

ASSESSING THE PERFORMANCE OF THE PRESIDENT AND DIRECTOR

According to the resolution of the TransContainer's Board of Directors, the President's performance is assessed based on the following indicators:

- corporate (with equal amount in the KPI system – 40%):
 - net profit,
 - EBITDA;
- process (with equal amount in the KPI system – 10%):
 - market share of revenue generating rail container transportation
 - service sales volume (TEU) of PJSC TransContainer.

According to the resolution of the TransContainer's Board of Directors, the Director's performance is assessed based on two corporate indicators (with equal amount in the KPI system – 50%):

- net profit;
- EBITDA.

Market capitalisation depends on improving the efficiency of the Company's current activities, so KPIs are included in the assessment of the performance of the sole executive bodies: net profit, EBITDA, market share of revenue generating rail container transportation, service sales volume (TEU) of PJSC TransContainer, transport and logistics margin, etc., the target values of which are set in accordance with the Company's budget approved by the Board of Directors as of the reporting date.

CONTROL AND MONITORING

INTERNAL CONTROL

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

- the Board of Directors;
- committees of the Board of Directors;
- executive bodies of the Company;

- collective operating bodies set up by the Company's executive bodies to perform specific functions;
- heads of the Company's structural units;
- Company's employees, whose job it is to carry out control procedures.

INTERNAL CONTROL AND AUDIT SERVICE

The Internal Control and Audit Service was established in order to assist the Board of Directors and the executive bodies in increasing the efficiency of the Company's management, improving its financial and operational activities. The objectives of the Internal Control and Audit Service include a systematic and consistent approach to analysis and assessment of the risk management and internal control systems, as well as corporate governance, therefore providing reasonable assurance that the Company will achieve its goals.

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

The Head of the Internal Control and Audit Service reports to the Audit Committee and the Board of Directors on the performance of the Internal Control and Audit Service throughout the reporting quarter and annually, and on the current state of the internal control, risk management and corporate governance systems, progress against the annual action plan and budget of the Internal Control and Audit Service.

The Head of the Internal Control and Audit Service is E. Ustinova, whose biography is published in the Annual Report for 2019.

Key projects of the Internal Control and Audit Service in 2020:

- assessment of control procedures in the health and labour safety process;
- assessment of the effectiveness of the risk management and internal control system;

- audit of financial and operational activities of the Company's four branches;
- assessment of the internal control system when organising process management;
- check of the procedure for concluding rolling stock lease contracts;
- assessment of control procedures in calculating (determining) the rate for the provision of the Company's equipment for transportation of cargo;
- check of planned and actual expenses for R&D;
- assessment of control procedures when concluding consulting and advertising services contracts;
- assessment of implementation of the project on TransContainer's participation in FVKS LLC;
- assessment of control procedures when contracting for the purchase of rolling stock;
- assessment of TransContainer's client service performance
- assessment of the effectiveness of the maintenance and repair system for railcars, containers and lifting equipment;
- assessment of the internal control system in terms of legal support of the Company's activities;
- check of the efficiency of using TransContainer's non-core assets;
- check of the procedure for concluding and controlling settlements under lease agreements of TransContainer, subsidiaries and affiliates;
- check of the feasibility of the creation and the efficiency of the Company's collective and advisory bodies;
- assessment of the efficiency of the processes of write-off, cutting and delivery of scrap metal;
- check of control procedures when using fuel and energy resources.

¹ The document is available on the Company's website at: <https://trcont.com/investor-relations/charter-and-by-laws>

ADDRESSING POTENTIAL CONFLICT OF INTEREST

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

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

- a requirement set out in the Regulation on the Sole Executive Bodies and the Regulation on the Management Board of the Company, as well as employment contracts with the President, Director and members of the Management Board obliging them to refrain from any actions that can or may potentially lead to a conflict of interest and report any such conflict arising to the Board of Directors of the Company;
- authorising the Company's Board of Directors to approve overlapping and other paid positions held by the President, Director and members of the Management Board in the governance bodies of other organisations;
- approval by the Board of Directors of a corporate risk map envisaging initiatives to prevent the employee wrongdoing risk – "Wrongful acts of the Company's employees" The initiatives aimed at minimising this risk include checking the key employees and candidates for key roles for potential conflict of interest;
- review by the Audit Committee of a report on violations of the Company's Code of Ethics, including the situations related to the conflict of interest, prepared by the Company's Internal Control and Audit Service.

Members of the Board of Directors and the Management Board had no conflicts of interest in the reporting period.

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

The Company pays special attention to insider information viewing this as another element of the conflict of interest prevention.

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

The Company has adopted documents that apply to all employees of the Company and are available on the corporate website:

- Corporate Governance Code;
- Code of Ethics;
- Anti-Corruption Policy;
- Anti-Corruption Programme (available to all TransContainer's employees on its corporate website);
- Regulation on Insider Information;
- Revised Regulation on the Procedure for Addressing Conflict (or Potential Conflict) of Interest at PJSC TransContainer (available to all TransContainer's employees on its corporate website).

