

CORPORATE SOCIAL RESPONSIBILITY

Our approach to sustainability

This section is prepared in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (the “GRI”) in the Core disclosure version and the requirements of the EU’s 2014/95/EU Directive regarding disclosure of non-financial and diversity information.

Within this section are the key results, activities and performance of the parent company Globaltrans Investment PLC and its subsidiaries in the field of sustainable development for the year ended 31 December 2018. All information disclosed in this Section reflects activities of the Group companies included in the list for financial reporting purposes 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.

Globaltrans reports economic, social and environmental activities deemed to be material and, in order to provide comparable data, most indicators in the Section are presented for two years, i.e. 2017 and 2018.

This section covers all material 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. The overall aim is to achieve high standards in the areas of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards.

Stakeholder engagement

Communicating effectively is a vital aspect of being a successful business. Regular engagement with its stakeholders is integral to Globaltrans’ ability to undertake business responsibly. The Group sees stakeholder engagement as an opportunity to initiate further dialogue about relevant topics and thereby shape the future development of its business and the advancement of its sustainability agenda. The Group’s stakeholders include employees, shareholders and investors, customers, government and regulators, media and local communities.

The Group uses the most appropriate communication channels to listen to its stakeholders and ensure they can access the information they need about its policies, practices and strategic direction. These include direct engagement with stakeholders through meetings, presentations, roadshows and attendance of conferences. More generally, the Group ensures that information is readily available and released in a timely fashion so that communications with stakeholders are as transparent as possible through media and news announcements, conference calls, corporate website and e-mail feedback forms.

Procedure of identifying material sustainability topics

Step 1

Identification of material topics

Material topics were identified through the analysis of internal regulations and media coverage, and review of non-financial reports issued by peer companies.

Step 2

Prioritisation of material topics

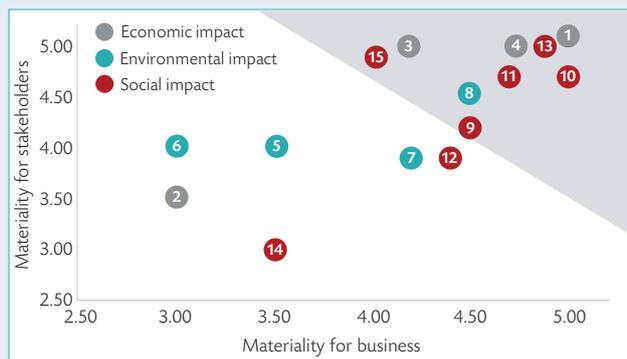
In order to develop a broader and more fulfilled stakeholder engagement process, the Group gathered both external and internal feedback (employees, shareholders, investors, clients) on the materiality of sustainability issues for the Group.

Step 3

Preparation of materiality matrix

A materiality matrix was developed to highlight the most significant topics for the Group’s system of sustainability reporting. A validity check was also conducted on identified material topics to ensure that all of them are disclosed in this Annual Report.

Materiality matrix



Economic impact

- 1 Economic performance
- 2 Socioeconomic development of regions
- 3 Business ethics, risk management and anti-corruption
- 4 Customer satisfaction

Environmental impact

- 5 Risks and opportunities posed by climate change
- 6 Responsible water use and reduction of water consumption
- 7 Reduction of energy consumption
- 8 Non-compliance with environmental laws and regulations

Social impact

- 9 Employment, staff and management relationship
- 10 Employee education and development
- 11 Employee motivation
- 12 Diversity and equal opportunity
- 13 Occupational health and safety
- 14 Corporate volunteering
- 15 Charity

