

Sustainability Reporting Supplement

About report

The Annual Report of Globaltrans covers activities and performance of the parent company Globaltrans Investment PLC and its subsidiaries for the calendar year 2017¹. This Annual Report is targeted at employees, customers, shareholders, investors, local communities and non-profit organizations.

All financial information presented in this Annual Report is derived from the Consolidated Management Report and Consolidated Financial Statements of Globaltrans Investment PLC as at December 31, 2017 and has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113 (EU IFRS) unless otherwise specified in the text of the Annual Report.

The Annual Report also includes the Group's first sustainability review, which has been prepared in accordance with the Global Reporting Initiative (GRI) Standards in the Core disclosure version. At the same time, this Annual Report serves to meet the requirements of the EU's 2014/95/EU Directive regarding disclosure of non-financial and diversity information.

Non-financial risk management

Within the reporting period, Globaltrans continued to contribute to the development of the existing framework for non-financial risk management. Though non-financial risks do not directly affect the Group's financial assets, they may have a negative impact on its internal processes, business reputation and performance towards strategic goals. The Group's non-financial risks comprise of operational, strategic, compliance, reputational and corruption risks. Operational risks include in their turn customer and employee satisfaction, operational performance, and risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group's control².

Internal regulations of the Group reflect approach to managing non-financial risks. Measures taken by Globaltrans to control and mitigate such risks provide for the Group's growth of both its market value and market share.

Climate change

In the last decade, climate change has become one of the biggest environmental issues as on national so on international levels. Though as a freight rail operator Globaltrans has no control over infrastructure and actual transportation, it recognizes this risk and is committed to minimizing its impact on climate. The Group provides and promotes environmentally friendly mode of transportation and every year strives to decrease the empty runs of its rolling stock (a movement of railcars without cargo), in order to use resources efficiently and reduce GHG emissions. In 2017 Total Empty Run Ratio³ of Globaltrans decreased by 3% in comparison with 2016.

¹ For detailed information, i.e. list of subsidiaries of Globaltrans, please see Additional Information - Corporate Structure section of the Annual Report.

² For detailed information, please see Risk Management section of the Annual Report.

³ Empty Run Ratio is calculated as the total of empty trips in kilometres by respective rolling stock type divided by total loaded trips in kilometres of such rolling stock type.

Interaction with stakeholders

Globaltrans carries out its business taking into account the stakeholders' interests. The Group successfully interacts with all its key stakeholders in order to defuse a problem that has a local effect, to systematically manage risks and better understand the stakeholders' expectations, and to ensure sustainable competitiveness.

Stakeholder groups	Interaction examples
Shareholders	<ul style="list-style-type: none"> • General meetings of shareholders • Regulatory reporting with a high level of disclosure and transparency • One-to-one and group meetings
Business partners (customers, consumers of basic services provided by the Group)	<ul style="list-style-type: none"> • Regular participation in ongoing competitions, tenders • Cooperation within the framework of agreements and agreements on cooperation • High-quality and timely delivery of services
Business partners (suppliers, contractors)	<ul style="list-style-type: none"> • Counterparty acquisition on the basis of tenders, price comparison • Cooperation within the framework of agreements and agreements on cooperation • One-to-one meetings with the counterparties of strategic importance for the Group's activities
Employees	<ul style="list-style-type: none"> • Interaction within the framework of the main activities of the Group • Daily staff meetings conducted by the head of the sectoral unit • Providing opportunities for professional and personal growth • Creation of decent working conditions
Professional and industry associations and organizations	<ul style="list-style-type: none"> • Participation in activities of the relevant associations • Participation in joint meetings
Educational institutions	<ul style="list-style-type: none"> • Participation of the Group's managers in qualifying examination commission activities of the educational institutions • Internships for students of educational institutions • Participation on career fairs
Government authorities	<ul style="list-style-type: none"> • Compliance with law
Mass media	<ul style="list-style-type: none"> • Disclosure through various channels

