

# CORPORATE GOVERNANCE SYSTEM

The Company's corporate governance system takes into account the recommendations outlined in the Corporate Governance Code approved by the Bank of Russia's Board of Directors on 21 March 2014, and the global best practices in corporate governance, including the OECD Principles of Corporate Governance. It relies on the following concepts:

- equitable and fair treatment of shareholders;
- leadership, efficiency, and responsibility of the Board of Directors;
- accountability of the Board of Directors and executive bodies;
- an effective, transparent and fair remuneration system;
- transparent and responsible disclosure policy;
- social responsibility and cooperation with stakeholders.

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## KEY CHANGES IN 2020

The key change in the Company's corporate governance system in 2020 was the consolidation of 100% of the Company's shares by Delo Group<sup>1</sup>.

**Despite the changes in the shareholding structure, the Company remains committed to the best applicable corporate governance practices. In particular, during 2020 the following has been implemented:**

- the revised version of the Charter of the Company, as well as internal documents regulating the activities of the Company's governance bodies were approved by the extraordinary general meeting of shareholders (Minutes No. 43 dated 30 April 2020)<sup>2</sup>:
  - Regulation on the Company's Board of Directors,
  - Regulation on the Company's Management Board,
  - Regulation on the sole executive bodies of the Company.
- The Board of Directors approved the following internal regulations<sup>2</sup>:
  - Regulation on Procurement;
  - Regulation on Incentives for the Management;
  - Regulation on the Internal Audit Service;
  - Regulation on Charity;
  - Regulation on Information Policy.

<sup>1</sup> For more details on the transaction with Delo Group see p. 106-107 and p. 149.

<sup>2</sup> The revised documents are available on the Company's website at <https://trcont.com/investor-relations/charter-and-bylaws>.

## CORPORATE GOVERNANCE QUALITY

The Regulation on Assessment of Performance of the Board of Directors and committees of the Board of Directors of TransContainer and the Corporate Governance Code provide for an annual self-assessment of the Board of Directors and its committees conducted in the form of questionnaires of the Board members and committee members, and every three years – an independent external assessment.

In addition, the Company's Internal Audit Service conducts an internal assessment of the corporate governance system.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The level of actual implementation of the recommendations of the Corporate Governance Code by the Company is reflected in the Annual Report, which is approved by the Board of Directors as Appendix (see Appendix "Report on Compliance with the Corporate Governance Code Included in the TransContainer's Annual Report" on page 233). Compliance with the Corporate Governance Code approved by the Bank of Russia.

### Compliance with the Corporate Governance Code approved by the Bank of Russia

Section	Recommended by the Code	Completely compliant			Partially compliant			Not compliant		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
Shareholder rights and equal conditions for shareholders in exercising their rights	13	11	11	11	1	1	1	1	1	1
Board of Directors, competence, independence, committees of the Board of Directors	36	29	31	23	6	5	6	1	0	7
Corporate Secretary	2	2	2	2	0	0	0	0	0	0
The remuneration system for members of the Board of Directors, executives bodies and other key employees	10	8	8	8	1	1	1	1	1	1
Risk management and internal control system	6	6	6	6	0	0	0	0	0	0
Disclosure of information about the Company, information policy	7	6	6	6	1	1	1	0	0	0
Significant corporate actions	5	3	3	3	2	2	2	0	0	0
<b>Total</b>	<b>79</b>	<b>65</b>	<b>67</b>	<b>59</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>3</b>	<b>2</b>	<b>9</b>

## In 2020, the Company changed the assessment of the implementation of certain principles.

Corporate governance principle	Status of compliance with the corporate governance principle in 2020	Explanations of deviations from the criteria for compliance with the corporate governance principle
2.2.1	Partially compliant	Due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company's Board of Directors before the end of the corporate year, the performance of the Board of Directors has not been evaluated. Self-assessment of the work of the Company's Board of Directors for 2020/2021 corporate year is scheduled for 2021.
2.3.3	Not compliant	
2.3.4	Not compliant	
2.5.2	Not compliant	
2.6.3	Partially compliant	
2.8.4	Not compliant	In 2020, the Company's Board of Directors included four independent directors. By the decision of the sole shareholder dated 25 November 2020, a new Board of Directors of the Company was elected. It included two members of the Board of Directors meeting the criteria of independence.
2.9.1	Not compliant	
2.4.3	Not compliant	
2.9.2	Not compliant	An independent assessment of the quality of the Board of Directors' work is stipulated by internal documents (the Regulation on Assessment of Performance of the Board of Directors and committees of the Board of Directors of PJSC TransContainer). The assessment was planned for 2020, but due to the change in the shareholding structure in the reporting year and the subsequent complete renewal of the Company's Board of Directors before the end of the corporate year, as well as the introduction of epidemiological restrictions in the Company, the assessment has not been carried out.

## INDEPENDENT ASSESSMENT

An independent corporate governance assessment is implemented every three years. According to the results of the latest assessment conducted in 2019 by the Russian Institute of Directors, the Company was assigned with a 7+ rating - "Developed Corporate Governance Practice". This means complying with the Russian corporate governance legislation and following a significant number of recommendations of the Russian Corporate Governance Code. The Company has negligible shareholders' loss risks associated with the quality of corporate governance<sup>1</sup>.

## INTERNAL ASSESSMENT

The Company's Internal Control and Audit Service regularly conducts corporate governance quality assessment in accordance with the Procedure for Corporate Governance Quality Self-Assessment in Companies with Government Participation developed by the Federal Agency for State Property Management.

In 2020, the assessment of corporate governance quality decreased to 88% against 89% year-on-year due to the Board of Directors component. This decrease is associated with the organisational and structural changes that occurred in the Company in 2020.

<sup>1</sup> In accordance with the scale of the National Corporate Governance Rating. Release: <http://rid.ru/news/press-reliz-podtverzhenie-nrku-pao-transkontejner>.

## Assessment of the Corporate Governance Quality in 2020

Components	Number of items	Weight of component in overall assessment	Assessment		
			Actual score	Maximum score	Compliance level
Shareholder rights	22	14	73	79	92
Board of Directors	56	37	162	202	80
Executive management	5	7	36	38	95
Transparency and information disclosure	15	25	125	135	93
Risk management, internal control, and internal audit	16	11	62	63	98
Corporate social responsibility, business ethics	6	6	23	31	74
<b>Overall assessment</b>	<b>120</b>	<b>100</b>	<b>481</b>	<b>548</b>	<b>88</b>

The results of all conducted corporate governance quality assessments are reviewed by the Audit Committee of the Company and used by the Company to determine the key steps for further improvement in this area.

## GOVERNANCE AND OVERSIGHT STRUCTURE