Source: Globaltrans

Stakeholder engagement mechanisms

Stakeholder group	Mechanisms of stakeholder engagement	Key results in 2018
Employees	<ul style="list-style-type: none"> • Labour-management consultations • Engagement surveys • Corporate booklets and information boards • Networking events • Regular direct communication between managers, teams and individuals • Career development, annual training and performance processes 	<ul style="list-style-type: none"> • Social benefits and guarantees, including medical insurance • Favourable working conditions • Salary benchmarking against peers • Zero fatalities, zero accidents and zero cases of occupational illness
Shareholders and investors	<ul style="list-style-type: none"> • Open, effective and transparent communication • IR website • General Meetings of Shareholders • Corporate reporting and webcasts • Broker-hosted investor events, non-deal roadshows and conference calls 	<ul style="list-style-type: none"> • Information disclosure on a semi-annual basis • Analyst and investor conference calls and webcasts • Non-deal roadshows in the UK, Europe, Russia and the US. Over 300 meetings with investors in total • Regular dividend payments⁽¹⁾ • Publication of the Annual Report and corporate social responsibility information
Customers and business partners	<ul style="list-style-type: none"> • Face-to-face formal and informal meetings, as well as formal consultations • Customer analytics and customer evaluation system • Conferences and forums • Customer satisfaction surveys • Transparent supply chain 	<ul style="list-style-type: none"> • Two new five-year contracts signed with blue-chip industrial companies (TMK, ChelPipe Group) • Maintaining long-term partnerships with clients – about 60% of the Group's 2018 Net Revenue from Operation of Rolling Stock was covered by long-term contracts • Customer satisfaction surveys • Customer privacy and data security
Government, regulators and professional authorities	<ul style="list-style-type: none"> • Communication with regulators/policy makers about issues affecting the freight rail transportation industry • Permits and licences • Regulatory change management • Various industry and regulatory forums 	<ul style="list-style-type: none"> • Tax obligations fulfilment • Participation at professional associations including the Council of Railway Operators and the Russian Union of Transport Workers
Local communities	<ul style="list-style-type: none"> • Corporate philanthropy and charitable contributions • Community investment 	<ul style="list-style-type: none"> • Contribution to the socioeconomic development • Regular contributions to various charitable projects
Media	<ul style="list-style-type: none"> • Communication with media representatives • Transparent disclosure through various channels • Press conferences and exhibitions 	<ul style="list-style-type: none"> • Circulation of media and news announcements • Responding to media queries • Participation in various events and exhibitions (for example, Annual TransRussia exhibition for Transport and Logistics Services and Technologies)

⁽¹⁾ Total shareholder payments in respect of 2018 were RUB 16.5 billion (including interim and special interim dividends in respect of the first half of 2018 and final and special final dividends in respect of the second half of 2018).

CORPORATE SOCIAL RESPONSIBILITY

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Ethics and behaviour

Globaltrans manages and organises human resources in full compliance with the rights guaranteed by legislation as well as its Code of Ethics and Conduct adopted in 2008. The Code states that the Group's responsibility is to promote responsible corporate behaviour within its workforce. The Code touches upon important aspects of interactions between the Group and its employees and contains a list of core values that apply to all actions of the Group and its employees.

Tolerance

Understanding and respecting diverse cultures and people with different views

Impartiality

Acting objectively and professionally

Respect

Compliance with all requirements of applicable labour laws

Equality for all

Creating opportunities and a working environment that excludes any form of discrimination

Safety

Compliance with required rules to create a safe and healthy workplace

All employees of the Group are required to sign an acknowledgement that they have received, read and understood the Code of Ethics and Conduct. Globaltrans does not tolerate any behaviour that is contrary to these values.

The Group has also adopted an Anti-Fraud Policy that is designed to identify and prevent fraud. The Group has established the necessary procedures and rules for dealing with any issues and has appointed a team responsible for the development of internal controls and investigations. Fraud prevention measures apply to all Group personnel. Each employee is required to understand the types of violations that may occur within the area of his/her responsibility and closely monitor any indications of potential non-compliance.

Moreover, the Group also adopted a Whistleblowing Policy that governs the investigation and reporting of improper activities, including non-compliance with the Code of Ethics and Conduct, and allows employees to submit concerns in a confidential and anonymous manner. Appropriate channels have been introduced to handle reports of suspected improper activities.

