

As part of performing these functions, the Russian Railways Board of Directors prepared recommendations for the Company's Annual General Meeting of Shareholders on matters concerning the payment of remuneration to members of the Board of Directors and Audit Commission.

As regards remuneration for the executive bodies, the Russian Railways Board of Directors in 2015 decided to pay a bonus to the Company's president and assess his work performed in the fourth quarter of 2014 and approved a draft regulation on remuneration and compensation paid to members of Russian Railways Board of Directors Management Board.

In accordance with the Company's Charter, the Board of Directors plays a key role in decision-making with respect to S&A.

In 2015, the Russian Railways Board of Directors approved a list of S&A for which the Board of Directors adopts decisions in accordance with sub-clause 23 of clause 71 of the Russian Railways Charter. The Board of Directors considered reports on budget execution by key S&A of the Russian Railways Group and determined the position of Russian Railways (Company representatives) at meetings of the boards of directors of the Russian Railways Group's S&A on the following agenda items: on the execution of the 2014 budget, the approval of the budget for 2015-2017 and the election of the sole executive body.

The Russian Railways Board of Directors monitors the corporate governance practice at the Company.

In 2015, the Russian Railways Board of Directors approved a new version of the Business Ethics Code, approved the Regulation on the Internal Control System at the Russian Railways Group, approved the Russian Railways Anti-Corruption Policy and amended the Regulation on the Strategic Planning Committee and the Regulation on the Audit and Risk Committee. The Board of Directors approved the Regulation on the Priority Investment Project Committee of the Russian Railways Board of Directors and the members of the Committee.

Meetings of the Board of Directors, high-quality preparations for such meetings and active participation in such meetings by members of the Board of Directors ensure the Board of Directors functions effectively.

Remuneration for members of the Board of Directors

Shareholders decided at the Annual General Meeting in 2015 to pay remuneration to the Board of Directors for the period from 4 July 2014 to 30 June 2015 in the amount and manner prescribed by the Regulation on Remuneration and Compensation Paid to Members of the Russian Railways Board of Directors (approved by the decision of the Russian Railways Board of Directors on 18 May 2015).

Under the Regulation developed in accordance with the recommendations of the Russian Federal Property Management Agency and the Code of Corporate Governance, remuneration is calculated using a formula based on the main component of remuneration, which is equal to RUB 2,000,000 and depends on the participation of members of the Board of Directors in Board meetings. Board members are paid additional remuneration for performing additional functions that is calculated according to the base portion of

remuneration and increased by the following ratio:

- 3 for the Chairman of the Board of Directors (excluding individuals who perform the functions of the Chairman of the Board of Directors in his absence);
- 2 for a member of the Board of Directors who performs the functions of Chairman of the Board of Directors;
- 1.5 for a member of the Board of Directors who performs the functions of a member of a committee under the Board of Directors.

Additional remuneration shall be paid for participation in the work of committees, provided that the member of the Board of Directors personally attended (submitted a written opinion for) at least 75% of the in-person meetings held over the course of the corporate year.

If a member of the Board of Directors performs the functions of a member and/or the chairman of a committee under the Board of Directors on more than one committee, additional remuneration shall be paid for the functions performed on each committee.

The Regulation does not apply to members of the Board of Directors who are members of the executive bodies of Russian Railways or who are restricted or prohibited from receiving any payments from commercial organisations by the legislation of the Russian Federation.

According to the decision of the Russian Railways Annual General Meeting of Shareholders, a total of RUB 42,090,909 were spent on remuneration paid to members of the Russian Railways Board of Directors.