation of social development and social protection programs for JSCo RZD employees on the basis of the corporate social standard.</p> <p>Interaction with organizations providing pensions and charitable assistance.</p> <p>Development of housing programs of JSCo RZD on the basis of the principles of development of systems and mechanisms of mortgage lending for housing construction.</p> <p>Arrangement and coordination of activities of cultural and sports institutions. Arrangement and holding of cultural and educational, sports and other events.</p> <p>Arrangement of recreation and rehabilitation for children.</p> <p>Arrangement of recreation and rehabilitation for employees of JSCo RZD, their family members and non-working pensioners of JSCo RZD.</p> <p>Implementation of corporate social projects of JSCo RZD.</p>

DIVISION	TASKS
DEPARTMENT OF LABOR MANAGEMENT, REMUNERATION AND PERFORMANCE MOTIVATION	<p>Development and implementation of the JSCo RZD policy in the field of remuneration of employees of JSCo RZD, non-governmental health institutions and non-governmental educational institutions of JSCo RZD.</p> <p>Increasing the material motivation of employees to work on the basis of the development and improvement of the wage system.</p> <p>Development and implementation of the JSCo RZD policy in the field of labor management, tariff and technical rate setting, use of working time and rest time.</p>
CENTRAL DIRECTORATE OF HEALTH	<p>Development and implementation of the JSCo RZD policy in the field of health care, medical security of transport, provision of medical care and health resort treatment of employees in accordance with the collective agreement and regulations of JSCo RZD;</p> <p>methodical guidance and control of the activities of the structural units of the Directorate and health institutions on the development and implementation of effective methods of prevention, diagnosis, treatment and rehabilitation, use of advanced medical equipment and medical technologies.</p>

PERSONNEL MANAGEMENT SYSTEM

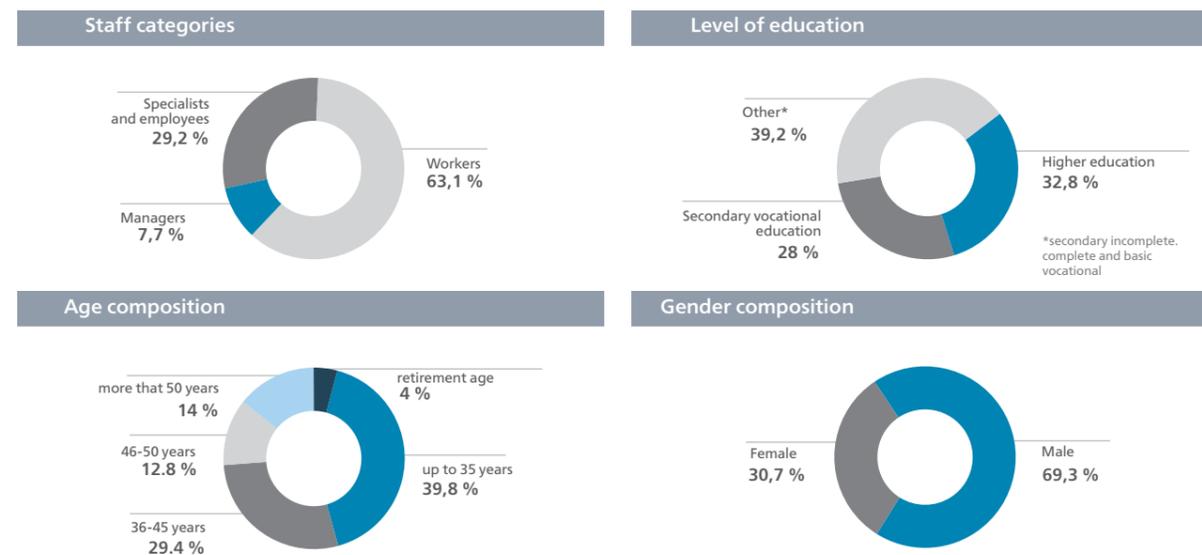
STAFF COMPOSITION

At the end of 2019, the list number of employees of JSCo RZD was 743.1 thousand people.

The proportion of categories of staff in the total number is as follows:

- workers make up 63.1% (468.6 thousand people);
- managers – 7.7% (57.3 thousand people);
- specialists and employees – 29.2% (217,3 thousand people).

- 01** In 2019, the share of staff with secondary incomplete, complete and primary vocational education reduced by 0.8 p.p.
- 02** The optimal ratio of age composition is accumulated and maintained, which ensures continuity, knowledge transfer and renewal of the Company.
- 03** The average age of employees is 39.5 years.
- 04** The number of women is 228,0 thousand people (30.7%) of the total number of employees. At the same time, women occupy 52.3% of all positions of managers and specialists of the Company, their number in these positions is 131.8 thousand people.

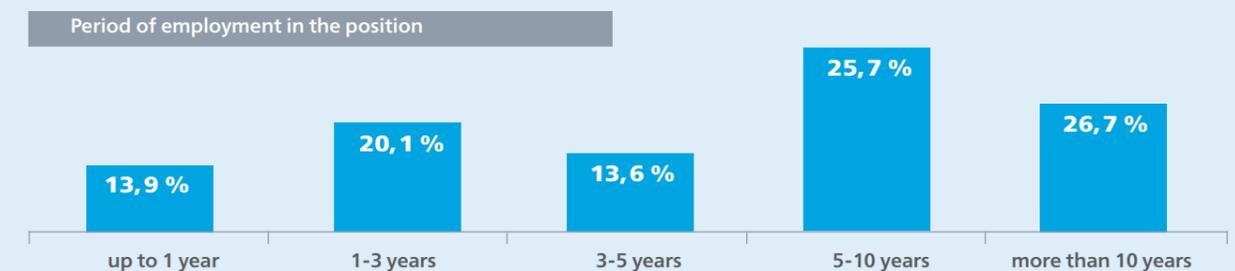


TOTAL NUMBER AND PERCENTAGE OF NEWLY HIRED EMPLOYEES DURING THE REPORTING PERIOD

Indicator	2015	2016	2017	2018	2019	Changes, %	Comments
Total, people	86 491	69 785	86 489	96 888	90 948	-6,1%	
including							
Graduates of educational institutions	5 789	5 446	5 717	5 446	4 859	-10,8%	
From the Russian Army	1 487	1 857	1 950	1 954	1 797	-8,0%	
For the period of on-the-job training	5 925	6 309	6 944	7 696	8 174	6,2%	
For the period of seasonal work	8 863	9 329	12 854	14 375	13 757	-4,3%	

STAFF TURNOVER DURING THE REPORTING PERIOD

Indicator	2015	2016	2017	2018	2019	Changes, %	Comments
total	7,4%	7,5%	6,7%	6,4%	6,7%	4,7%	
By gender	The use of data in this classification is not relevant in information processing and reporting.						
By age	The use of data in this classification is not relevant in information processing and reporting.						



SIGNIFICANT PROJECTS AND ACHIEVEMENTS IN 2019



In 2019, we managed to bring qualified personnel to the Company under the Long-Term Development Program of JSCo RZD. Key HR indicators are within the target values.

JSCo RZD devoted the year of 2019 to the development of human capital, the result of which is the implementation of a large number of projects aimed at improving the efficiency of personnel and improving services for employees of JSCo RZD.



- an updated model of corporate competencies was approved;
- a long-term program of development of cooperation between JSCo RZD and university complexes was prepared;
- the Concept of development of career guidance activities at JSCo RZD was approved;
- on the basis of children's railways (DZdD), three children's technological parks "Quantorium" were opened in Chita, Svobodny and Yuzhno-Sakhalinsk;
- the process of personnel recruitment in the labor market for the central office of JSCo RZD was implemented;
- professional skills contests were held in accordance with WorldSkills standards in pilot mode;
- the implementation of the Plan to attract and preserve personnel at the enterprises located in the territory of Baikal-Amur Mainline was started;
- Approximately 1,000 events were held for young employees covering more than 200,000 people;
- the internship for students of non-railway universities RZD.Generation was arranged;
- training centers for professional qualifications obtained a license for training under programs of additional vocational education;
- the Corporate University received a certificate from the World Organization of Corporate Universities;
- according to the Russian Public Opinion Research Center (VCIOM), JSCo RZD is among the three most desirable places of employment for Russians;
- new functionalities of the Service Portal for JSCo RZD employees were developed;
- JSCo RZD became the prize-winner of the All-Russian competition of the best practices of mentoring in production;
- the project on the EVP development of JSCo RZD, a common value proposition for target audiences of the Company, namely workers, engineers, line managers, and specialists with new (not only railway) competencies, was implemented;
- the Career Portal of RZD Holding was developed and launched.

CORPORATE CULTURE OF JSCO RZD

The Company pays great attention to the corporate culture and atmosphere within the teams, as well as the maturity of the internal communications system.

Regular research of the satisfaction and involvement of staff, their loyalty to the Company as an employer, the attractiveness of the Company in the labor market are the basis for changes in personnel management processes.

THE MAIN RESEARCH TOPICS ARE:

- perception of the Company values by employees;
- assessment of the state of organizational practices specific to the corporate culture of the Company, standards and attitudes shared by employees;
- evaluation of the role of managers at different levels in the development of the corporate culture, promotion of values and ethical principles of the Company;
- the level of engagement of employees and commitment to the Company;
- the level of satisfaction of employees with their work and the factors affecting it;
- employer brand research.

The corporate culture of JSCO RZD has unique features, namely a rich history and traditions, the scale of the Company and business globality, professionalism and skills, the continuity of knowledge and experience. These are the basic values that guide us in building and improving our corporate culture.

JSCO RZD uses a differentiated employee reward system. Awards are presented on a regular planned basis, which is implemented within the framework of the state award system adopted in Russia: from corporate and departmental to state awards.

By the Order of JSCO RZD "On Types of Incentives at JSCO RZD" (as subsequently amended) dated June 15, 2018, 27 types of corporate awards and the award criteria for nominees were established. Regarding the presentation of state awards, systematic work is carried out on selection and presentation of nominees, interaction with authorities at all levels to approve nominees.

In addition, the Company holds competitions of labor teams and employees of JSCO RZD. The results of competitions of labor teams are summed up quarterly. In 2019, two new types of incentives were established for employees of the Company, namely the badge "For Special Contribution to the Development of JSCO RZD" of four ranks and the title "Mentor of JSCO RZD".

In order to involve employees in the processes of efficiency improvement and development, JSCO RZD actively uses the means of project activity, particularly in terms of creation of new means of non-financial motivation of staff to improve the effectiveness of the current staff motivation system.

The scale of activity and stability of the Company are important for employees of JSCO RZD, and we truly believe that our work is important for the whole country and are proud of such responsibility. However, labor market trends show that employees of large corporations are paying increasing attention to patterns of different employers, primarily those top ranked as the best employers. Therefore, in 2019, JSCO RZD focused on increasing its attractiveness in the labor market and increasing the loyalty of staff through the systemic work with the employer brand at the Company — shaping the concept of HR brand and communication strategy for its promotion, segmenting the Company's advantages and offers for different target audiences, including students — railway and non-industry, developing digital communication channels.



FEEDBACK AND INFORMATION TO EMPLOYEES

SOCIOLOGICAL RESEARCH

In 2019, sociological research at JSCo RZD continued.

During the year, the Company conducted 16 corporate studies covering 117 thousand employees of the Company and 158 local studies, which involved 22 thousand employees. The following topics were studied: social well-being and labor satisfaction, staff engagement, employee information system, basic human resources management processes, working conditions for women, and other relevant issues.

Information obtained through sociological research is taken into account in the planning of social and human resources measures to improve the social and psychological climate and increase personnel engagement, and in the development of measures to address managerial, organizational and production issues.

INFORMING EMPLOYEES

We continue to improve the internal communications system of the Company, and one of the key goals for the coming years is to synchronize communications with employees and applicants based on the omnichannel principle.

The development of internal communication channels of the HR unit of the Company is carried out on a regular basis, including the Employee Service Portal of

JSCo RZD as a single information space aimed at simplifying the interaction of employees with the employer.

In 2019, in addition to existing corporate communication channels, "HR-Digest" started to be published on a quarterly basis, the main task of which is to provide explanations on the main processes of the HR cycle of the Company and materials for personal development. The regular publication of materials in corporate media and on electronic platforms in social media continued.

"HOTLINE" FOR EMPLOYEES OF JSCO RZD

The Company traditionally takes measures to get feedback from staff. One of the main feedback channels of JSCo RZD is the Unified Information and Reference Resource "Hotline" for employees of RZD (8-800-100-1520), which has been operating since 2012. It is aimed at providing advice and considering applications of employees of the Company, their families and pensioners of the railway industry.

In 2019, the Unified Information and Reference Resource "Hotline" received more than 16.2 thousand phone calls, which is 3% more compared to 2018. Including: during more than 12.7 thousand calls operators gave advice using the online knowledge base, more than 3.5 thousand calls are registered as applications requiring in-depth review with the participation of involved units.



STAFF TRAINING AND DEVELOPMENT



The key result of the work in this area is the development and approval of the Program of Interaction of JSCo RZD with university railway transport complexes until 2025.

In order to meet the Company's needs for highly qualified specialists in the long term and contribute to scientific cooperation between JSCo RZD and universities, a program of interaction of JSCo RZD with university railway transport complexes until 2025 was developed in 2019.

TRAINING OF SPECIALISTS WITH HIGHER AND SECONDARY VOCATIONAL EDUCATION

Also, Order No. 1229/r of JSCo RZD dated June 19, 2019 approved the regulations for equipping the training and laboratory base of educational railway transport institutions of higher and secondary vocational education. The assessment of the compliance of the existing training and laboratory base with new requirements was completed.

Re-equipping will start in 2020 as part of networking cooperation with universities. The procedure for arranging the networking of educational programs and the form of a model contract with universities were approved by Order No. 2565/r of JSCo RZD dated November 19, 2019.

In 2019, in cooperation with sectoral higher education institutions, the training of specialists with higher and secondary vocational education continued. At the end of 2019, more than 31 thousand students were trained in university railway transport complexes at the request of JSCo RZD.