The Group's executive management meets at least weekly to discuss, among other things, anti-fraud and anti-corruption measures. In 2018, as in previous years, there were no reported cases within the Group of any corrupt or fraudulent activity.

We respect and protect the privacy of personal information of our stakeholders and comply with EU general data protection regulation, adopted by the EU Parliament in April 2016. The Group has adopted a Privacy policy, which is available on the corporate website (www.globaltrans.com).

Key CSR activities

Globaltrans understands that alongside financial results, non-financial results are also of great importance both to the Company and its stakeholders. Globaltrans takes seriously its social and environmental responsibilities and is committed to preventing potential damage to the community and environment as a result of the Group's operations.

Key CSR activities of Globaltrans are:



Corporate Governance

Transparent corporate governance is accomplished by engaging Globaltrans' senior management with its shareholders, maintaining clearly defined corporate policies, undertaking training as well as the continuous professional development of senior management. For details, please see the Corporate Governance section of this Annual Report.



Responsible employment

Responsible employment is achieved through compliance with labour legislation, efforts to decrease employee turnover, ensuring a safe place of work and ensuring a rich corporate culture.



Environmental responsibility

Environmental responsibility is achieved through minimising the adverse impact of Globaltrans' activities on the environment, i.e. through more energy-efficient practices, carbon emission reduction and recycling.



Investment in the community

Investment in the community consists of support provided to charitable organisations.



Economic performance

Economic performance, including the generation and distribution of the economic value created to various stakeholder categories. For details, please see the Financial Review section of this Annual Report.

In order to meet regulatory and stakeholders' expectations, Globaltrans is constantly improving the existing framework for non-financial risk management. Non-financial risks may have a negative impact on the Group's internal processes, business reputation and performance along with its ability to pursue strategic goals. The Group's non-financial risks are comprised of strategic, operational and compliance risks. For details of the main risks facing the Group, please refer to the Risk Management section of this Annual Report and the Principal Risks and Uncertainties subsection, included in the Financial Statements section of this Annual Report.

The internal regulations of the Group reflect its approach to managing non-financial risks. Measures taken by Globaltrans to control and mitigate such risks provide for the Group's growth both in terms of its business value and its market positions.

Responsible employment

Our approach to HR management

Globaltrans realises that its people are one of its biggest competitive advantages in the market. The hard work and outstanding performance of its employees adds immense value and is instrumental to the Group's success.

Globaltrans manages employment and labour through comprehensive human resources strategies and policies such as:

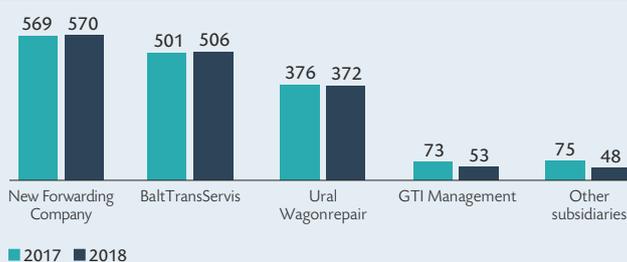
- Internal code of labor conduct
- Workplace safety guidelines and fire instructions
- Job description
- Code of Ethics and Conduct
- Compensation and Benefits Policy
- Regulations on the Protection of Personal Data of Employees
- Regulations on Business Trips
- Anti-Fraud Policy
- Regulations on Contractual Work

The labour practices of Globaltrans are compliant with applicable legislation.

The average employee headcount during the year remained at the level of the previous year with 1,540 employees. However, headcount at the end of the year decreased compared to 2017 to 1,549 people⁽¹⁾. The companies within the Group that employ the most people are New Forwarding Company (36%), BaltTransServis (32%) and Ural Wagonrepair Company (24%).