Approach to determining material topics

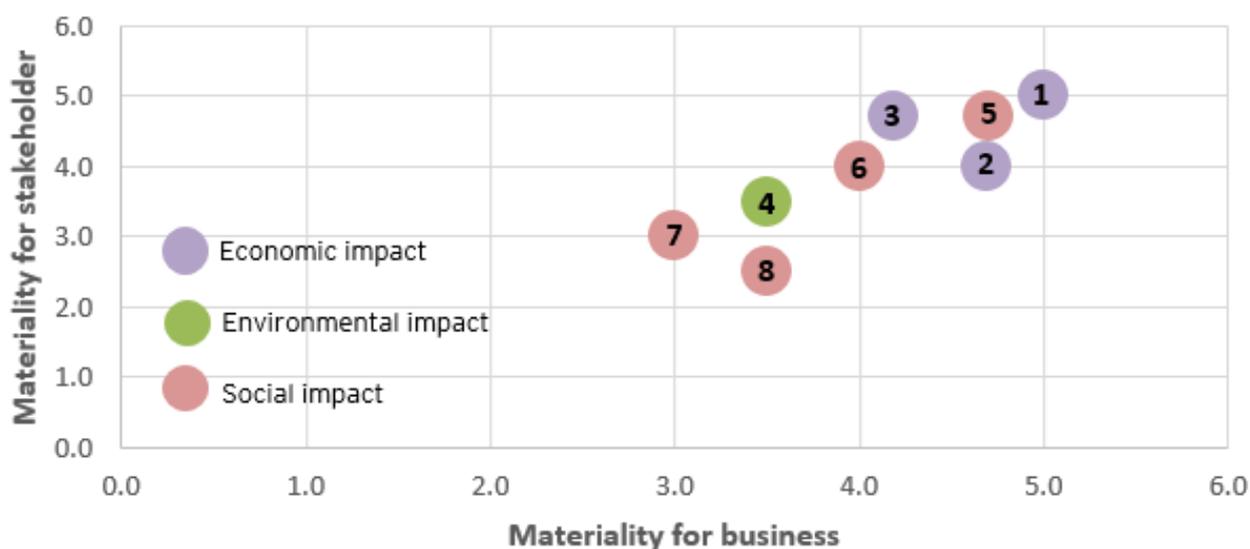
This Annual Report presents information on the Group's sustainable development and CSR activities. A number of quantitative indicators presented in this Annual Report refer only to the parent company's performance due to the specific nature of reporting systems and difficulties in collecting relevant information across the Group unless otherwise specified in the text of the Annual Report.

To comply with GRI recommendations, Globaltrans identified material topics to be covered in the Annual Report based on their influence on internal stakeholders. Procedure for identifying material topics included the following steps:

- Material topics were identified through the analysis of internal regulations and media coverage, and the review of non-financial reports issued by foreign peer companies;
- Identified material topics were ranked by significance based on interviews with internal stakeholders;
- A materiality matrix was developed to highlight the most significant topics for the Group's system of sustainability reporting;

- A validity check was conducted on identified material topics to ensure that all of them are disclosed in the Annual Report.

Figure 1. Materiality matrix



Economic Impact	
1	Direct economic value generated and distributed
2	Confirmed incidents of corruption and actions taken
3	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
Environmental Impact	
4	Non-compliance with environmental laws and regulations
Social Impact	
5	New employee hires and employee turnover
6	Benefits provided to full-time employees that are not provided to temporary or part-time employees
7	Occupational health and safety
8	Diversity and equal opportunity

This Annual Report covers all materials topics, including results for the reporting period and performance assessment findings. Topics which are not considered relevant are not subject to disclosure in sustainability reports according to the GRI Standards.

High standards of the Annual Report were achieved following the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards.

GRI Content Index

Indicator	Definition	Report section / notes	Annual report page	
General disclosures				
102-1	Name of the organization	Corporate Structure	203	
102-2	Activities, brands, products, and services	At a glance Operational performance	4-11 30-33	
102-3	Location of headquarters	Key contacts	211	
102-4	Location of operations Number of countries where the organization operates	Financial statements	192-193	
102-5	Ownership and legal form	Financial statements	168	
102-6	Markets served	At a glance Financial statements	4-11 192-193	
102-7	Scale of the organization	Operational performance Financial review	30-33 35-36	
102-8	Information on employees and other workers		2016	2017
		Total number of Group's employees	1,552	1,594
		<u>Permanent contract</u>	<u>1,536</u>	<u>1,575</u>
		<i>Full-time</i>	1,496	1,534
		Men	961	990
		Women	535	544
		<i>Part-time</i>	40	41
		Men	23	27
		Women	17	14
		<u>Temporary contract</u>	<u>16</u>	<u>19</u>
		<i>Full-time</i>	16	19
		Men	4	3
		Women	12	16
		<i>Part-time</i>	-	-
		Men	-	-
Women	-	-		
		Approximately 95.6% of the Group's employees work in Russian Federation, other employees work in Cyprus, Ukraine, Finland and Estonia.		
102-9	Supply chain	At a glance Corporate social responsibility	4-11 59	
102-10	Significant changes to the organization and its supply chain	Market review	24-29	
102-11	Precautionary Principle or approach	No significant changes in the supply chain. The Group does not explicitly use the precautionary principle.		
102-12	External initiatives. A list of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	The Group does not have membership in external initiatives.		
102-13	Membership of associations. A list of the main memberships of industry or other associations, and national or international advocacy organizations	Union of Railway Transport Operators - SOZHT(AO New Forwarding Company); Railway Engineering Association – OPZHT (AO Ural Wagonrepair Company); Association of Railway Transport Operators – ASKOP (OOO BaltTransServis).		
102-14	Statement from senior decision-maker	Chairman's statement Chief executive officer's review	16-18 20-23	
102-15	Key impacts, risks opportunities	Risk management About the report	48-54	
102-16	Values, principles, standards, and norms of behavior	Corporate social responsibility	55-56	
102-18	Governance structure	Governance structure	62-73	