In 2019, 88 new scholarships were established for the most successful students of sectoral universities, including 10 scholarships named after G.M. Fadeev and 78 scholarships named after prominent railway workers. The establishment of the above scholarships will allow to increase the academic and creative activity of students of sectoral universities.

In 2019, regulations for equipping the educational and laboratory base of educational railway transport institutions of higher and secondary vocational education were approved. Re-equipping will start in 2020 as part of networking cooperation with universities. This will improve the quality of training of specialists for JSCo RZD.

In 2019, classrooms were decorated in a corporate style and co-working spaces were created for out-of-audit activities of students in 4 sectoral universities, namely the Russian University of Transport, Emperor Alexander I St. Petersburg State Transport University, Irkutsk State University of Railway Transport, and Rostov State University of Railway Transport. In 2020, the creation of branded premises in all sectoral universities will be completed. Branded premises are created to promote the brand of JSCo RZD as an attractive modern employer. They allow to quickly inform students and teachers about trends in the industry, activities of JSCo RZD and youth projects of the company.

In 2019, the Russian University of Transport hosted the opening of the undergraduate program on the training of economists in "Labor Economics" on the terms of 50/50 co-financing tuition fees. 30 people were enrolled in the program.

In 2019, the Russian University of Transport hosted the opening of the master's program 23.04.02 "Ground Transport and Technological Complexes" with the specialization in "Passenger Rail Transport Complex". The program was developed at the request of the Company's passenger unit. 28 employees of the Company were enrolled in the program.



THE PROGRAM PROVIDES FOR STRENGTHENING PARTNERSHIP WITH SECTORAL UNIVERSITIES IN 8 AREAS:

- 01** meeting the need of JSCo RZD for highly qualified specialists;
- 02** improvement of the educational process;
- 03** development of heads and academic staff of sectoral universities;
- 04** development of the infrastructure of sectoral universities;
- 05** development of an attractive HR-brand among applicants and students;
- 06** international cooperation;
- 07** development of the scientific potential of sectoral universities;
- 08** participation of JSCo RZD in the management of university railway transport complexes.



DEVELOPMENT OF MANAGEMENT SKILLS



RZD Corporate University implements professional retraining and development programs aimed at developing corporate and professional competencies of managers.

In the sectoral education system, RZD Corporate University has been responsible for training managers of strategic and tactical levels of management since 2010. As of 2018, within the framework of educational franchises, the university oversees the training of managers of linear management level in railway transport universities.

TRAINING OF MANAGERS AT RZD CORPORATE UNIVERSITY

In 2019, more than 86 thousand students were trained at the university, more than 150 educational programs of various categories were implemented, namely personnel reserve development programs, specialized programs, programs to assess the competencies of managers, programs for young employees of the Holding, mandatory programs (labor protection, environmental safety, etc.).

In accordance with the updated Model of Corporate Competences of JSCo RZD at the end of 2019, a new ideology of personnel reserve development programs was developed and a step-by-step update of educational programs is carried out.

The best graduates of the "Corporate Strategy" personnel reserve development program were trained under the "Corporate MBA" program, as part of which they took part in the foreign "i3 (Innovation, Internationalization, Execution)" module in IE Business School (Spain), one of the leading European business schools.

The set of educational solutions in support of digital transformation of business was expanded. In 2019, the program "Digital Transformation of the Company: Design of Digital Initiatives" was developed and implemented on the basis of the "design thinking" methodology aimed at preparing managers and professionals to create digital products and services.

Multipurpose professional programs aimed at acquiring new professional competencies by highly effective employees of the Company are being developed ("The New Reality of Human Resource Management" and "Human Resource Management and Organizational Structure").

86thou.
students
IN 2019 YEAR

150
EDUCATIONAL
PROGRAMS

IMPLEMENTATION OF EDUCATIONAL PROJECTS



15 vocational training centers with 66 divisions as part thereof, which are located from Kaliningrad to Sakhalin, form the basis of the corporate system of vocational training. They meet the 80% need of the Company's subdivisions for skilled employees in main railway professions. In training centers, employees are trained under plans and programs developed on the basis of requirements of professional standards.

RESULTS OF 2019:

More than 51.5 thousand employees of leading professions were trained, including:

32.7 thousand employees trained for the first time, 6.1 thousand employees retrained, 12.7 thousand employees trained for the second profession;

More than 175.8 thousand people have improved their qualifications during courses in training centers, technical schools and colleges

IMPLEMENTATION OF EDUCATIONAL PROJECTS

In 2019, the practice of training managers of foreign railways — partners of JSCo RZD (Finland, Mongolia, Armenia, Korea, India) continued to apply. The goal is to build a new system of communication between partners, form a unified view of problem areas of interaction.

- More than 25 strategic and moderation sessions were held at the request of the functional units of RZD Holding. About 1,000 managers of strategic and tactical levels of management were the participants.
- A series of master classes was arranged for board members and directors of JSCo RZD ("Master Club" project). In 2019, the project was continued in the form of the staff development program "Development of Managerial Competencies" for heads of departments, branches, subsidiaries and affiliated entities of JSCo RZD.
- Coaching programs were developed in cooperation with experts from leading business schools for the winners of the open contest of new generation managers "Leaders of Russia".
- 10 foreign internships were arranged for managers and specialists of RZD Holding in the following countries: Austria, France, Germany, China, Korea, Japan, and Spain.

GLOBALCCU INTERNATIONAL CERTIFICATION

In 2019, RZD Corporate University successfully passed an assessment of its compliance with international requirements and successfully passed the GlobalCCU (The Global Council of Corporate Universities) certification. The certification confirms that the development of human capital at RZD Holding complies with international standards of business education.

REMOTE LEARNING SYSTEM

In 2019, users switched to a new version of the remote learning system (RLS). By the end of 2019, more than 160 courses were placed in the RLS, more than 94 thousand

human courses were passed by employees. As part of the development of remote learning, a course designer was created, which allows employees of the Company to create training courses themselves, as well as a module for planning and converting webinars. A prototype course aggregator was implemented to expand the capabilities of RLS with MOOC platforms, such as Stepik, Coursera and OpenEdu. This will allow to use a large number of constantly updated courses from leading universities and practitioners of the Russian Federation, as well as leading world universities.

NEW UNIVERSITIES — PARTNERS OF CORPORATE UNIVERSITY PROGRAMS

The expansion of the scope of training of linear level managers under the programs of development of managerial competencies and study of the basics of lean production was ensured on the basis of railway transport universities. More than 3,500 managers were trained under these programs.

RESULTS OF 2019:

More than 51.5 thousand employees of leading professions were trained, including:

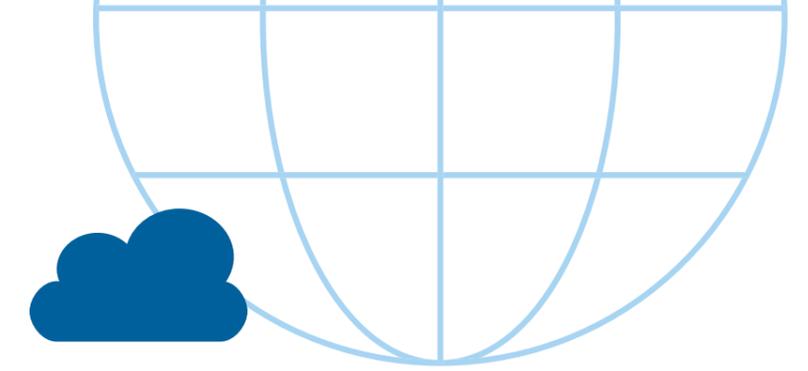
- 32.7 thousand employees trained for the first time, 6.1 thousand employees retrained, 12.7 thousand employees trained for the second profession;
- more than 175.8 thousand people have improved their qualifications during courses in training centers, technical schools and colleges.

YOUTH POLITICS



At the end of 2019, the share of young employees under the age of 35 was 39.8% of the total number of employees of JSCo RZD, the share of young employees under the age of 30 was 22.7%.

Since 2006, the Company has been implementing the target program "Youth of JSCo RZD" aimed at developing professional and corporate competencies of young employees and their active involvement in the solution of operational and strategic tasks of RZD Holding. At the end of 2019, more than 200,000 people participated in the activities implemented under the target program.



COMPANY DAYS AT THE UNIVERSITY

In order to shape the brand of RZD Holding as an attractive employer, the Company Day was held at the university on the basis of 9 support educational institutions and their branches, as well as in 54 colleges and technical schools of railway transport. 4,368 people — senior students of all areas of training and young people aged 18-26 took part in the events.

STUDENT SQUADS

The year of 2019 marked the 60th anniversary of the movement of student squads in the country. As part of the summer labour term, more than 10,000 students worked at the facilities of JSCo RZD in several areas of activity: conductor squads, construction squads, pedagogical, as well as medical squads that were brought in for the first time. In addition, as part of the anniversary year, JSCo RZD and the Youth All-Russian Public Organization Russian Student Squads entered into a partnership agreement on the development of movement of student squads. A memorial plaque dedicated to the departure of the first student construction squad to the Republic of Kazakhstan during the working season in 1959 was installed at the Kazansky railway station.

"LEADERS OF CHANGE" PROJECT

The development program prepared for the finalists of the "Leaders of Change" project was completed (three modules were held during the year). 39 people were graduates of the program.

INTERNATIONAL COOPERATION

For the purpose of development of international youth cooperation, with a view to building a sustainable pool of young employees fluent in foreign languages, as well

as for the purpose of preparation for participation in international youth programs, JSCo RZD conducted a competitive selection of high-potential young managers and specialists, which was attended by more than 400 candidates from all over the railways network.

As part of the applicable Memorandum of Cooperation in the field of human resources development, the VII cycle of the experience sharing program "Young Talents" was held with the participation of the State Corporation Austrian Federal Railways, including internships for young Austrian managers and specialists at the facilities of JSCo RZD, as well as a return visit. 29 young managers and specialists of RZD Holding and State Corporation Austrian Federal Railways took part in the program.

As part of the applicable Cooperation Agreement, the V cycle of the experience sharing program "Young Professionals" was held with the participation of JSC German Railway, including internships for German managers and specialists at the facilities of JSCo RZD, as well as a return visit. 28 young Russian and German railway employees took part in the event.

As part of the applicable Memorandum of Cooperation in the field of human resources development, the Finnish delegation was hosted at the site of the Oktyabrskaya Railway from October 28 to November 1, 2019, and the IV cycle of the experience sharing program "Young Leaders" with the participation of VR Group (a railways company of Finland) was launched. 15 young managers and specialists of RZD Holding and VR Group took part in the program.

YOUTH PROJECT CONTEST "NEW LINK"

In order to develop the engineering and technical potential and involve young people in solving corporate issues and the innovative development of JSCo RZD, the contest "New Link 2019" was held, for the participation

in which 1,704 projects were submitted from more than 4,000 young employees of RZD Holding. The final stage of the contest was held as part of the XII Annual Meeting of JSCo RZD Youth, which was attended by 135 young employees. 114 representatives of the Central Expert Group and 11 representatives of the Competition Commission were involved in the evaluation of the projects. In the final of the competition, an exhibition of 55 finalists projects took place, which were presented and defended before the management of the Company, 3 winners and 7 laureates of the competition were determined.

COMMUNICATION AND TRAINING EVENT "YOUNG PROFESSIONAL"

In order to promote working professions, develop a responsible attitude of working youth to their work and involve them in ensuring traffic safety and occupational safety, the "Young Professional" project was implemented throughout the railway network, in which about 1,600 young workers took part.

CORPORATE YOUTH LEAGUE "WHAT.WHERE.WHEN.RZD"

For the purpose of development of the intellectual potential of youth of RZD Holding, more than 7,000 young railway employees took part in the Corporate Youth League "What.Where.When.RZD", and around 110 qualifying games were held. The final game was held as part of the XII annual Meeting of JSCo RZD Youth, and the

team of the Privolzhskaya Railway "Prigorodny Express" won the contest.

XII ANNUAL MEETING OF JSCo RZD YOUTH

In the period from September 23 to September 28, 2019, the XII annual Meeting of JSCo RZD Youth was held, which was attended by about 600 young employees of the Company, as well as representatives of youth from 20 railway administrations, manufacturers of railway equipment from 19 countries of Europe, Asia and North America. High-potential employees, representatives of the engineering and technical units of the Company, HR specialists, youth of working professions, as well as young volunteers and activists took part in the multi-threaded program of the Meeting. The program included a range of communication, educational and team-building events, communication with the management of the Holding, as well as meetings with leading experts in the field of transport market, technology, innovation and business.

SPORTS TEAM-BUILDING EVENT "TEAM 2030"

In order to promote healthy lifestyles throughout the railway network, the "Team 2030" event was held, in the framework of which more than 2,000 young employees took part in sports and intellectual competitions. A separate activity prepared for participants of the XII Annual Meeting of JSCo RZD Youth, where about 500 people participated, completed a series of events.

Also in 2019, JSCo RZD took part in the first championship of corporate teams of the game "What? Where? When?" arranged by the Association of Citizens and Organizations for the Promotion of Corporate Education (MAKO). In the spring and summer series JSCo RZD was represented by the "Friends of Platonov" team (South Ural Railway), while in the autumn series it was represented by the "Prigorodny Express" team (Privolzhskaya Railway).

ADAPTATION SYSTEM

The Uniform Young Worker Adaptation Days were held at the sites of 16 railways: 4,500 people attended 45 events. Within the framework of the events, the business simulation "My Way to RZD", meetings with railway management, success stories from graduates of youth programs, the "RZD Today" lecture, a fair of corporate social services and visits to industrial and social infrastructure facilities of JSCo RZD and advanced railway enterprises were arranged.

CAREER GUIDANCE

The implementation of career guidance work at JSCo RZD is due to the need to educate proactive, innovative-minded and responsible professionals capable of mastering new technologies and management methods, offer out-of-the-box solutions, develop the Company and grow with it.

JSCo RZD is the founder of 98 private educational institutions (21 boarding schools and 77 kindergartens).

The number of students is 25.6 thousand people, including 18.2 thousand pupils of kindergartens, while children of employees of JSCo RZD make up 89.8%.

