



Risk management system

Goals of the risk management system:

- To ensure the continuous and stable production operations of Russian Railways by limiting the degree of exposure to negative external and internal factors.
- To provide a reasonable level of assurance in achieving the targeted benchmarks envisaged by the regulatory documents of Russian Railways given the impact of external and internal factors.

Primary objectives of the risk management system

1

Identifying potential risk areas and assessing the feasibility of preventing or minimising risks

5

Preventing risks based on their systematic forecasting and assessment

2

Balanced distribution and consolidation of regulatory powers and responsibility among participants in the Russian Railways risk management system

6

Creating management tools and mechanisms to ensure effective risk management

3

Developing and assessing the set of measures to prevent risk situations and minimise damage if they occur

7

Determining the cost impact of all significant risks on the financial and economic indicators of Russian Railways and building a response system during the Russian Railways Group's financial planning stage

4

Identifying the resources required to eliminate and minimise risks as well as their optimal distribution in accordance with the established regulations

Functional principles of the risk management system

Complexity

Risk management based on a common methodology and unified principles taking into account the systematic interconnection of risks, the nature of their mutual influence and possible consequences.

Integration

Risk management coordinated by risk owners and handled by employees in the process of implementing their job duties.

Continuity

Conducting regular monitoring and updates of information used in the Russian Railways risk management system.

Coverage of all types of activities

Introduction of risk management procedures in all functional areas of the Company's activities, including as part of the procedural approach to management.

Balance

An objective balance of criteria when adopting decisions on risk response methods: choosing between possible losses and opportunities as well as between risk management costs and possible damages revealed as part of risk management.

Development of the risk management system

One of the ways the Russian Railways Group develops its risk management system is by introducing the provisions of the Code of Corporate Governance, which was approved by the Board of Directors of the Central Bank of the Russian Federation on 21 March 2014.

The Regulation on the Risk Management System drafted in accordance with the guidelines approved by Order of the Russian Government was approved by the Russian Railways Board of Directors In December 2015.

The document identifies:

- the goals and objectives of the risk management system;
- the functional principles of the risk management system;
- the participants involved in the risk management process and their functions;
- interaction within the framework of the risk management system;

- preferred risk;
- stages of the risk management process;
- the method for assessing the effectiveness of the risk management system.

According to the Regulation, the Company will set up a project office to develop the risk management system in 2016.