

# REMUNERATION REPORT

The remuneration system for members of the Board of Directors, sole executive bodies, members of the Management Board and the governance body of the Company is aimed at acquiring, incentivising and long-term retaining of persons who have the required competencies and qualification to steer the Company efficiently towards its strategic goals and objectives.

## REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES<sup>1</sup>

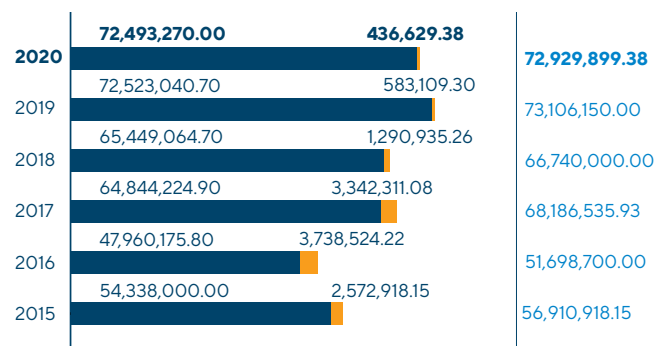
### PROCEDURE FOR DETERMINING REMUNERATION FOR BOARD MEMBERS

The remuneration is calculated according to the basic (maximum) amount and depends on the number of meetings attended by the member of the Board of Directors during the reporting period.

The annual remuneration of a Board member is calculated as per the following formula: **S year = 4,700,000 × K1**, where RUB 4,700,000 – the base for calculating the amount of annual remuneration; **K** – a coefficient that takes into account the participation of a member of the Board of Directors in Board meetings (regardless of the form of participation). The K coefficient is calculated as per the following formula:

**K = The number of Board meetings attended by the member of the Board of Directors (regardless of the form of participation) / Total number of meetings during the reporting period.**

### Remuneration and compensations paid to members of the Board of Directors in 2015–2020 (RUB)



■ Competitive remuneration to attract highly qualified professionals to the Board of Directors, incentivising members to participate in Board meetings in person

■ Compensating for expenses related to participation in the Board of Directors and committee meetings

<sup>1</sup> Pursuant to the Regulation on Remuneration and Compensation to Members of PJSC TransContainer's Board of Directors approved by the annual general meeting of shareholders of the Company on 15 May 2018. The Regulations are available on the Company's website: [https://trcont.com/documents/20143/474466/180517\\_Regulation\\_on\\_payment.pdf/333cc1a7-9c8e-cdb8-43d2-7976f1b53819](https://trcont.com/documents/20143/474466/180517_Regulation_on_payment.pdf/333cc1a7-9c8e-cdb8-43d2-7976f1b53819).

Additional annual remuneration is paid for membership in the Board of Directors. The amount of additional remuneration paid to a member of the Board of Directors who is a member of the Board of Directors' committee is calculated as follows: **Dyear = 4,700,000 × K2 × K3, where K – a coefficient** that takes into account the participation of a member of the Board of Directors in the Committee meeting (regardless of the form of participation), K3 – an additional coefficient that takes into account the contribution of a member of the Board of Directors to the committee (committee member, Chairman of the committee). K2 coefficient is calculated as per the following formula: K2 = The number of Board of Director' committee meetings attended by the member of the Board of Directors (regardless of the form of participation) / Total number of meetings during the reporting period. K3 coefficient is equal to: 25% – if the member of the Board of Directors is a member or Deputy Chairman of the committee; 33% – if the member of the Board of Directors is the Chairman of the committee.

If the member of the Board of Directors participates in several committees, the additional annual remuneration is calculated and paid for participation in each committee meeting.

Annual remuneration to members of the Board of Directors is paid pursuant to the final resolution of the general meeting of shareholders.

Members of PJSC TransContainer's Board of Directors do not participate in pension, insurance, option and investment programmes or receive any other benefits and privileges. In the reporting period, there were no loans (credits) extended by the Company to members of the Board of Directors.

## REMUNERATION OF MEMBERS OF THE EXECUTIVE BODIES AND THE MANAGEMENT

The Regulation on Labour Incentives for the Management of the Company determines the remuneration pattern (amount and procedure of payment) to the management, including the President, Director, First Vice President, Vice Presidents of business lines, First Deputy Vice President for Economics and Finance - the Director for Economics and Finance, Directors of the management bodies of business lines, as well as the Chief Accountant and Chief Engineer<sup>1</sup>.

**Incentives for the management are aimed at increasing management efficiency, achieving the Company's strategic goals, and retaining qualified personnel based on the following key principles:**

- transparency in determining the amount and the structure of total remuneration;
- simplicity of calculating the amount of total remuneration;
- competitiveness in terms of the level and the structure of remuneration;
- striking a balance between the interests of shareholders and the management of the Company.

Total remuneration of the management consists of a fixed part of the remuneration (basic salary or fixed wages) established by the employment contract and a variable part of the remuneration including bonuses and long-term incentives, as well as other payments stipulated by labour legislation of the Russian Federation, the Collective Bargaining Agreement or local regulations.

The level of remuneration of the management is formed depending on the levels of remuneration observed in the labour market for comparable positions. In the reporting period, there were no loans (credits) extended by the Company to members of the Management Board.

<sup>1</sup> From November 2020, the position of Chief Engineer was abolished and the position of Technical Director was introduced.