Students of lyceums and boarding schools of the Company were among the prize-winners and winners of competitions, such as "Transport of the Future", the United International Olympiad "Formula of Unity"/"Third Millennium"; All-Russian Competition of Youth Research Works named after V.I. Vernadsky;

All-Russian Educational and Competition Program in Science, Art and Sports "Big Challenges"; All-Russian youth competitions "Panorama of Educational Cooperation — 2020", "National Treasure of Russia" and "Young Researcher"; the 59th offsite physical and mathematical Olympiad; the XXI multidisciplinary tournament named after M.V. Lomonosov.

Preschool educational institutions also came up trumps: four kindergartens of JSCo RZD (No. 103, Liski station of South Eastern Railway; No. 241 and No. 239, Tygda and Ushumun stations of the Trans-Baikal Railway; No. 246, Ussuriysk station of the Far Eastern Railways) were among the 1,000 best kindergartens in Russia according to the results of the All-Russian viewing competition "Model Kindergarten 2019-2020".

There are 25 children's railways (DZhD) in the JSCo RZD system, which are unique centers of career guidance in Russia and are focused on attracting young people to the Company.

In 2019 young railway employees were represented by more than 18 thousand people, 1 thousand people of which became students of universities and technical schools of railway transport, which was 53% of the total number of graduates of DZdDs. Three children's technological parks "Quantorium" were opened in Yuzhno-Sakhalinsk, Chita and Svobodny. Over 633 thousand people became passengers of children's railways during the summer period.

In 2019, JSCo RZD established a flexible system of career guidance, which includes several



areas: implementation of specialized programs in educational institutions; teaching of primary professional skills (immersion in the profession) in DZHDs; introduction of thematic shifts in children's health camps of the Company and in federal children's centers, implementation of corporate career guidance projects.

Over the course of the year, more than 20 career guidance events were held, the largest of which were: profile shifts "Country of Railways" at the International Children's Center "Artek"; project shift "Big Challenges" at the Educational Center "Sirius"; participation in the All-Russian Forum of Career Guidance "ProeKTOriYa"; corporate project "Open Doors of the Company", the opening of three children's technological parks "Quantorium"; competition of children's drawings among pupils of orphanages "I am a Future Railway Employee", competition of essays on railway transport among students.

BASIC ETHICAL PRINCIPLES OF JSCO RZD

- be hard at work. This means that employees shall perform their duties accurately and diligently, observe their business obligations, fulfill their plans, be intolerant of corruption in all its forms, vindicate the high honor of being an employee of JSCO RZD;
- be proud of the title of employee of JSCO RZD. Every employee of JSCO RZD is proud that he/she works for the Company with a unique history, rich traditions and ambitious plans. It is our duty to respect the traditions and honor the veterans of the industry, maintain and improve the reputation

of JSCO RZD as a dynamically developing national transport company;

- feel yourself part of the whole. To be part of the team means to carefully and honestly treat colleagues, managers, subordinates and to put the interests of the team and JSCO RZD above personal interests. Our strength lies in trusting each other, in well-coordinated teamwork;
- leverage your skills. To adopt the experience accumulated by generations, creatively use it at work to achieve the result, develop professionalism, skills, pass on experience to young employees;
- be result-oriented. Following this principle, we remember that the results of our work are always concrete and evidenced by an increase in profit of JSCO RZD, by the implementation of new projects, customer satisfaction, and people's trust;
- make informed decisions. Realizing that our decisions can affect the interests of many citizens and organizations, we only make informed decisions. We make all decisions based on the principle of safety priority and risk minimization, as well as economic feasibility and compliance with the commercial interests of JSCO RZD;
- comply with the commercial interests of JSCO RZD. We develop a culture of continuous improvement, earn and save money where it is not contrary to laws and ethics, without prejudice to quality and safety;
- be a leader. JSCO RZD is the leader of Russian business, and, by maintaining its reputation, employees should act in a leadership manner: we lead, are not afraid of change, we serve as a model

for colleagues and those who are not employees of JSCO RZD;

- strive for new things. We always strive for excellence, find opportunities to achieve better results, innovate, gain new knowledge, professional and personal self-development. The introduction of new things is the key to the growth and prosperity of JSCO RZD and the key to personal development of employees.

ensure equal rights and opportunities for all persons when hiring and promoting, regardless of gender, age, race, nationality, language, origin, financial situation and official position, place of residence, religious and political beliefs. The Company adheres to a tolerant attitude towards the ideological, personal and physiological differences of employees.

THERE WERE NO DISCRIMINATION INCIDENTS AT THE COMPANY.

FORCED LABOUR INCIDENTS, CHILD LABOUR INCIDENTS

JSCO RZD strives to constantly adhere to the principles of the Global Compact in its business practice, which brings together the efforts of companies, United Nations agencies, workers and civil society to implement the 10 universal social and environmental principles. For this purpose, JSCO RZD joined the project of the Russian Union of Industrialists and Entrepreneurs, namely the Social Charter of Russian Business, which is based on the principles of the UN Global Compact (the entry in the register of participants dated March 18, 2008).

THERE WERE NO FORCED LABOR OR CHILD LABOR INCIDENTS AT THE COMPANY.

ANTI-DISCRIMINATION POLICY

In accordance with the Code of Business Ethics of JSCO RZD (Order No. 1143r dated May 6, 2015), the heads of branches and structural divisions of the Company

THE BASIC ETHICAL PRINCIPLES OF JSCO RZD CONSIST IN PUTTING PEOPLE FIRST. FOR US, PEOPLE ARE THE CORE ASSET OF THE COMPANY



BEHIND THE STATISTICS WE ALWAYS SEE A SPECIFIC PERSON, I.E. AN **EMPLOYEE, PASSENGER, CUSTOMER**. EVERYTHING THAT JSCO RZD DOES IS DONE FOR THE CONVENIENCE AND BENEFIT OF PEOPLE

EMPLOYER BRAND

In order to promote the brand of JSCo RZD as an employer in the student environment and to bring in young professionals who have intellectual and innovative potential to the Company, including at the junction of various fields of knowledge, the first program of internships RZD.GENERATION was launched in 2019 to attract students and graduates of the best Russian universities to work on projects strategically important for the Company

Based on the results of the three-stage selection, 30 trainees were chosen from 600 candidates who applied for the internship.

2019 INTERNSHIP FORMULA:

- 6 ambitious projects in the divisions of RZD Holding in Moscow;
- 6 agile teams as a part of interns of various specialties;
- 6 mentors from the divisions of RZD Holding;
- 3 months of work on projects.

As a result of the internship, 10 of the most striking children were offered employment in divisions of the RZD Holding.

SPIRITUAL AND MORAL AND PATRIOTIC EDUCATION OF YOUTH, DEVELOPMENT OF CORPORATE YOUTH VOLUNTEERING

- About 350 campaigns were implemented in 7 thematic areas aimed at the development of corporate volunteering, the number of participants was about 85,000 people. The projects and activities are aimed at helping elderly people, including railway veterans, socializing and career guidance for children, providing humanitarian assistance, maintaining health and a healthy lifestyle, environmental education, preserving cultural and historical heritage, developing the railway industry, and promoting a safety culture at railway infrastructure facilities among the population. In addition, 10 projects — winners of the competition “Best Practices of Corporate Volunteering”, which took place in 2018, were replicated to the railway network.
- In order to systematize the voluntary activity, the communication and educational event “Young Volunteers of RZD” with 65 participants took place in December 2019. The event was mainly devoted to social design aimed at improving the standard of living of veterans and non-working pensioners, including projects and campaigns dedicated to the 75th anniversary of the Victory in the Great Patriotic War.
- In addition, 14 young volunteers of RZD took part in the business program of the International Volunteer Forum.



COLLECTIVE AGREEMENT OF JSCO RZD



The Company has maintained the status of socially responsible employer, all obligations under the Collective Agreement of JSCO RZD for 2017-2019 were in general fulfilled in 2019.

In 2019, social stability was ensured in labor collectives on the basis of a balanced and effective personnel and social policy of the Company, and there was no collective labor dispute at all.



The Collective Agreement of JSCO RZD is one of the important motivational tools of the system of attracting and retaining personnel.

ITS MAIN FUNCTIONS – ARE SOCIAL PROTECTION OF EMPLOYEES, MAINTENANCE OF SOCIAL STABILITY IN LABOR COLLECTIVES, INCREASED ATTRACTIVENESS OF JSCO RZD IN THE LABOR MARKET AND DEVELOPMENT OF SOCIAL PARTNERSHIP.

In 2019, a new Collective Agreement of JSCO RZD for 2020-2022 was signed, which keeps all guarantees and obligations to employees, their families, veterans and pensioners.

Within the framework of the Collective Agreement of JSCO RZD, one of the best social packages for employees and non-working pensioners among the organizations of the Russian Federation has been created, aimed at ensuring social stability in labor collectives.

In 2019, expenses related to the provision of a social package within the framework of the Collective Agreement of JSCO RZD amounted to **44 billion rubles for employees and their families** and **3.8 billion rubles for non-working pensioners**.



IN THE NEW COLLECTIVE AGREEMENT OF JSCO RZD FOR 2020-2022:

- the monthly allowance for persons on parental leave taking care of a child from 1.5 to 3 years old was increased to 5,100 rubles;
- the amount of insurance paid in case of death of an employee of JSCO RZD was increased to 24,000 rubles and to 7,200 in case of death of a non-working pensioner of JSCO RZD;
- the amount of financial assistance to dismissed servicemen who were engaged in military service by conscription and were employed by JSCO RZD within 3 months from the date of discharge from military service was increased to 5,100 rubles for returning to work in the Company

Under the conditions of reforming the state pension system connected with increasing the retirement age from January 1, 2019, employees who joined the corporate pension system of JSCO RZD before January 1, 2019 are given the possibility to apply for a corporate pension upon reaching the age of 55 years (women) and 60 years (men) in case of dismissal from JSCO RZD, at their own request or due to a reduction in the number of employees or staff reduction.

Since 2019, in order to improve the social and personnel situation at the enterprises of the Baikal-Amur Mainline, employees of JSCO RZD working in the area of the Baikal-Amur Mainline (from the Lena station to the Sovetskaya Gavan station) were granted the right to use air transport instead of rail transport for spending vacation on the Black Sea coast of the Russian Federation. The procedure and conditions of granting this right are established by Order No. 1874r of JSCO RZD dated August 23, 2019.

The amount of financial assistance at the birth (adoption) of a child was increased to 5,100 rubles in excess of the allowance established by the legislation of the Russian Federation

PRIORITY DIRECTIONS OF DEVELOPMENT UNDER THE COLLECTIVE AGREEMENT OF JSCO RZD

The Collective Agreement of JSCO RZD is one of the important motivational tools of the system of attracting and retaining personnel. Its main functions are social protection of employees, maintenance of social stability in labor collectives, increased attractiveness of JSCO RZD in the labor market and development of social partnership.

A flexible system of social benefits that takes into account the needs of each group of employees is currently being introduced. Representatives of each generation (XYZ) have different goals, lifestyle, needs and expectations from work and employer.

TODAY, JSCO RZD POSSESSES ALL THE MAIN INFORMATION TOOLS DIRECTLY AIMED AT INCREASING TRANSPARENCY AND SIMPLIFYING THE PROCESS OF OBTAINING BENEFITS, GUARANTEES AND COMPENSATIONS, SUCH AS:

- corporate television of JSCO RZD, which broadcasts news stories about the structure of the Collective Agreement, the process of obtaining benefits, relevant interviews with representatives of RZD Holding;
- The JSCO RZD hotline is 8-800-100-1520;
- Intra-corporate awareness-raising publications for employees of the Company.



MAINTENANCE OF HEALTH AND HEALTHY LIFESTYLES

DISEASE PREVENTION

- In order to ensure the continuity and safety of the transport process, there are 137 non-governmental and private health institutions, namely 83 hospital facilities with 15.9 thousand 24-hour-care beds and 54 polyclinic facilities, operating as part of JSCo RZD.
- The Company's healthcare provides the medical component of train safety — in 2019, more than 1.8 million mandatory preliminary and periodic medical examinations and more than 29.4 million pre-flight medical examinations were carried out. In 2019, there was zero level of the number of emergencies caused by poor health condition of employees of JSCo RZD.
- In 2019, in order to improve the quality of periodic medical examinations of employees working in harmful and dangerous working conditions, a network of professional pathology centers (17 centers as of the end of 2019) was established at health institutions RZD-Medicine, which ensures a closed cycle of medical examinations of trainees of JSCo RZD and allows to implement programs for the prevention of occupational diseases.
- About 2.5 million people were attached to the facilities for medical support.

- In the structure of the attached contingent, there are 30.3% of employees of JSCo RZD, 14.7% of pensioners of railway transport, and 55.0% of residents of municipalities. In 2019, specialized medical care was provided to 761,5 thousand patients, including 182,9 thousand (24%) employees of JSCo RZD and 107.3 thousand (14%) non-working pensioners of JSCo RZD, in hospitals (including day hospitals). More than 24.9 thousand people were provided with high-tech medical care, which is 2.0% more compared to 2018.
- In 2019, the rate of morbidity with temporary disability of employees of JSCo RZD was 55.8 cases per 100 employees and 699.5 days per 100 employees

CLINICAL EXAMINATION

In 2019, a unique program of clinical examination was developed and implemented for employees of the Company, which includes a complex of highly informative screening diagnostic measures depending on gender and age, taking into account different disease development risk factors.

In order to provide primary health care to employees living in remote and inaccessible regions, mobile

consultative and diagnostic centers continued to work in 2019, 22 working trips were made, more than 22.5 thousand patients were observed by medical specialists.

PREVENTIVE VACCINATION

In 2019, 436.3 thousand employees (coverage — 66.7% of the total number) were vaccinated, including 307.0 thousand employees of the 1st category of work (coverage — 79.2%), including workers from the group of drivers and their assistants — 114.5 thousand people (coverage — 81.4%).

Against the background of a consistently high vaccine prevention coverage, there is an annual decrease in the rate incidence of influenza among employees of JSCo RZD from 31.8 cases per 1,000 employees in the 2015/2016 epidemical season to 5.9 cases per 1,000 employees in the 2019/2020 epidemical season.