These documents define the principles and procedures of preventing, identifying and minimising possible risks of a conflict of interest, including the employee's obligation to disclose information about a real or potential conflict of interest, respecting the balance of interests of the Company and the employee, protecting the employee from prosecution in connection with the report on a conflict of interest.

COMBATING CORRUPTION

Based on the high ethical standards of behaviour adopted by the Company, TransContainer fully shares the approach to pursuing zero tolerance to any form of corruption.

TransContainer adheres to the principle of zero tolerance to corruption in all its forms and manifestations in all activities. This principle means a total ban on corruption by managers and employees of TransContainer, as well as by Company's counterparties, either directly or through the third parties, including mediation in its implementation regardless of the established business practice in a particular country.

Since 2015, TransContainer is a member of the Anti-Corruption Charter of the Russian Business (hereinafter – the Charter). The basic idea of the Charter is the introduction by companies of special anti-corruption programmes and practices, which relate not only to the situation within companies, but also to relations with business partners and the state. The Charter provides for the renunciation of preferences, sealed-bid purchasing, financial control, staff training, law enforcement assistance and other measures. Participation in the Charter and consistent implementation of its provisions confirm that appropriate measures have been taken by the Company to prevent corruption, which, pursuant to the requirements of Article 13.3 of the Federal Law No. 273-FZ dated 25 December 2008 On Combating Corruption, shall be taken by any organisation regardless of the form of ownership, and which are crucial for TransContainer in the pursuit of improving the anti-corruption and corporate fraud prevention system. At the same time, this increases the confidence in the Company on the part of customers, partners and other stakeholders.

The Company's management develops and improves the anti-corruption system with a focus on world experience and domestic developments. The most important aspects of the anti-corruption system are its support by the Board of Directors, immediate communication between employees, the security service and the management of the Company, the presence of a collective body which handles complicated situations and can be appealed to in the event of a conflict of interest.

TransContainer does not tolerate any actions that are directly or indirectly associated with the offering, giving, promising, soliciting or receiving bribes, assisting in bribery, and any payments seeking to facilitate

administrative, bureaucratic and other formalities made in any form by or to any persons/organisations, including government officials, public organisations, private companies, and political figures. This standing is confirmed by the CEO's anti-corruption statement on the Company's corporate website proclaiming zero tolerance to any form of corruption.

The Company has in place and regularly conducts training of its employees in anti-corruption and corporate fraud. All newly published and amended regulatory documents are communicated to all employees via e-mail and by placing them in the relevant sections of the corporate website.

TransContainer's anti-corruption activities are governed by the following internal documents:

- TransContainer's Anti-Corruption Policy;
- The list of functions, which are most sensitive to corruption, corporate fraud, and embezzlement;
- The Register of Corruption Risks and the List of Positions Related to Corruption Risks.

ANTI-CORRUPTION POLICY

TransContainer's Anti-Corruption Policy is a set of interrelated principles, procedures and specific measures aimed at preventing and suppressing corruption offences in the Company's activities and is based on the following aspects:

- Compliance with applicable laws and generally accepted principles.
- Personal example given by managers ("the tone from the top").
- Zero tolerance to corruption.
- Regular assessment of corruption risks.
- Use of adequate anti-corruption procedures.
- Due diligence in the implementation of activities and management decisions.
- Continuous communication and training.
- Regular monitoring of the efficiency of anti-corruption procedures.
- Inevitability of punishment.
- Rejection of retaliatory sanctions.

The Anti-Corruption Policy is obligatory for all TransContainer's managers and employees who are in labour relations with the Company, as well as for

members of the TransContainer's Board of Directors. TransContainer's anti-corruption procedures may determine the cases and conditions, under which the Anti-Corruption Policy applies to other associates (with whom the organisation enters into other contracts). The Anti-Corruption Policy is advisory for members of the governance bodies and employees of the subsidiaries of TransContainer, as well as other companies, in which TransContainer is directly or indirectly involved. Regardless of the position, the managers and employees of TransContainer are responsible for compliance with the Anti-Corruption Policy, as well as for the actions (inaction) of their subordinates. This responsibility is reflected in the formal duties of the TransContainer managers and employees. Those responsible for violations of the requirements of the Anti-Corruption Policy may be brought to disciplinary, administrative, civil or criminal responsibility on the initiative of TransContainer, law authorities or other persons in accordance with the grounds provided by the legislation of the Russian Federation, local regulations and labour contracts.

In 2020, the functions of two collective bodies (the Conflict of Interest Review Commission and the Working Group on Anti-Corruption, Corporate Fraud and Theft) were combined by the governance bodies of TransContainer to promptly review and make timely decisions.

No cases of corruption in the Company were detected in 2020.