Indicator	Definition	Report section / notes	Annual report page
102-35	Remuneration policies for the highest governance body and senior executives	Remuneration of the Board of Directors and management	73 191
102-40	List of stakeholder groups	About the report	
102-41	Percentage of total employees covered by collective bargaining agreements	As at 31.12.2017, 51% of total employees in OOO BaltTransServis are covered by collective bargaining agreements. For others – no.	
102-42	The basis for identifying and selecting stakeholders with whom to engage	Principles for identifying and selecting stakeholders: dependency, responsibility, influence, stress and strategic reference points.	
102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	About the report	
102-44	Key topics and concerns that have been raised through stakeholder engagement	About the report	
102-45	Entities included in the consolidated financial statements	Corporate Structure	203
102-46	Defining report content and topic boundaries	About the report	
102-47	A list of the material topics identified in the process for defining report content	About the report	
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	This is the first corporate social responsibility report published by the Group.	
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	This is the first corporate social responsibility report published by the Group.	
102-50	Reporting period	Calendar year 2017	
102-51	Date of most recent report	April 2017	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Investor Relations Phone: +357 25 328 860 Email: irteam@globaltrans.com	
102-54	Claims of reporting in accordance with the GRI standards	The Report was prepared in accordance with the GRI Standards – Core option.	
102-55	GRI content index	GRI content index	
102-56	External assurance	External assurance was not conducted in the reporting period.	
Management approach			
103-1	Explanation of the material topic and its boundary	About the report	
103-2	The management approach and its components	Corporate social responsibility	55-59
103-3	Evaluation of the management approach	Corporate social responsibility	55-59
Economic performance			
201-1	Direct economic value generated and distributed	Financial review ⁴	34-47

⁴ This indicator is not fully disclosed, because it is the first time the company publishes CSR information. In the next reporting period, direct economic value will be fully disclosed.

Indicator	Definition	Report section / notes	Annual report page	
Anti-corruption				
205-3	Confirmed incidents of corruption and actions taken	Corporate social responsibility No incidents of corruption were detected in the reporting period.	55-56	
Environmental compliance				
307-1	Non-compliance with environmental laws and regulations	Corporate social responsibility The Group operates in accordance with environmental laws and regulations. No incidents of non-compliance with environmental laws and regulations were detected in the reporting period.	58	
Employment				
401-1	New employee hires and employee turnover		Total number	Rate
		New employee hires	153	10%
		Men	101	6%
		Women	52	3%
		Under 30 years old	49	3%
		30-50 years	91	6%
		Over 50 years old	13	1%
		Employee turnover	181	11%
		Men	128	8%
		Women	53	3%
		Under 30 years old	53	3%
30-50 years	90	6%		
Over 50 years old	38	2%		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Corporate social responsibility Financial statements	56 112, 125	
Occupational health and safety				
403-9	Work related injuries	Corporate social responsibility No injuries causing accidents were detected in the reporting period. The Group's companies with the highest health and safety risks (OOO BaltTransServis, AO Ural Wagonrepair Company, AO New Forwarding Company) have internal policies and regulations in the field of health and safety.	55, 57	
Training and education				
404-1 ⁵	Average hours of training per year per employee by gender and employee category ⁶	Average hours of training per employee in the reporting period	16	
		Average training hours per female	15	
		Average training hours per male	17	
Diversity and equal opportunity				
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group and other indicators of diversity	Corporate social responsibility Financial statements 30-50 years – 50% more than 50 years – 50%	57 85	

⁵ Data on training hours in the reporting period was collected in three companies of the Group (New Forwarding Company, BaltTransServis, Ural Wagonrepair Company) where Total number of employees constitutes 90% of all employees in the Group.

⁶ The following formula was used for calculation: Average training hours per (female/male) employee= Total number of training hours provided to (female/male) employees/ Total number of (female/male) employees. This indicator is not fully disclosed, because it is the first time the company publishes CSR information and not all data were available.