The Company purposefully promotes the idea of a healthy lifestyle. In 2019, within the framework of the activities of the working group to promote a healthy lifestyle among employees of JSCo RZD, the development of the Concept of a Healthy Lifestyle at JSCo RZD for 2020-2024 started.

Pursuant to the decisions of the minutes of the 2018

final meeting of the Board of JSCo RZD, an Action Plan for Implementation of the System of Healthcare Network Standards of JSCo RZD (including standards of medical activity and management of the network of health institutions) was developed for 2019, and its implementation is ensured.

In total, more than 686.7 thousand employees of JSCo RZD passed clinical examination, the coverage of clinical examination was 99.3%.

According to the results of clinical examination.

- the 1st group of health status made up 31.5% (versus 31.5% in 2018);
- the 2nd group — 30.7% (versus 30.4% in 2018);
- the 3rd group — 37.1% (versus 38.1% in 2018)).



IN 2019, JSCO RZD TOGETHER WITH ROSPROFZHEL AND CHARITY FUND "HONOR" IMPLEMENTED THE PROJECT "TO VETERANS WITH GRATITUDE" TO CELEBRATE THE 180TH ANNIVERSARY OF RUSSIAN RAILWAYS.

The purpose of the project "To Veterans with Gratitude" is to reward honored railway veterans who made the considerable contribution to the development of Russia's railway transport and ensure their rehabilitation in health resorts of JSC RZD-HEALTH. 302 veterans had rest in health resorts of JSC RZD-HEALTH ("Ivushka", "Aquamarine", "Narzan Valley" of Nalchik) as part of the project.

HEALTH OF EMPLOYEES, THEIR FAMILIES AND NON-WORKING PENSIONERS

CHILDREN'S HEALTH IMPROVEMENT

A significant place in the social activities of Russian Railways is held by the annual children's health campaign. Children's health improvement is organized both on the basis of their own facilities, and in the health resorts of the Black Sea coast with the additional purchase of tickets.

The children's health campaign in 2019 was carried out on the basis of 68 social facilities of Russian Railways and at 3 sites located on the Black Sea coast ("Pearl of Russia" and "Shakhty Textile" in the Krasnodar Territory and "Aivazovsky" in the Republic of Crimea). In the summer season, about 60 thousand children were organized rest and recreation, including 10 thousand children rested on the Black Sea coast.

More than 1 thousand children became participants in the thematic career guidance program "Country of Railways" at International Children's Center "Artek All-Russian Children's Center "Ocean", and All-Russian Children's Center "Smena" for free under the federal quota, having passed the competitive selection.

HEALTH IMPROVEMENT OF EMPLOYEES AND THEIR FAMILY MEMBERS

The care for health of main route workers is traditionally one of the priority directions of the Company's social policy.

When distributing and selling health resort vouchers, special attention is paid to employees directly engaged in the train movement safety assurance.

The sanatorium and resort complex of JSCo RZD and JSCo RZD-HEALTH includes a large number of versatile facilities that provide a wide range of services.

Currently, the Company has 63 facilities of JSCo RZD (health and recreation resorts, vacation hotels, recreation centers of JSCo RZD) and 19 health resorts of JSC RZD-HEALTH that specialize in health resort treatment and health improvement, where 101.1 thousand employees, their family members and non-working pensioners had rest in 2019 (more than 66.7 thousand employees of JSCo RZD among them).

For the major part of employees, the size of partial payment for a voucher for rehabilitation in health resorts of JSCo RZD and JSC RZD-HEALTH depends on a quarter during which sanatorium resort improvement and rest is provided (from 10 to 40%); for their family members, it is from 20 to 60%.

HEALTH IMPROVEMENT OF NON-WORKING PENSIONERS

Our duty is to respect traditions and honor veterans of the industry, to maintain and build the reputation of JSCo RZD as a dynamically developing national transport company.

For non-working pensioners, the size of partial payment for a voucher depends on the length of employment and a quarter during which sanatorium resort improvement is provided (from 5 to 50%).

In 2019, about 13,2 thousand non-working pensioners of JSCo RZD had rest at the facilities of JSCo RZD and JSC RZD-HEALTH.

PROJECTS IN THE FIELD OF SPORTS CULTURE



One of the directions for the implementation of the social policy of the Company is the promotion of activities in the field of physical education and mass sports. JSCo RZD attaches particular importance to the popularization of physical education and sports among its employees, the promotion of a healthy lifestyle, and the formation and development of corporate culture.

Mass sports is one of the most affordable means of increasing the cohesion of labor collectives, the development of mass sports and the promotion of an internal corporate competitive spirit. Competitions are held in accordance with the approved Unified Plan, within the framework of which qualifying competitions are held on the territory of railways at various levels (nodal, regional, road) and based on their results, national teams are formed to participate in corporate events.

In total, more than 150 thousand people took part in mass sporting events of the company in 2019. More than 1.5 thousand sports sections in the most popular sports, where 39.7 thousand people are engaged, including 35.5 thousand people, operate at sports facilities of Russian Railways. - railway workers and members of their families.

In 2019, 8 corporate events were held among the national teams of the railways. In order to maintain the continuity of industry sports traditions, 2 corporate competitions were held for children of railway workers.

In 2019, in order to massively attract company employees to regular physical education and sports,

systematic work was carried out on the entire railway network to form physical education and sports clubs (PSC) at the place of work, and more than 350 PSC were created.

As part of the events dedicated to the 45-th anniversary of the beginning of the construction of the Baikal-Amur Railway for non-working pensioners of Russian Railways, an international festival of sports and healthy lifestyles, Silver Autumn 2019, was held, in which more than 200 people took part.

With the support of Russian Railways and Charity fund "Honor", the public organization RFSO Lokomotiv held the Baikal-Amur online marathon, dedicated to the 45-th anniversary of the start of construction of the Baikal-Amur Railway.

With the support of the Company, professional sports clubs operating under the Lokomotiv brand held large-scale children's competitions in terms of numbers and geography (including international ones), in which not only children of railway workers, but also everyone who participated, took part: in football - "Lokobol-RZD", for basketball - "Lokobasket - School League", for volleyball - "Lokovoley", beach soccer master classes, also organized the festival of children's sports "Faster, Higher, Stronger" and the children's sports event "Lokobol-DOL".

Total number of children participating in these competitions reaches 200 thousand.



RESULTS OF THE 2019 UNIVERSIADE IN KRASNOYARSK.



The Universiade in Krasnoyarsk was held from March 2 to March 12, 2019. More than two thousand people from 58 countries came to the games. 76 sets of awards were given in 11 sports: biathlon, alpine skiing, curling, ski racing, snowboarding, orienteering skiing, figure skating, freestyle skiing, hockey, ball hockey and short track.

The torch with the Universiade fire was carried by Krasnoyarsk citizens who achieved success in sports, culture, art, education and science along the streets of the regional center. There was Olga Zheltova, a student of KrIZhT and Universiade volunteer, among the torchbearers.

A 24-hour volunteer site operated at the city's main passenger station. 20 employees representing its various subsidiaries became RZD volunteers. In anticipation of the tournament, all of them had passed special trainings, primarily in English, as well as in logistics of the tournament's facilities. At the beginning, the volunteers met delegations of guests of the Universiade, and during the tournament provided various assistance in navigation.



SOCIAL SUPPORT FOR EMPLOYEES

FINANCIAL AID

In addition to the social support measures provided for by the Collective Agreement of JSCo RZD, in certain cases the Company may provide social support measures to applicants due the occurrence of events for reasons beyond their control, which have a negative impact on the financial situation of applicants, such as:

- damage or loss of property as a result of natural disaster, fire, flood, illegal acts of third parties and other emergencies;
- the need to pay for expensive treatment in case if the treatment of the disease is not covered by the voluntary health insurance program or the cost of treatment exceeds the liability limit under the voluntary health insurance program;
- other adverse events.

TRANSPORTATION

JSCo RZD provides its employees with the possibility to travel by rail free of charge, under the terms and conditions established by the Company:

- Issuance of a ticket to travel from the place of residence to the place of work.
- One-time transport requirement for the issuance of a ticket to travel in compartment cars of long-distance trains of all categories in the territory of the Russian Federation.
- Annual transport requirement to travel in two directions on suburban routes on demand.
- Transport requirement for the issuance of a travel document (ticket) to travel for medical examinations.

- Provisional transport requirement for the purchase of food and goods for family and household needs.
- One-time consulting transport requirement for the issuance of a travel document (ticket) to travel to a medical and preventive institution in cars with reserved seats of trains of all categories.

VOLUNTARY HEALTH INSURANCE

Without exception, all employees who are in labor relations with JSCo RZD are provided with the opportunity to receive services at non-governmental healthcare institutions from the first day of work at the Company.

HOUSING POLICY

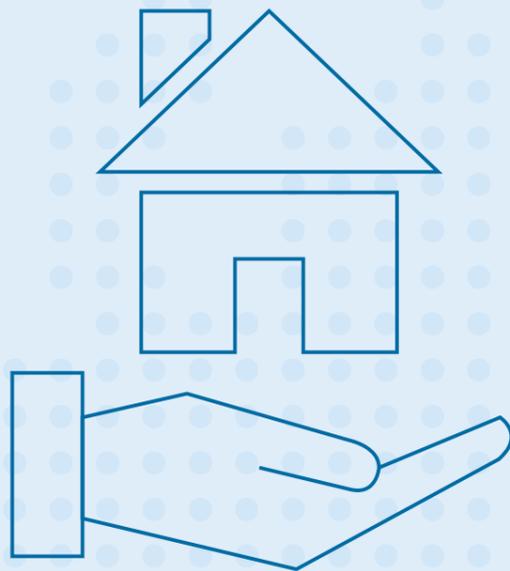
Implementation of the housing policy of JSCo RZD is an integral part of a single set of measures to improve the production and technological stability of JSCo RZD.

The solution of housing issues of JSCo RZD employees is a priority of the Company and is one of the main areas of social policy.

The concept of housing policy of JSCo RZD aims to solve two main tasks: financial support for employees in need of improvement of housing conditions and establishment of the housing stock to ensure the technological process of transportation.

The Company subsidizes employees who need better housing conditions and covers most of the costs of paying accrued interest on mortgages, when employees pay only 4.5% per annum, and young professionals pay only 2%.

In 2019, 2,622 employees received subsidized mortgage loans to purchase housing in the amount of 5.66 billion rubles.



OVER THE PERIOD OF 2006-2019, MORE THAN 41 THOUSAND EMPLOYEES OF JSCo RZD HAVE IMPROVED THEIR HOUSING CONDITIONS WITH THE FINANCIAL SUPPORT OF THE COMPANY.

Particular attention is paid to multi-child families and single parents raising children. 43 employees in this category were provided with non-repayable subsidies in the total amount of 80.4 million rubles, including 9 families of employees with five or more children in the total amount of 22.9 million rubles.

Young families, when children are born in the family during the period of payment of debts on a subsidized mortgage loan, are provided with a subsidy for repayment of loan debt in the amount of 200 thousand rubles. In 2019, 1,723 young families received such subsidy in the total amount of 345.2 million rubles.

JSCo RZD established a specialized housing stock and its management system, which means a set of processes: build-up (construction, acquisition), provision, use, maintenance and operation of accommodation premises.

THE ESTABLISHMENT OF THE COMPANY'S HOUSING STOCK IS ONE OF THE WAYS TO ENSURE TRANSPORTATION PROCESS BY LABOR RESOURCES, WHICH IS DUE TO THE FOLLOWING CRITERIA:

- the need for employees to live in the immediate vicinity of the place of work in order to ensure continuity of the technological process (workers of linear railway stations and sections);
- rotation of personnel;
- unfavorable conditions for the acquisition of housing by employees (climatic conditions, social infrastructure, etc.).

Residential premises are provided under contracts of employment to employees of the main professions and positions providing technology of transportation process, operation of newly commissioned production

facilities, as well as managers and specialists invited and relocated as part of the staff rotation for the duration of their work responsibilities.

At the end of 2019, JSCo RZD has a housing stock of 986.6 thousand m², which includes about 16.4 thousand residential premises, including 12.2 thousand residential premises in multi-apartment buildings, 3.1 thousand residential buildings consisting of few apartments, 1.1 thousand residential premises in dormitory-type residential buildings and 35 residential premises in hotel-type residential buildings.

For the period of 2005-2019, JSCo RZD allocated 31.1 million rubles of investment funds (without VAT) for the housing stock, including 830.0 million rubles in 2019.

The program provides for the construction and acquisition of residential premises in the BAM region, the Northern Latitudinal Railway, the Taman Peninsula, at stations with a shortage of labour resources, and in areas with difficult climatic and social conditions. The existing structure of the Company's housing stock and the system of management of this housing stock is generally consistent with the objectives set.



SUPPORT FOR WOMEN

On a permanent basis, members of the Coordination Council hold visiting meetings with employees of JSCo RZD, videoconferences with coordination councils of railways, which allow to get feedback from female employees and discuss emerging issues.

Also, in order to monitor the working conditions of women at JSCo RZD, 3 sets of studies were carried out over 2 years, which provided information on women's satisfaction with their work at the Company.

A summary of results of all the activities confirms that the main areas of social support for women, which are enshrined in the plan of action, are relevant and are in demand.

At the same time, the Company's activities to support women are highly appreciated by other companies and organizations: JSCo RZD is the winner of the award in the nomination "Comprehensive Program of Support for Women".

CORPORATE PENSION SYSTEM

Today, all employees of the Company have the opportunity to participate in the corporate system of non-state pension provision.→ In terms of its goals and purpose, non-state (corporate) pension is an additional measure of social support for employees regardless of the state pension system. Its strategic→ goal is to provide the replacement →rate at the level of not less than 40% of the lost earnings of the employee.

The implementation of corporate pension support for the Company's employees is carried out by JSC Non-State Pension Fund BLAGOSOSTOYANIE.