## Remuneration of Members of the Executive Bodies and the Management

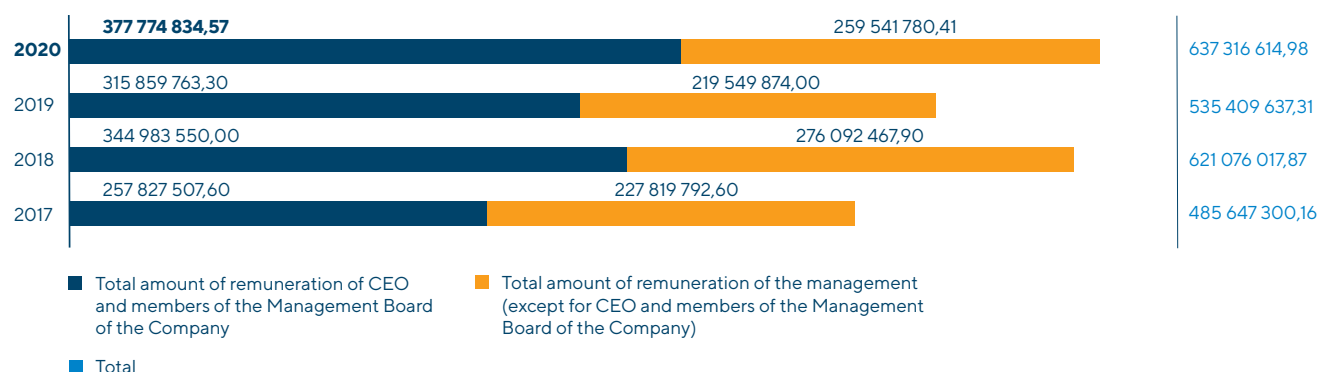
Item	Fixed part of the remuneration		Variable part of the remuneration (bonuses)		
	salaries & wages	other types of remuneration	quarterly <sup>1</sup>	annual	one-off
Purpose	Competitive basic incentives package to attract and retain highly qualified managers		Incentives for the management to steer the Company towards short-term financial and production targets	Incentives for the management to meet corporate and individual key performance indicators (KPIs)	Incentives for achieving strategic objectives established by the Board of Directors, certain projects and/or key works of a non-systematic nature
Description	The fixed part of remuneration is determined based on the manager's knowledge, experience, role in the Company and the level of remuneration in the labour market		Bonuses are paid subject to the Company's and each manager's performance in the reporting quarter	Full-year bonuses are paid subject to meeting KPIs. The amount of each manager's full-year bonus is determined as the product of the fixed part of the remuneration and the sum of coefficients that assess the manager in terms of meeting corporate, process and project KPIs	The amount of a one-off bonus is determined by the Board of Directors depending on the significance, complexity, and achievement of the strategic objective
Terms of payments	Monthly		Quarterly	Annually	After the Board of Directors has decided to pay a one-off bonus
Maximum possible payments	Determined in the manager's employment agreement		President – 0.25x of the fixed part of annual remuneration; managers – 1.5x of the fixed part of quarterly remuneration	Full-year bonus at 100% of the fixed part of annual remuneration. For calculating an additional full-year bonus, the maximum percent of meeting the net income target is 125%.	–

<sup>1</sup> Since 1 October 2020, the management incentives system was changed in terms of altering the remuneration structure and eliminating the quarterly bonus payment for the management (except for the President).

## Remuneration of Members of the Executive Bodies and the Management

Item	Fixed part of the remuneration		Variable part of the remuneration (bonuses)		
	salaries & wages	other types of remuneration	quarterly	annual	one-off
Total amount paid as remuneration to members of the Company's Management Board (including the CEO, President and Director) in 2020 (RUB)	141,260,505.33	55,471,224.79	42,636,566.49	116,340,537.96	22,066,000.00
<b>Total remuneration for 2020 (RUB)</b>	<b>377,774,834.57</b>				
Total amount paid as remuneration to managers of the Company (including the CEO, President and Director) in 2020 (RUB)	229,024,709.63	110,406,534.43	54,314,235.26	221,170,327.16	22,400,808.50
<b>Total remuneration for 2020 (RUB)</b>	<b>637,316,614.98</b>				

## Remuneration of Members of the Executive Bodies and the Management in 2017–2020



## SYSTEM OF KEY PERFORMANCE INDICATORS

The system of KPI used in the Company best reflects the extent to which the Company's management is meeting both short- and medium-term objectives (budget parameters) and achieving the long-term strategic objectives established by the Board of Directors. KPIs are used to assess the performance of management, Branch Directors, as well as managers of TransContainer's Executive Office and branches.

The KPI system comprises three groups of indicators: corporate, process and project KPIs. Corporate KPIs are indicators that characterize the general performance of the Company. Process KPIs are indicators that measure

the performance of a functional area or a process of the Company. Project KPIs are fixed-term indicators that measure the degree of achieving the goals of projects (project stages) of the Company / functional area. Each indicator has KPI description, which determines the methodology used to calculate the KPI target value, as well as the method for calculating the value achieved.

<sup>1</sup> Until 13 May 2020, the sole executive body in the Company was the CEO.

## ASSESSING THE PERFORMANCE OF THE PRESIDENT AND DIRECTOR

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**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.