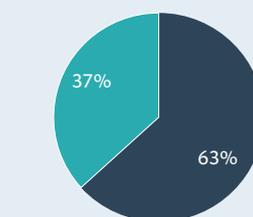
Globaltrans is committed to fostering a workplace that is safe and professional and that promotes teamwork and trust. Hostility, harassment and other unprofessional behaviours are not tolerated.

Headcount by companies in 2018 (at year-end)



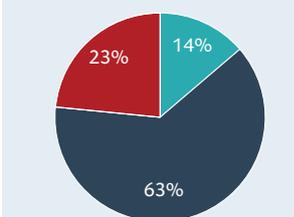
Source: Globaltrans

Headcount by gender in 2018 (at year-end)



Source: Globaltrans

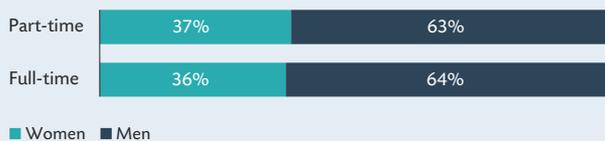
Headcount by age in 2018 (at year-end)



Source: Globaltrans

Headcount by contract type in 2018 (at year-end)

Permanent contract



Temporary contract



Source: Globaltrans

⁽¹⁾ The difference between the headcount and the average headcount is due to different calculation techniques. The headcount is presented as at the end of 2018, while the average headcount is calculated by totalling the number of employees on the list in each month of the reporting period and dividing this sum by the number of months.

CORPORATE SOCIAL RESPONSIBILITY

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Diversity

As a business, it is imperative that Globaltrans has access to the widest pool of talent available, selecting the best candidates based on their ability to do the job. While the Group does not have a formal Diversity Policy, it follows the best practice behaviours espoused in the Group's Core Values of Equality, Impartiality and Respect. In that regard, the Group believes that a commitment to diversity is critical to achieving its strategic goals. The Group values difference and promotes respect and dignity for all regardless of an individual's race, colour, religion, nationality, gender, sexual orientation, disabilities or age.

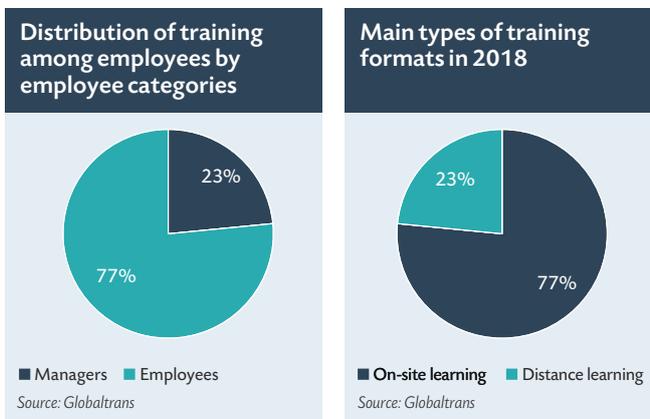
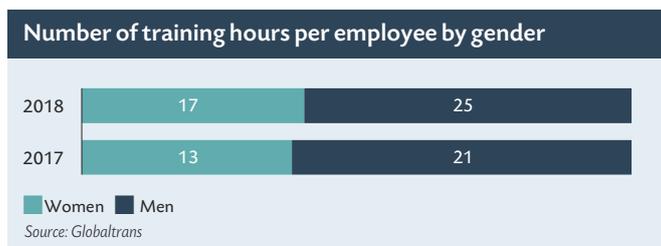
Globaltrans recognises that historically the freight rail transportation industry has been a sector with relatively low female representation. The Group is working to address this as part of its wider commitment to diversity. As of the end of 2018, 37% of the total workforce was female, with one female senior executive and two female members of the Board of Directors, representing respectively 11% of the senior executive management team and 13% of the total number of Directors.

The age demographics of the Group's employees ranged from less than 30 to over 50 years.