The main principles of the current corporate→ pension system are: the share participation of the Company and the employee in the financing of his/her future corporate pension, full financial security of assigned corporate pensions, lifetime payment of corporate pension. The corporate pension system is constantly evolving and improving. Amendments→ and additions are made to increase the motivation of employees of the Company

IN VIEW OF THE ABOVE, THE COORDINATION COUNCIL SETS THE FOLLOWING OBJECTIVES FOR 2020:

- Further implementation of the plan of action of JSCo RZD and summing up the results for 3 years.
- Implementation of the plan of action to support employees of the Sakhalin region.
- Holding the II Forum on Improving Working Conditions, Recreation and Social Support for Women.
- Participation in the competition for the development of women's leadership programs in the nomination "Leader of Change".
- Arrangement of rooms for functional (emotional) pressure relief.

and expand the circle of participants in the pension program.

The total number of contributing participants in the Company reached more than 607 thousand people.→ More than 314,000 former railway employees receive corporate pension. In 2019, pensions were assigned to 11,771 employees of JSCo RZD; the average amount of corporate pension assigned in 2019 was 9,329 rubles. At the same time, the average corporate amounted to 4,814 rubles on an accrual basis, which is 202 rubles more compared to 2018





SUPPORT FOR EMPLOYEES OF RETIREMENT AND PRE-RETIREMENT AGE

Today, all employees of the Company have the opportunity to participate in the corporate system of non-state pension provision. In terms of its goals and purpose, non-state (corporate) pension is an additional measure of social support for employees regardless of the state pension system. Its strategic goal is to provide the replacement rate at the level of not less than 40% of the lost earnings of the employee.

The main principles of the current corporate pension system are: the share participation of the Company and the employee in the financing of his/her future corporate pension, full financial security of assigned corporate pensions, lifetime payment of corporate pension. The corporate pension system is constantly evolving and improving. Amendments and additions are made to increase the motivation of employees of the Company and expand the circle of participants in the pension program.

The implementation of corporate pension support for the Company's employees is carried out by JSC Non-State Pension Fund BLAGOSOSTOYANIE. The total number of employees of JSCo RZD participating in their corporate pension provision by JSC Non-State Pension Fund BLAGOSOSTOYANIE is more than 607 thousand people. Corporate pension is received by 314,000 former railway employees.

IN 2019, CORPORATE PENSIONS WERE ASSIGNED TO 11,771 EMPLOYEES OF JSCO RZD; THE AVERAGE AMOUNT OF CORPORATE PENSION ASSIGNED IN 2019 WAS 9,329 RUBLES.

In the context of the reformation of the state pension system due to the retirement age increase, JSCo RZD took measures aimed at increasing the social protection of employees of JSCo RZD and adapting to the new conditions of pension provision.

In accordance with the amendments made to the regulatory documents of JSCo RZD on non-state pension provision that entered into force on January 1, 2019, employees who joined the corporate pension system of JSCo RZD before January 1, 2019, are given the possibility to apply for a corporate pension upon reaching the age of 55 years (women) and 60 years (men) in case of dismissal from JSCo RZD, at their own request or due to a reduction in the number of employees or staff reduction.

In accordance with Order No. 764 of the Ministry of Labour and Social Protection of the Russian Federation dated December 3, 2018, the maximum amount of reimbursement of a part of insurance premiums earlier paid by the employer was increased in order to provide preventive measures to reduce the rate of occupational injuries and occupational diseases of its employees from 20% to 30%.

An additional 10% are allocated exclusively for the sanatorium and resort treatment of employees not earlier than five years before they reach the age giving the right to apply for an old-age insurance pension in accordance with the pension legislation of the Russian Federation.

At the same time, possible allocation of such package tours at the expense of the Social Insurance Fund does not depend on the presence of harmful and/or dangerous production factors at the workplace of the employee.

Each structural division of JSCo RZD takes measures for the provision of sanatorium and resort treatment to employees of pre-retirement age at the expense of the Social Insurance Fund. As a result of these measures taken at the Company, in 2019, more than 1.2 thousand employees of JSCo RZD received free of charge vouchers for sanatorium and resort treatment in the amount of more than 72 million rubles.

SUPPORT FOR NON-WORKING PENSIONERS OF JSCO RZD

Another area of social responsibility of the Company is the care of railway veterans who have retired from railway companies and are not entitled to corporate non-state pension. They receive social support every month through the Charitable Fund "Pochet".

In 2019, over 91.1 thousand people received monthly financial assistance in the amount of 575.6 million rubles, the average size of which is currently 526 rubles.

In accordance with the territorial programs of compulsory health insurance, non-working pensioners are provided with medical assistance in the Company's non-state health institutions and expensive treatment according to the list of services established by the Company.

Non-working pensioners who are in need are provided with household fuel. In 2019, over 39.5 thousand veterans received monetary compensation for the purchase of household fuel in the amount of 527.9 million rubles.

Premises, telephone services, and stationery are provided to arrange veterans councils, and there are vehicles available for visiting disabled and single pensioners.

Chairpersons of veterans councils get financial assistance on a monthly basis. In 2019, 4494 chairpersons and vice chairpersons received 128.7 million rubles.

Monthly financial assistance is provided to the custodians of departmental and production museums of railway transport. In total, 242 custodians of production museums received 16.4 million rubles in 2019.

The Company solemnly celebrates the Victory Day, the Day of Older Persons, arranges campaigns of movement of memory trains to places of labor and military glory,

workshops to exchange combat experience of veteran organizations.

By the Victory Day in 2019, 21.6 thousand veterans of the Great Patriotic War, prisoners of concentration camps and rear workers had been provided with financial assistance. More than 29 million rubles were allocated for these purposes.

IN TOTAL, IN 2019, OVER 1.38 BILLION RUBLES WERE PAID TO VETERANS THROUGH THE CHARITABLE FUND "POCHET".





SUPPORT FOR CAREGIVERS

In addition to providing children of employees with package tours to children's health camps and ensuring the participation of children of JSCo RZD employees in a number of corporate social projects and events, JSCo RZD implements the following forms of support for caregivers:

- Employees on parental leave taking care of a child from 1.5 to 3 years old are or will be paid a monthly allowance in the amount of 5,100 rubles in 2020, 5,250 rubles in 2021, 5,450 rubles in 2022;
- In accordance with the procedure established in the Company and taking into account the motivated opinion of the elected body of the Trade Union, children of employees and children of Trade Union employees shall be enrolled in educational institutions established by the Company;
- Children of employees shall be granted the right of free travel for personal needs in compartment cars of long-distance trains;
- Children of employees shall be granted the right of free travel by public rail on suburban routes from the place of residence to the place of study and back in accordance with the procedure established by the Company.

MEASURES AIMED AT STRENGTHENING FAMILY VALUES

Since 2005, the Department of Social Development, with the participation of Rosprofzhel, has been developing and implementing corporate social projects for children, young people, and employees of the Company. Over many years, an integrated system of corporate social projects has been developed, covering all age and social groups of employees and members of their families:

“Roads of the Future” is a project for recreational and educational leisure during holidays of the departmental children's recreation camps of JSCo RZD;

“Path to Your Safety” is a project for prevention of child injuries and cultivation of a culture of personal safety in children and adolescents:

“Open Doors of the Company” is a project for career guidance for high school students — children of JSCo RZD employees;

“Network 3D: Road, House, Friends” is a project for young workers and students of specialized universities and technical schools creating a community of youth of the Company.

ALL PROJECTS WERE AWARDED THE “GIVING THE BEST TO CHILDREN” QUALITY MARKS UNDER THE NATIONAL PROGRAM OF PROMOTION OF THE BEST RUSSIAN PRODUCTS AND SERVICES FOR CHILDREN.

Traditionally, the railway network hosts solemn events dedicated to the Defender of the Fatherland Day, International Women's Day, Victory Day, Railway Workers' Day, and Company Day

FREEDOM OF ASSOCIATION



Trade union is a voluntary public association of citizens who have common industrial and professional interests in terms of their activity, established for the purpose of representation and protection of their social and labor rights and interests.

According to Article 30 of the Constitution of the Russian Federation, everyone has the right to association, including the right to establish trade unions to protect their interests. The freedom of activity of public associations is guaranteed. No one may be forced to join or stay in any association.

Trade unions are not accountable to and beyond the control of the employer and carry out their activities in accordance with their charter and legislation governing their activities.

The Labour Code of the Russian Federation sets out, inter alia, the legal regulation of labor relations and other relations directly related to them for the participation of employees and trade unions in the establishment of working conditions and the application of labor legislation in cases stipulated by law.

The trade union of JSC Russian Railways comprised of more than 80% of the Company's employees is the Russian Professional Union of Railway Workers and Transport Builders (ROSPROFZHEL), which, in the field of collective rights and interests, represents the interests of all employees regardless of their membership in unions.

Such representation is mandatory when concluding local regulations concerning the social and labor rights of employees.

At the same time, the legislator does not allow discrimination of employees on the basis of membership (or non-membership) in the trade union.

INTERACTION WITH THE TRADE UNION

Social partnership is the most important element of the implementation of social security of employees of the organization.

The interacting parties to social partnership are guided by the principles of equality and mutual respect and are responsible for the implementation of the collective agreement and other local regulations.

According to the regulation adopted in the Company, the forums of social responsibility and partnership summarize the results of the implementation of the Collective Agreement on all railways of the country twice a year.

At these events, in addition to summing up the results of the implementation of the Collective Agreement of JSCo RZD, managers answer questions of labor collectives, set goals and objectives for the next period.

Rosprofzhel consolidates the issues and proposals of employees requiring consideration at the central level and submits them to the Central Office of JSCo RZD. During the calendar year, 160 to 200 questions and proposals to improve the terms and conditions of the Collective Agreement of JSCo RZD are considered in detail.

At the reporting half-year end, a joint meeting of the Board of JSCo RZD and the Trade Union is held.

In addition to summarizing the results, the Chairman of the Trade Union takes part in the final meeting of the Board of JSCo RZD and in the operational meetings held by the CEO – Chairman of the Board of JSCo RZD.

COLLECTIVE BARGAINING

The main document of JSCo RZD that defines social policy is the Collective Agreement of JSCo RZD.

It shall be executed for a period of not more than 3 years and may be extended or renewed.

The main procedure for preparing and agreeing a draft collective agreement consists in collective bargaining, which is mandatory for both the employer and the employees, while evading them constitutes a violation of the law and entails appropriate sanctions.

In the course of collective bargaining, the parties discuss the content and structure of the collective agreement, its validity, the procedure for amending it, provide feedback and make proposals.

In case of disagreement of one of the parties with the provisions of the draft collective agreement, the collective agreement shall be signed on agreed terms, and the statement of disagreements shall be executed at the same time. These disagreements may be resolved in the course of further collective bargaining.

The approval of the collective agreement and other local regulations of socially and labor nature without taking into account the motivated opinion of the trade union entails their nullity.

EQUAL OPPORTUNITY

JSCo RZD prohibits discrimination on the basis of race, skin color, gender, religion, political opinion, nationality, social origin, age, disability, union membership, or sexual orientation.

Employees are provided with equal opportunities to use social benefits and guarantees enshrined in the Collective Agreement of JSCo RZD.



SOCIALLY RELEVANT INITIATIVES

CHARITABLE ACTIVITY

JSCo RZD implements a corporate strategy of high social responsibility. The goals and basic principles of charitable activities are established in the Policy of Sponsorship and Charitable Activities approved by the Board of Directors of JSCo RZD on November 8, 2016. In accordance with it, charitable activities are carried out mainly in the regions of the Company's presence, and priority beneficiaries are institutions, foundations and creative teams cooperating with JSCo RZD.

The amount of funds allocated for charitable activities was about 4.5 billion rubles in 2019.

In 2019, charitable support was provided in the following areas:

- targeted assistance to railway veterans, honored railway workers, and veterans of the Great Patriotic War;
- support of vocational education, primarily by providing assistance to specialized universities and colleges;
- providing assistance to municipal educational institutions located in the BAM area;

- support in the field of physical education, children's and mass sports, including support of professional sports clubs acting under the "Lokomotiv" brand;
- disaster relief and charitable assistance to victims of natural disasters (travel and recreation in children's health camps for children from affected regions; free assistance to municipalities of regions affected by natural disasters);
- Assistance to children with disabilities and children without parental care, people with disabilities (Autonomous Non-Profit Organization "Children's Hospice", Charitable Fund "Deaf-Blind Support Foundation «Connection», Charitable Fund for Children with Cerebral Palsy "STEP TOGETHER);
- support for charitable programs of cultural and historical significance aimed at spiritual improvement of the individual, contributing to the restoration of historical and architectural monuments of Russia (assistance to the Charitable Fund of St. Seraphim of Sarov; assistance in the reconstruction of facilities, such as the Transfiguration Valaam Stauropigial Male Monastery, Parish of St. John of Kronstadt in Berkakit);

- support for annual cultural programs and festivals (Moscow Easter Festival of Valery Gergiev, Yuri Bashmet's Winter International Festival of Arts in Sochi, Trans-Siberian Art Festival, Platonov's International Arts Festival).

Komsomolsk-on-Amur station)" and "Plan of measures for repair and reconstruction of railway transport infrastructure facilities, rolling stock and other facilities of RZD Holding" located in the territory of the Baikal-Amur Mainline until 2024").

PARTICIPATION OF JSC RZD IN THE LIFE OF LOCAL COMMUNITIES IN THE REGIONS OF PRESENCE

In order to maintain and develop a favorable social environment in the regions of presence, a number of incentive measures provided for by various projects and programs of JSCo RZD are currently being implemented, including investment projects aimed at social development ("Construction of technological housing", "Reconstruction and construction of socially significant facilities of the social sphere", etc.), the program for the development of children's health camps, as well as the program for the development of the site of the Baikal-Amur Mainline ("Plan for attracting and retaining personnel at enterprises in the territory of the Baikal-Amur Mainline until 2025 (from the Lena station to the



REMUNERATION OF EMPLOYEES

In accordance with the obligations established in the Collective Agreement in 2019, wages of employees of JSCo RZD are indexed by 6% (by 2.9% since March, by 2% since July, by 1% since October).

The remuneration of employees of the Company engaged in all types of activities amounted to 58.5 thousand rubles in 2019, which is 6.5% more compared to 2018. Real wages increased by 1.9%.