STOP CORRUPTION HOTLINE ACTIVITIES

There is a special hotline (anticorr@trcont.ru) on the Company's intranet site and the Stop Corruption hotline on the corporate website. Complaints received through both lines are sent as e-mails to heads of the Economic Security Department and the Internal Audit Service.

133,076 appeals were registered, three of which were received through the hotline (anticorr@trcont.ru) and related to complaints about the performance of contractual obligations. None of the 133,073 complaints received by telephone and mail to the call centre was related to signs of corruption and/or conflict of interest. 461 complaints were related to deficiencies in transportation processes. They were checked and did not reveal any facts of corruption, corporate fraud. The rest were related to consultations, proposals, order of contracting, requests for documents.

PJSC TransContainer is striving to ensure that business partners, contractors and other persons acting on behalf of the Company also commit themselves to creating an environment of zero tolerance to corruption.

By implementing the Anti-Corruption Policy, TransContainer is promoting a culture of intolerance to corruption in the Company and beyond, which definitely contributes to strengthening the reputation of TransContainer and increasing confidence in the Company on the part of shareholders, investors, business partners, customers and other stakeholders.

EXTERNAL AUDIT

To ensure an independent and unbiased audit of the Company's financial statements, the Company has approved the Policy on Interaction with External Auditor of PJSC TransContainer¹.

The nominee of the external auditor of RAS accounting (financial) statements and IFRS consolidated financial statements of PJSC TransContainer is approved by the general meeting of shareholders of the Company on the recommendation of the Board of Directors. The nominee of the external auditor is selected at least once every five years from among the auditors of the Big Four audit firms. The Company also deems it reasonable to select a single auditor for TransContainer's RAS and IFRS financial statements. The Company makes requests for proposals in the manner defined in the Regulation on the Procedure for the Procurement of Goods, Works, and Services for the needs of PJSC TransContainer and submits the proposals to the Audit Committee. The Audit Committee evaluates the nominees for the Company's auditors, selects the best proposal and makes a decision on recommendations to the Board of Directors on the auditor nominee.

In April 2020, the Audit Committee made an offer to the Board of Directors to recommend to the Company's general meeting of shareholders to approve the nominee of the JSC PricewaterhouseCoopers Audit to conduct an audit of RAS accounting (financial) statements and IFRS consolidated financial statements of TransContainer for 2020. In May 2020, on the recommendation of the Company's Board of Directors the annual general meeting of shareholders of PJSC TransContainer approved JSC PricewaterhouseCoopers Audit as the Company's auditor of RAS accounting (financial) statements and IFRS consolidated financial statements for 2020.

In accordance with the audit contract, the auditor provided services as follows:

- overview of the Company's interim condensed consolidated financial statements for three and six months as at 30 June 2020 under IFRS 34;
- audit of the Company's and its subsidiaries' consolidated IFRS financial statements for the reporting year ended 31 December 2020;
- audit of the Company's RAS accounting (financial) statements for 2020.

¹ The document is available on the Company's website:
https://trcont.com/documents/20143/0/190307_приложение_Политика+взаимодействия+с+BA_на+сайт.pdf/c59bcaf6-f62e-ce24-b7f8-09e45fd35664.

COST OF AUDITOR SERVICES

The amount of payment for the auditor's services was determined by the Board of Directors in May 2020 and

totalled RUB 14.450 mln (excluding VAT and overhead costs).

Remuneration paid to the JSC PricewaterhouseCoopers Audit (the Company's auditor) in 2020 (RUB)

Type of audit services	Remuneration (including VAT)
Audit of consolidated financial statements for 2019 under IFRS (part of remuneration still outstanding)	4,361,760
Audit of RAS accounting (financial) statements for 2019 (part of remuneration still outstanding)	4,394,400
Overview of interim financial statements for six months of 2020 under IFRS	1,200,000
Advance payments for the audit of consolidated financial statements for 2020 under IFRS	3,450,000
Advance payments for the audit of RAS accounting (financial) statements for 2020	4,620,000
Total	18,026,160
Type of non-audit services	Remuneration (including VAT)
Non-audit services	0
Total	0

OVERSIGHT OF NON-AUDIT SERVICES PROVIDED BY THE AUDITOR

To ensure the independence of the external auditor, the Company strives to avoid engaging auditors for the provision of non-audit services. In exceptional cases where this seems appropriate, according to the Policy on Interaction with Auditor, the Auditor provides non-audit services only upon the preliminary approval of the Audit Committee, except for services on staff training, workshops, corporate qualification training programmes, accounting and recording, and on other training types for Company's employees and members of the Board of Directors, and consulting in accounting and

reporting. These non-audit services are considered to be preapproved by the Audit Committee providing that the amount for a non-audit service does not exceed RUB 5 mln per each service. If the non-audit service cost exceeds RUB 5 mln, a preapproval of the Audit Committee is required.

The Audit Committee preliminarily reviews the feasibility of engaging the audit organisation, the type, and scope of non-audit services, and the auditor's remuneration for the provision of any such services.

In 2020, the Company had no agreements for non-audit services with PwC.