The productivity of the Company's employees engaged in transportation activities increased by 3.3% compared to the same period in 2018. JSCo RZD is ranked 23rd on the basis of wages in 88 major economic activities.

JSCo RZD holds a positions in terms of wages in regional labor markets. At the end of 2019, the wages of the Company's employees are 22% higher than the average wage in the Russian Federation and

exceeds the level of wages in all constituent entities of the Russian Federation, except the Yamalo-Nenets Autonomous District, Sakhalin Region, and the City of Moscow.

For the purpose of implementation of social policy, the Company makes focused work to improve the system of remuneration and motivation of employees on a constant basis.

The Company uses a classic approach to financial motivation of personnel, which includes current and additional bonuses.

Current bonuses are aimed at increasing the financial interest of employees in achieving both individual and collective results. In 2019, the applicable system of current bonuses allowed to reach the main quantity and quality indicators

ADDITIONAL BONUSES ARE AIMED AT THE SOLUTION OF TARGETED PRODUCTION PROBLEMS BY THE PRODUCTION PERSONNEL. DUE TO PERSISTENT EFFORTS MADE IN 2019, EMPLOYEES WERE REWARDED AS FOLLOWS:

119.4 thousand people – for ensuring traffic safety;

124.6 thousand people – for saving fuel and energy resources;

4.6 thousand people – for prevention of industrial injuries associated with rolling stock collision;

4.7 thousand people – for detection of hard-to-detect defects in freight and passenger trains;

2.3 thousand people – for detection of violations committed during operation of traction rolling stock;

1.9 thousand people – for active work to reduce unproductive losses of working hours by members of locomotive crews of the Traction Directorate of Locomotive Crews;

13.2 thousand people – for the results of implementation of lean production projects;

3.9 thousand people – for mentoring activities;

2.8 thousand people – for promoting invention and rationalization;

4.2 thousand people – for the prevention of occupational disabling injuries of employees (including fatal injuries) of authorized (trusted) persons for labor protection of the primary trade union ROSPROFZHEL of JSCo RZD;

RATIO OF STANDARD ENTRY-LEVEL WAGES TO MINIMUM WAGES FOR THE REPORTING PERIOD

Region	Minimum wage in the region, rubles	Minimum wage at JSCo RZD, rubles	Ratio (%) to the minimum wage	Comments
Russian Federation	Minimum wage as of 1 January - 11,280	from 1 January - 11,280	100	Employees of JSCo RZD, who have fully worked out standard working hours in the reporting period and fulfilled the standards of work, receive an additional payment to the minimum wage established in the constituent entity of the Russian Federation
Bryansk Region	January 1 - 11280	from 1 January - 11,280	100	
Saratov Region	January 1 - 11280	from 1 January - 11,280	100	
Sverdlovsk Region	January 1 - 11280	from 1 January - 11,280	100	
Novgorod Region	January 1 - 11280	from 1 January - 11,280	100	

The corporate system of remuneration of employees of JSCo RZD, including hourly tariff rates (for workers) and monthly official salaries (for managers, specialists and employees), compensation and incentive payments apply to all employees of the Company regardless of their gender.

In order to improve the company's performance in terms of increasing revenues, the Company approved the Regulation on the Allocation of Additional Bonuses for Employees of the Center for Corporate Transport Services for attracting new customers to the Central Directorate for Terminal and Warehouse Complex Management (Order No. 2188/r of JSCo RZD dated October 2, 2019).

LABOUR PROTECTION



The fundamental document that defines the Company's position, goals and main objectives of the activity in the field of ensuring safety of production processes is the “Policy of RZD Holding in the Field of Occupational and Environmental Protection, Industrial and Fire Safety” approved in 2008.



Due to the fact that JSCo RZD joined the international Zero Injury movement, the Policy was amended in terms of the adoption of measures to prevent occupational injuries and health problems, as well as the introduction of a culture of safety of production processes. The new version of the Policy was approved by Decision No. 61 of the Board of JSCo RZD dated November 21, 2019 and by Order No. 102/r of JSCo RZD dated January 21, 2020.

The labor protection management system is based on a risk-oriented approach, assuming the transition from compensation of losses to their prevention, i.e. the maximum reduction in the frequency of exposure of employees to industrial risks, harmful and dangerous factors.

To develop the OSH management system at JSCo RZD, based on the Vision Zero concept of zero injuries, the Vision Zero Concept Implementation Program was developed and approved for 2019-2021.

The aim of the Program is to develop a single integrated approach to improve the social and economic efficiency of labor protection management, cultivate a corporate culture of labor protection through achieving a synergistic effect from the introduction of new management tools in the field of occupational health.

At the end of 2019, the number of occupation injuries at JSCo RZD decreased compared to 2018:

- total injuries (total number of injured) — by 10%, from 168 people in 2018 to 152 people in 2019;
- fatal injuries (death toll) — by 5%, from 21 to 20 people;
- severe injuries (number of injured with a severe outcome) — by 16%, from 51 to 43 people;

OCCUPATIONAL INJURY INCIDENT RATES DECREASED:

- total (number of injured per 1 thousand employees) — by 9% (from 0.234 to 0.214);
- with a fatal outcome (death toll per 1 thousand employees) — by 3% (from 0.029 to 0.028).

After each injury to an employee of JSCo RZD with a severe or fatal outcome, JSCo RZD informs all branch offices of the fact of injury and preliminary causes of the accident, according to the procedures established by JSCo RZD. Every case of death of an employee at the workplace is considered by the heads of JSCo RZD branches with the development of preventive measures and determination of responsibility of the employees responsible for the accident. The developed measures shall be submitted to the heads of all levels of management for preventive work.

The Company is further transforming the Labor Protection Management System, one of the main objectives of which is the cultivation of a culture of safety of production processes, in which the qualification and psychological training of staff is a priority goal and internal need leading to the awareness of personal responsibility and self-control in the performance of any works that affect safety.

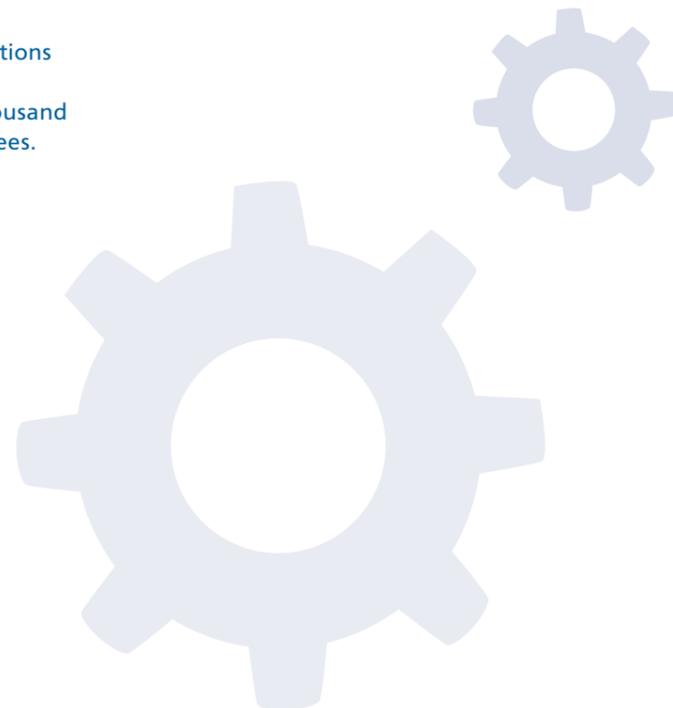
In 2019, more than 54 thousand employees of the Company, including more than 16 thousand managers, more than 16 thousand specialists, about 16 thousand specialists, about 5.5 thousand labor protection officers and more than 16 thousand other employees (middle managers, etc.) were trained and passed tests of knowledge of labor protection requirements in training organizations.

In 2019, a special assessment of working conditions was carried out at 63,7 thousand workplaces. Working conditions were improved at 40.6 thousand workplaces occupied by 187 thousand employees.

In 2019, JSC RZD allocated 23.9 billion rubles for measures to improve working conditions and labor protection through all sources of financing.

At JSC RZD, the average costs of measures to improve working conditions and labor protection were 34.1 thousand rubles per employee (compared to 32.0 thousand rubles in 2018).

7.7 billion rubles were spent on the purchase of work clothes, special shoes and other personal protective equipment (hereinafter referred to as the PPE), which is 32.4% of all expenses on labor protection measures.



DYNAMICS OF KEY OCCUPATIONAL SAFETY INDICATORS

Indicator	2015	2016	2017	2018	2019
Costs of labor safety (measures to improve working conditions and labor protection), million rubles	18 593,5	18 715,5	20 121,1	22 596,1	23 914,6
Occupational injury incident rate (number of injured per 1 thousand employees)	0,29	0,30	0,25	0,23	0,21
Number of jobs with harmful working conditions, thousand jobs	105	95	88	84	81
Improved working conditions, thousand jobs	23,0	32,0	37,0	41,0	41,0



OCCUPATIONAL INJURY INCIDENT RATE

Indicator	2015	2016	2017	2018	2019	% changes in 2019 compared to 2018.	Comments
Occupational injury incident rate (total)	0,29	0,3	0,25	0,23	0,21	-9	Number of injured in JSCo RZD per 1,000 employees
By region							By railway site
October	0,10	0,15	0,18	0,09	0,12	33	For 2011, 2012. Statistical data on the occupational injury incident rate in the context of railway sites were not generated.
Kaliningrad	0,25	0,26	0,80	0,26	0,76	192	
Moscow	0,30	0,28	0,32	0,20	0,13	-35	
Gorky	0,27	0,40	0,37	0,14	0,14	0	
Northern	0,31	0,28	0,23	0,30	0,25	-17	
North Caucasus	0,18	0,17	0,15	0,23	0,18	-22	
South Eastern	0,35	0,26	0,16	0,42	0,23	-45	
Privolzhskaya	0,40	0,26	0,40	0,30	0,24	-20	
Kuybyshev	0,51	0,36	0,19	0,40	0,19	-53	
Sverdlovsk	0,13	0,25	0,23	0,28	0,25	-11	
South Ural	0,41	0,34	0,34	0,37	0,14	-62	
West Siberian	0,23	0,32	0,16	0,13	0,29	123	
Krasnoyarsk	0,47	0,48	0,18	0,33	0,22	-33	
East Siberian	0,22	0,25	0,13	0,15	0,15	0	
Trans-Baikal	0,32	0,58	0,50	0,23	0,47	104	
Far Eastern	0,29	0,27	0,21	0,20	0,25	25	
Total number of injured total, ppl	223	223	182	168	152	-10	
By gender:							
M	196	198	158	157	136	-13	
F	27	25	24	11	16	45	
By region							
October	7	10	12	6	8	33	North Caucasus
Kaliningrad	1	1	3	1	3	200	
Moscow	23	20	23	14	9	-36	
Gorky	13	18	16	6	6	0	
Northern	15	13	10	13	11	-15	
South Eastern	10	9	8	12	9	-25	
Privolzhskaya	14	10	6	15	8	-47	
Kuybyshev	13	8	12	9	7	-22	
Sverdlovsk	24	16	8	17	8	-53	
West Siberian	8	15	13	16	14	-13	
Krasnoyarsk	18	14	15	16	6	-63	
East Siberian	14	19	9	7	16	129	
Trans-Baikal	14	14	5	9	6	-33	
Far Eastern	9	10	5	6	6	0	
Забайкальская	15	26	22	10	20	100	
Дальневосточная	16	14	11	10	13	30	
Central subordination	9	6	4	1	2	100	

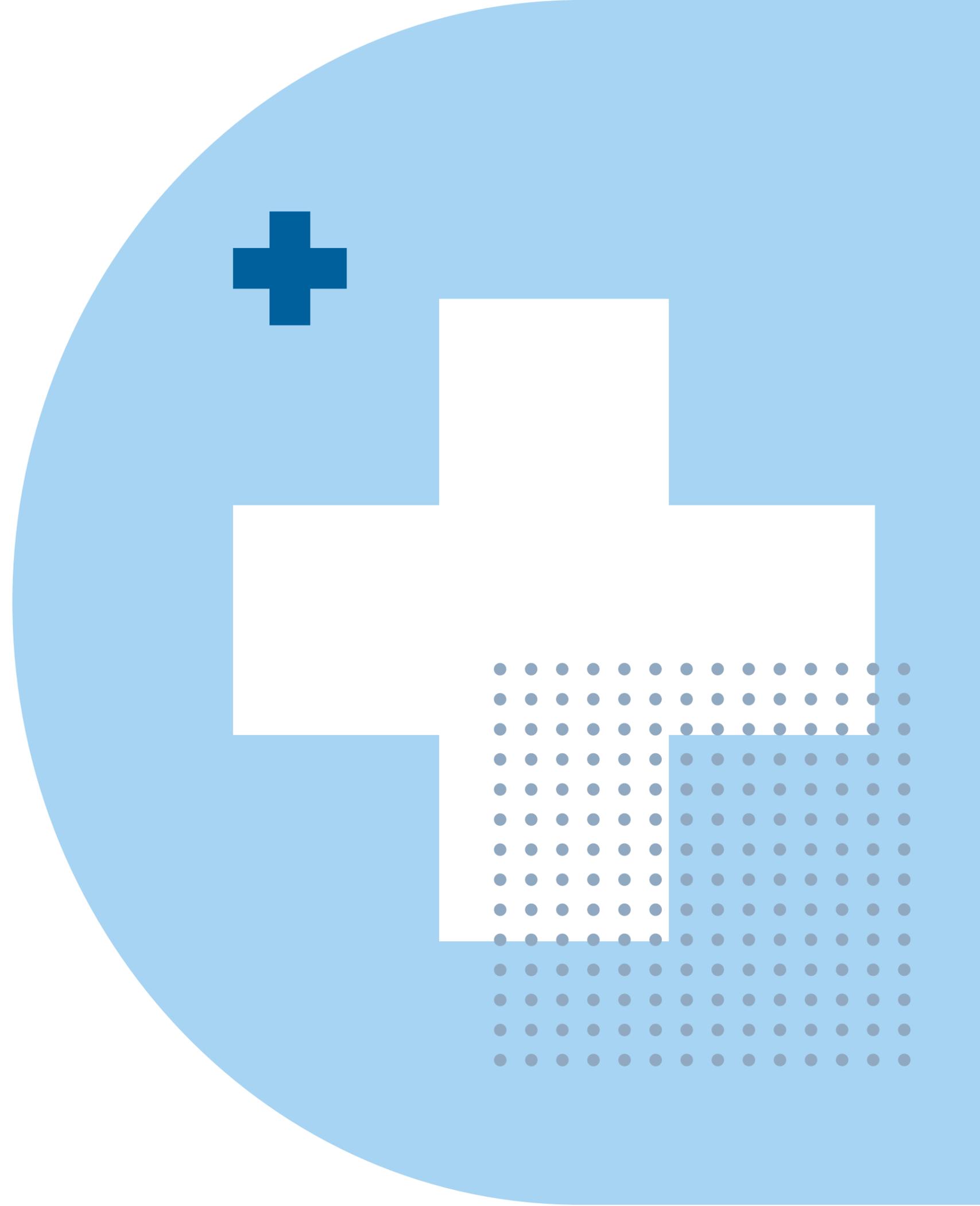
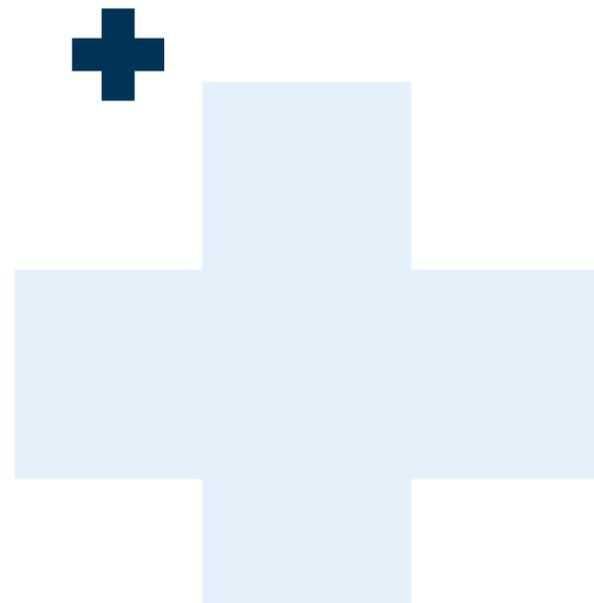
Показатель	2015	2016	2017	2018	2019	Изменения на % 2019г. к 2018 г.	Комментарии
Number of days of disability	20696	16704	19360	17014	14245	-14	The days of disability as a result of an occupational accident with the execution of an N-1 report are indicated. Statistics data by gender and management region are not generated.
Number of fatally injured employees of JSCo RZD	28	28	26	21	20	-5	
By gender:							
M	25	27	26	21	20	-5	
F	3	1	0	0	0	0	
By region:							
October	3	1	5	2	3	50	
Kaliningrad	0	0	0	0	1	100	
Moscow	5	5	4	1	0	-100	
Gorky	2	1	2	1	2	100	
Northern	4	0	0	0	2	200	
North Caucasus	1	1	2	1	1	0	
South Eastern	2	3	1	2	0	-100	
Privolzhskaya	1	0	1	1	1	0	
Kuybyshev	4	2	0	4	2	-50	
Sverdlovsk	0	1	0	1	1	0	
South Ural	0	3	2	3	1	-67	
West Siberian	0	1	1	0	1	100	
Krasnoyarsk	1	2	1	2	0	-100	
East Siberian	2	2	1	2	0	-100	
Trans-Baikal	1	4	4	0	4	400	
Far Eastern	2	2	2	1	1	0	
Central subordination	0	0	0	0	0	0	

MEDICAL SUPPORT

HEALTH NETWORK OF RUSSIAN RAILWAYS IN 2019

The public health network of Russian Railways in 2019 consisted of 137 non-governmental (private) healthcare institutions of JSCo RZD (NHI of JSCo RZD) in 75 regions of the Russian Federation, including: 83 hospitals with 15.9 thousand beds for round-the-clock stay and 0.9 thousand beds for day care, 54 outpatient clinics with 4.1 thousand patient places.

About 2.5 million people were assigned to health facilities for medical support. In the structure of the assigned contingent, the employees of JSCo RZD account for 30.3%, pensioners of railway transport - 14.7%, residents of municipalities - 55.0%.



MEDICAL SAFETY OF TRAIN TRAFFIC

There are 135 medical and expert commissions in the NHI of JSCo RZD. In accordance with the work schedule in 2019, the medical expert commissions conducted 1.75 million medical examinations (2018 - 1.68 million). According to the results of medical examinations, 5.71 thousand people were recognized as professionally unsuitable (2018 - 5.70 thousand people). The level of professional inadequacy in 2019 was 0.3 per 100 inspections (2018 - 0.3 per 100 inspections).

To carry out mandatory pre-trip (pre-shift), post-trip medical examinations, 1.5 thousand pre-trip medical examinations function. In 2019, 29.5 million pre-trip medical examinations were carried out (2018 - 29.1 million), while 14.8 thousand (15.8 thousand) of suspension from routes were registered (2018 - 15.8 thousand).

Of all pre-trip medical examinations of locomotive crew workers, 91% were carried out using an automated system of pre-trip medical examinations. Among the reasons for suspension from the route: 34.6% (2018 - 34.9%) are occupied by acute respiratory viral infections; 25.5% (2018 - 25.9%) - increased blood pressure; 4.3% (2018 - 3.0%) are signs of alcohol consumption.

There are 15 departments for organizing medical care in the health directorates on the railways, and 234 laboratories and psychophysiological offices in the healthcare facilities of Russian Railways.

In 2019, more than 62 thousand surveys of locomotive crew workers were conducted in the initial psychophysiological selection (2018 - more than 57 thousand); on a periodic psychophysiological examination of more than 52 thousand examinations (2018 - more than 49 thousand); on dynamic monitoring of the functional state of more than 524 thousand examinations (2018 - 528 more than thousand); an expanded psychophysiological examination of more than 29 thousand examinations (2018 - more than 30 thousand). The attendance rate for restoration (correctional) events in 2019 is 71.9% (2018 - 68.5%). Psychological portraits were drawn up for 2422 people (2018 - 3030 people), 6100 employees were diagnosed with the state of fatigue (2018 - 4778 people). One of the promising areas for the development of psychophysiological support in 2019 is the study of personality characteristics of locomotive crew workers (8740 surveys were conducted).

Also, in order to improve the quality of medical safety of train traffic since 2019, the railway network has been upgrading the automated system of pre-trip examinations (ASE) of pre-trip medical examination rooms.



EMERGENCY MEDICAL CARE FOR PASSENGERS



IN 2019, 191 MEDICAL POSTS AT THE RAILWAY STATION (HEREINAFTER REFERRED TO AS MP) FUNCTIONED ON THE RAILWAY NETWORK.

In MP, more than 532.7 visits by doctors and paramedical personnel were performed by passengers and other contingent. MP specialists performed more than 292.7 thousand medical procedures. 65.2 thousand sick passengers were detected in trains, of which 4.04 thousand people were taken off the trains, and more than 3.5 thousand patients were hospitalized in medical institutions.



ACTIVITIES OF THE MOBILE CONSULTATIVE AND DIAGNOSTIC CENTER (MCDC)

In 2019, two MCDCs operated on the railway network. Completed 22 departures at 195 railway stations. More than 76.5 thousand doctor visits were made by patients, including employees of JSCo RZD, 3.3%, non-working pensioners, 6.5%, and the territorial population, 90.2%. More than 40.1 thousand diseases were identified by medical teams in patients, and 1.4 thousand patients were referred for inpatient treatment. Specialists of the MCDC performed more than 77.2 thousand studies.

As part of the creation of a single standard MCDC, the working design documentation has been fully developed. In 2019, work on the design of the MCDC was completed, 11 car sets were purchased.

The need to create a new MCDC is due to the high need for medical assistance to the residents of the Russian Federation in inaccessible and sparsely populated regions of Russia and is a completely socially significant and unique project in the field of medical services in the Russian Federation.

COOPERATION WITH THE REGIONS

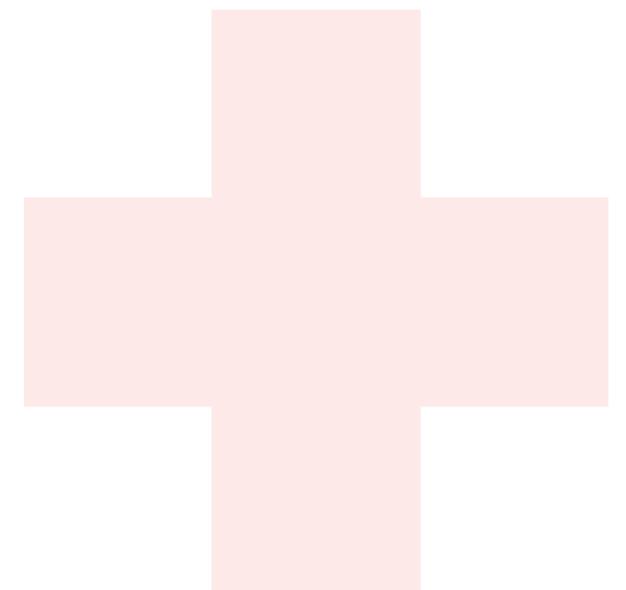
Collaboration continues with the regions in the field of protecting the health of the attached population. The main goal of concluding Agreements in the field of protecting the health of citizens is the organization of mutually beneficial cooperation between healthcare institutions of JSCo RZD and territorial healthcare, including in resolving issues of providing medical assistance to the population of the regions. Implementation of the Agreements allows: to develop and implement joint programs and measures to expand the use of healthcare facilities of JSCo RZD in order to improve the health indicators of the population of the regions; to ensure the integration of healthcare facilities of JSCo RZD and territorial healthcare in order to rationally use the available capacities and technologies; to develop

cooperation on issues of increasing the medical and economic efficiency of interaction between healthcare institutions of Russian Railways and territorial healthcare; implement joint educational and enlightening programs in order to effectively use the mutual potential available in this area.

In 2019, the Commission on the interaction of the railway administrations of the Member States of the Commonwealth in the field of health continued its work. The 39th meeting of the Commission on the interaction of the railway administrations of the Member States of the Commonwealth in the field of health was held.

The Commission was attended by representatives of the management, health authorities of the railways and the sanitary-epidemiological service in the railway transport of the republics of Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

The commission's meeting addressed issues of prevention of occupational, infectious and non-communicable diseases, as well as the development of uniform recommendations for the professional selection of railway workers. It was noted that the exchange of experience in ensuring health welfare on the railways of the countries of the Commonwealth of Independent States contributes to a more effective implementation of preventive measures in order to extend the professional longevity of railway workers.



THE WORK OF THE NHI OF JSCO RZD WITH THE COUNCILS OF VETERANS

In 2019, work was carried out on the interaction of the NHI JSCO RZD with the Councils of Railway Veterans in several areas. As of December 31, 2019, the number of pensioners of railway transport attached to the NHI JSCO RZD amounted to 398.0 thousand people. In 2019, in outpatient clinics, pensioners of rail transport made more than 2.9 million visits to doctors (9.3%) (including visits to dentists, dentists and visits by doctors at home), in the round-the-clock in-patient department of NHI JSCO RZD treated more than 96.5 thousand pensioners of railway transport (24.2%).

Received treatment using high medical technology 4.3 thousand pensioners of railway transport (17.4%). The costs of providing non-working pensioners with high-tech types of medical care in the Company's healthcare facilities for 2019 amounted to 300 million rubles.

In 2019, 3.1 thousand pensioners of railway transport (10.1%) received spa treatment.

According to the approved action plan of the Healthy Lifestyle 60+ program, together with Charity fund "Honor" and veteran councils at the NHI JSCO RZD, lectures were held on the topic of diseases of the elderly and the elderly. Within the framework of this program, events at the NHI JSCO RZD are regularly held (open days, round tables) with the involvement of management and medical specialists. In 2019, 9.2 thousand non-working pensioners of railway transport received a total of 92.5 million rubles in dentistry services (for the same period of 2018 - 8.1 thousand pensioners of railway transport totaling 107.8 million rubles.).

THE INTERNATIONAL COOPERATION

During 2019, as part of international cooperation, the Central Directorate of Health, together with the Japanese Marubeni Corporation, worked on a project to create the Russian-Japanese Center for Preventive Medicine and Diagnostics on the basis of the public health institution of the RZD-Medicine in Khabarovsk. During the year, the basic conditions for interaction were determined, financial and investment models agreed, and draft key corporate documents for the implementation of the project were prepared. At the venue of the Eastern Economic Forum-2019, Russian Railways and Marubeni Corporation entered into an Agreement on cooperation for the implementation of the project.

In continuation of the Russian-Japanese interaction, in December 2019, the Central Directorate of Health held an international medical seminar on the topic "Russia and Japan: Corporate Health".

THIS PROJECT IS SUPPORTED AT THE INTERGOVERNMENTAL LEVEL



KEY PROJECTS AND ACHIEVEMENTS OF 2019

The improvement of the system of organization of the pathoanatomical service RZD-Medicine was carried out.

In order to effectively implement the "Target complex program to reduce morbidity and prevent mortality from diseases of the circulatory system and early detection of oncological diseases among employees of JSCo RZD for the period 2019-2023. (No. 105 dated January 31, 2019, approved by Shakhanov D.S.), as part of an increase in the proportion of detection of malignant neoplasms detected in the early stages (I, II stage) and a decrease in the level of primary disability for people of working age due to cancer, The Scientific Clinical Pathological Reference Center (Center) was created on the basis of the NHI "Central Clinical Hospital RZD-Medicine". The first center in the Russian Federation corresponds to three key tasks that are identified in the framework of the Federal project "The fight against cancer". The center is equipped with automated equipment, unique software with video recording of the entire technological process, including digitization of all stages and a cloud-based consultation of doctors to make a diagnosis for each case.

Thanks to the establishment of the Center, comprehensive high-tech diagnostics became available with the selection of personalized drug therapy, with the diagnosis being made as soon as possible (up to 3 days for complex cases), while regulatory documents provided for no more than 14 days.

OCCUPATIONAL DISEASE RATE

In 2019, in order to improve the quality of medical support for the safety of train traffic and industrial medicine, professional pathology centers began to be established on the basis of the NHI JRZD-Medicine treatment of occupational diseases, scientific and methodological work. Currently, there are 18 Professional Pathology Centers.

CONSUMER HEALTH INCIDENTS

There have been no cases of damage to health to the Company's customers due to illness or a violation of the state of health in the performance of official duties of employees of JSCo RZD.

**THE LEVEL OF OCCUPATIONAL MORBIDITY (PER 10,000 EMPLOYEES) IN 2019 COMPARED WITH 2017 AND 2018 DECREASED:
2017 - 0.7; 2018 - 0.7; 2019 - 0.4.**



ABOUT THE REPORT



ABOUT THE REPORT

REPORT SCOPE AND BOUNDARIES

The data in the Report are aggregated by the activities of the central office and branches of JSC RZD. The activities of subsidiaries and affiliated companies of JSC RZD are not considered in the Report. The data cover the period from January 1 to December 31, 2019. JSC RZD uses the annual cycle of reporting on sustainable development activities. The date of publication of the last report on sustainable development activities is July 15, 2020. The 2019 report is the fourteenth non-financial report prepared in compliance with international standards.

This report is prepared in accordance with Order No. 1233/r of JSC RZD "On Preparation of the 2018 Report on the Activities of JSC RZD in the Region Sustainable Development" dated June 8, 2020. The acquisition, consolidation and analysis of information on sustainable development activities is based on the requirements of the Russian legislation, internal corporate standards of processing statistical data, and ISO 26000 and GRI international standards. → This Report does not contain significant changes in measurement methods compared to the previous period. There were no significant changes in the scope and boundaries of the Report compared to the previous reporting period.

SUBSTANTIAL ASPECTS

When determining the substantive topics of the Report, the opinion of stakeholders expressed in the framework of the dialogues held in 2017-2018 at regional conferences and working meetings is taken into account.

Based on the analysis of wishes expressed by various groups of stakeholders, significant aspects of the Company's activities were laid down. These areas include:

- increasing the efficiency of business processes;
- improving the quality of services;
- development of innovative activities;
- introduction of promising technologies for personnel development;
- systematizing corporate charitable activities.

During the reporting period, the analysis of the main topics and problems related to the development prospects of the industry was carried out. Based on dialogues with employees, the key topics of this Report were identified in the field of corporate culture development. A series of interviews with the heads of key departments allowed to determine priority topics for this Report in the economic, social and environmental fields. → External aspects that have a significant impact on the Company's sustainability were determined on the basis of expert roundtables, stakeholder negotiations, and marketing research. → The Company used GRI STS (Sustainability Topics for Sectors)

recommendations for the rail industry, which identify 8 topical topics: energy efficiency of operations, noise and vibration, soil pollution, land use rights, women's labor safety, passengers with special needs, corporate governance, and political situation.

REPORTING STANDARD

The Report is prepared in accordance with the Global Reporting Initiative (GRI Standards) Sustainability Reporting Standards and corporate social reporting standards.

When determining internal aspects that had a significant impact on the Company's development, the key performance indicators identified in the Development Strategy of RZD Holding for the period until 2030 were taken into account. Potential users of the Report are determined on the basis of the experience of disseminating previous reports and applications of the heads of the functional divisions of the Company. In order to fully reflect the key aspects of sustainable development, such as economic efficiency, corporate governance, product quality, environmental safety, development of staff and local communities, the Report contains relevant sections.

All data and indicators used in the Report are provided by duly authorized responsible persons in the Company's divisions. The unit responsible for the preparation of the Report is the Department of Social Development of JSCo RZD (A.O. Batsokin Batsokin@center.rzd.ru).



APPENDIX. GRI STANDARDS AND INDICATORS TABLE

INDICATOR NO.	INDICATOR	PAGE NUMBER IN THE REPORT	LINKS	COMMENTS
GENERAL REPORTING ELEMENTS				
GRI 102	GENERAL			
GRI 102-1	Name of the organization			
GRI 102-2	Main activities, products and services			
GRI 102-3	Headquarter location			
GRI 102-4	Production location			
GRI 102-5	Owners and form of incorporation			
GRI 102-6	Markets in which the organization operates			
GRI 102-7	Organization scale			
GRI 102-8	Employee information			
GRI 102-9	Supply chain			
GRI 102-10	Significant changes in the organization and its supply chain			
GRI 102-11	Application of the precautionary principle			
GRI 102-12	Support for external economic, environmental and social initiatives			
GRI 102-13	Membership in associations			
GRI 102-14	Appeal of the senior decision maker			
GRI 102-15	Key impacts, risks and opportunities			
GRI 102-16	Values, principles, standards and code of conduct			
GRI 102-17	Mechanisms of consultation on ethical conduct			
GRI 102-18	Corporate governance structure			
GRI 102-19	Delegation of authority			
GRI 102-20	Information on managers responsible for economic, environmental and social issues			
GRI 102-21	Consultations with stakeholders on economic, environmental and social issues			
GRI 102-22	Members of the supreme management body			
GRI 102-23	Chairman of the supreme management body			

GRI 102-24	Procedure for nominating and electing candidates for members of the supreme management body
GRI 102-25	Conflict of interest
GRI 102-26	Role of the supreme management body in setting goals, defining values and the strategy
GRI 102-27	Competence of the supreme management body
GRI 102-28	Evaluation of the activities of the supreme management body
GRI 102-29	Identification and management of economic, environmental and social issues
GRI 102-30	Efficiency of using risk management methods
GRI 102-31	Discussion of significant economic, environmental and social issues
GRI 102-32	Role of the supreme management body in the preparation of the sustainable development report
GRI 102-33	Discussion of critical issues by members of the supreme management body
GRI 102-34	Substance and total number of critical issues
GRI 102-35	Policy of remuneration of members of the supreme management body
GRI 102-36	Procedure for determining the amount of remuneration
GRI 102-37	Involvement of stakeholders in the process of remuneration of members of the supreme management body
GRI 102-38	Remuneration ratio
GRI 102-39	Percentage increase in income ratio
GRI 102-40	Stakeholders
GRI 102-41	Collective agreement
GRI 102-42	Identification and selection of stakeholders
GRI 102-43	Approaches to the interaction with stakeholders
GRI 102-44	Key topics and concerns raised by stakeholders
GRI 102-45	List of organizations whose statements were included in the consolidated financial statements

GRI 102-46	Defining the report content and boundaries
GRI 102-47	List of substantive issues
GRI 102-48	Reformulation of indicators
GRI 102-49	Changes in the list of substantive issues and report boundaries
GRI 102-50	Reporting period
GRI 102-51	Date of publication of the last report
GRI 102-52	Reporting cycle
GRI 102-53	Contact person for questions regarding this report
GRI 102-54	Report compliance with GRI standards
GRI 102-55	GRI Standards and Indicators Table
GRI 102-56	External assurance
GRI 103	MANAGEMENT APPROACHES
GRI 103-1	Explanation of the selection of substantive issues and boundaries
GRI 103-2	Management approaches and their components
GRI 103-3	Assessment of the management approach efficiency
GRI 201	ECONOMIC PERFORMANCE
GRI 201-1	Created and distributed direct economic value
GRI 201-2	Financial support, risks and opportunities due to climate changes
GRI 201-3	Securing pension liabilities
GRI 201-4	Financial support from the state
GRI 202	FEATURES OF THE LOCAL LABOR MARKET
GRI 202-1	Ratio of basic salaries of men and women in the regions of presence
GRI 202-2	Percentage of local managers
GRI 203	INDIRECT ECONOMIC IMPACT
GRI 203-1	Infrastructure investments and maintenance of activity
GRI 203-2	Substantial indirect economic impact

GRI 204	PROCUREMENT PRACTICES
GRI 204-1	Proportion of purchases from local suppliers
GRI 205	ANTI-CORRUPTION POLICY
GRI 205-1	Actions related to the risk of corruption
GRI 205-2	Prevention of corruption
GRI 205-3	Confirmation of incidents
GRI 206	ANTITRUST CONDUCT
GRI 206-1	Legal actions against the organization due to anticompetitive and monopoly conduct
GRI 301	MATERIALS
GRI 301-1	Weight or quantity of materials in use
GRI 301-2	Recycling of used materials
GRI 301-3	Refurbished products and their packaging
GRI 302	ENERGY
GRI 302-1	Energy consumption within the organization
GRI 302-2	Energy consumption outside the organization
GRI 302-3	Energy intensity
GRI 302-4	Reduced energy consumption
GRI 302-5	Reduced energy consumption in products and services
GRI 303	WATER AND WASTEWATER
GRI 303-1	Water resource management
GRI 303-2	Management of impacts associated with water discharge
GRI 303-3	Share and total volume of reusable water
GRI 303-4	Water discharge
GRI 303-5	Water consumption
GRI 304	BIODIVERSITY
GRI 304-1	Current facilities or sites owned, leased or managed by the Company and located within natural areas of preferential protection
GRI 304-2	Description of significant impacts of activities, products and services on biodiversity in protected natural areas

GRI 304-3	Conservation or restoration of habitats
GRI 304-4	Total number of species listed in the IUCN Red List and the National List of Protected Species whose habitats are within the area affected by the organization's activities
GRI 305	EMISSIONS
GRI 305-1	Direct greenhouse gas emissions
GRI 305-2	Indirect greenhouse gas emissions
GRI 305-3	Other significant indirect greenhouse gas emissions
GRI 305-4	Intensity of greenhouse gas emissions
GRI 305-5	Reduction of greenhouse gas emissions
GRI 305-6	Emissions of ozone-depleting substances
GRI 305-7	NOx and SOx emissions to the atmosphere
GRI 306	DISCHARGES AND WASTE
GRI 306-1	Discharges indicating the quality of wastewater
GRI 306-2	Total mass of waste by type and method of handling
GRI 306-3	Total number and volume of significant spills
GRI 306-4	Mass of transported hazardous waste
GRI 306-5	Information on water bodies significantly affected by the Company's discharges/effluents
GRI 307	COMPLIANCE WITH ENVIRONMENTAL LEGISLATION
GRI 307-1	Violations of environmental legislation
GRI 308	ENVIRONMENTAL ASSESSMENT OF SUPPLIERS
GRI 308-1	New suppliers assessed for compliance with environmental standards
GRI 308-2	Adverse impact on suppliers' ecology and measures taken
GRI 401	EMPLOYMENT
GRI 401-1	Newly hired staff and staff turnover

GRI 401-2	Benefits granted to full-time employees and not granted to temporary or part-time employees	Социальные льготы предоставляются независимо от формы занятости всем сотрудникам ОАО «РЖД»
GRI 401-3	Parental leave	
GRI 402	RELATIONSHIP BETWEEN EMPLOYEES AND MANAGEMENT	
GRI 402-1	Minimum notice period for significant changes in the activity of the organization	
GRI 403	OCCUPATIONAL SAFETY AND HEALTH	
GRI 403-1	Occupational safety management system	
GRI 403-2	Hazard identification, risk assessment and incident investigation	
GRI 403-3	Health services	
GRI 403-4	Disclosure of occupational health and safety issues in formal agreements with labor unions	
GRI 403-5	Occupational safety training	
GRI 403-6	Employee health maintenance	
GRI 403-7	Prevention and mitigation of effects on the health and occupational safety of employees	
GRI 403-8	Percentage of employees covered by the Occupational Safety and Health Management System	
GRI 403-9	Industrial Injuries	
GRI 403-10	Occupational diseases	
GRI 404	TRAINING AND DEVELOPMENT	
GRI 404-1	Average hours of training per employee per year	
GRI 404-2	Lifelong skills development and education program	
GRI 404-3	Percentage of employees subject to periodic performance and career development assessments	
GRI 405	DIVERSITY AND EQUAL OPPORTUNITIES	
GRI 405-1	Members of governing bodies and major categories of employees of the organization	

GRI 405-2	Ratio of basic salaries of women and men
GRI 406	COMBATING DISCRIMINATION
GRI 406-1	Number of identified cases of discrimination
GRI 407	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING
GRI 407-1	Identification of units and suppliers violating human rights to freedom of association and collective bargaining
GRI 408	CHILD LABOR
GRI 408-1	Risk of child labour incidents
GRI 409	FORCED LABOUR
GRI 409-1	Risk of forced labour incidents
GRI 410	EMPLOYEE PROTECTION PRACTICES
GRI 410-1	Personnel protection under human rights policies
GRI 411	RIGHTS OF INDIGENOUS PEOPLES
GRI 411-1	Violations of the rights of indigenous peoples
GRI 412	HUMAN RIGHTS
GRI 412-1	Units subject to human rights assessments
GRI 412-2	Staff training in human rights policies and procedures
GRI 412-3	Substantial agreements and treaties including human rights provisions
GRI 413	Local communities
GRI 413-1	Activities in the area of interaction with local communities, assessment of the impact on local communities
GRI 413-2	Units that have a significant adverse impact on local communities
GRI 414	Social assessment of suppliers
GRI 414-1	New providers applying social monitoring
GRI 414-2	Adverse social impact in the supply chain and measures taken
GRI 415	PUBLIC RELATIONS POLICY
GRI 415-1	Public relations contribution

GRI 416	CONSUMER HEALTH AND SAFETY
GRI 416-1	Assessment of the impact of the Company's products on consumer health and safety
GRI 416-2	Consumer health incidents
GRI 417	MARKETING AND BRANDING
GRI 417-1	Information and branding product requirements
GRI 417-2	Information and branding incidents
GRI 417-3	Corporate communications incidents
GRI 418	CONSUMER PRIVACY
GRI 418-1	Reasonable complaints related to the violation of privacy of consumers or loss of their data
GRI 419	COMPLIANCE WITH SOCIAL AND ECONOMIC REQUIREMENTS
GRI 419-1	Substantial penalties and non-financial penalties for non-compliance with social and economic requirements