Training and education

Globaltrans values knowledge, skills and abilities and is committed to helping its employees to develop and grow professionally. Globaltrans introduced various training programmes for its employees so that they keep up to date with and are able to successfully manage developments in the industry as well as changes in its business and the environment in which it operates. Globaltrans carefully selects training and development to match the training needs of employees at different stages of their careers and to support them through the challenges they face. Every employee undertakes appropriate training for his or her field of work.

Training and career development opportunities are offered across the Group annually. In 2018, there were 350 employees who undertook training and a total of 33,238 hours was spent on training and career development. The amount of training hours per employee rose by almost 22% compared with the previous year, which Globaltrans believes is a positive trend.



As an example of the different kinds of training undertaken across the Group, GTI Management provided training for its employees in information security, accounting, financial management, health and safety, BaltTransServis trained its employees in the development of corporate culture and various skills applicable to their operations and Ural Wagon Repair Company taught fire-safety for welders.

Motivation

Globaltrans is focused on maintaining competitive remuneration practices and creating a favourable work environment for its employees. Group companies understand the importance of motivating their employees to perform at the highest level and offer various benefits to support this. There are a range of benefits offered to employees including medical insurance, paid child-care leave, allowances for family emergencies, additional vacation days and a competitive salary, all of which are continually benchmarked against peer companies to ensure the high motivation and morale of employees.

The Group and its subsidiaries also operate various Employee Incentivisation Programmes for different levels of employees. In addition to fixed salary, these programmes may include discretionary elements based, among others things, on key performance indicators ("KPIs"), the weighted average market quotations of the fixed number of Global Depository Receipts ("GDR") and the number of years of employment at the Group. These efforts not only help increase employees' productivity but also help the Group to attract and retain the best talent, which is evidenced by staff turnover of only 18% (20% among men and 12% among women).

Corporate culture and internal communications

Globaltrans aims to create a culture that makes the Group a great place to work. It strives to attract and retain talented people to deliver outstanding performance and enhance the success of the Group. One way in which Globaltrans supports its people is through providing appropriate rewards and ensuring a rich corporate culture. This includes developing a comfortable and engaging working environment to increase employee motivation and ensure their needs are being met as well as by creating a healthy environment for any concerns to be voiced and heard.

The fundamental principles of the Group’s corporate culture, including its core values and employee rules, are captured in its Code of Ethics and Conduct. In order to ensure that these values and rules are implemented correctly, some of the Group’s subsidiaries have established an Employee Hotline to deal quickly and effectively with any questions or concerns employees may have. The Hotline operates on the basis that no communication may be left without appropriate attention.

The Group also regularly holds sports, cultural and leisure events for employees and their families. This helps to create a pleasant working environment, increase employee engagement and promote better cohesion.

Health and safety

Occupational safety is a fundamental part of Globaltrans’ business and it constantly strives to reduce work-related injuries and maintain a safe working environment. The goal is to ensure that everyone in the Group companies, from the top managers to the individual employees, is engaged with safety and health matters.

The Group companies ensure that all safety procedures are carried out and that they are compliant with all policies and legislation. To guarantee that safety compliance is met, the Group companies have implemented the following policies:

- Occupational safety regulation
- Fire-safety instruction
- Instruction for carrying out health and safety briefings
- Instruction on pre-medical first aid
- Workplace safety guidance for PC users

Globaltrans actively trains and educates personnel in occupational safety to develop a culture of awareness and responsibility in the workplace. For example, Ural Wagonrepair Company trained and certified 10 additional employees in the field of occupational safety in 2018.

The Group also regularly checks conditions in the workplace to ensure that they continue to meet high standards. In 2018, around 373 workplaces were assessed across the Group:

- 166 workplaces in New Forwarding Company
- 139 workplaces in BaltTransServis
- 68 workplaces in Ural Wagonrepair Company

In 2018, due to the continued implementation of these important practices, Globaltrans had zero fatalities, zero accidents and zero cases of occupational illness.

Environmental responsibility

Globaltrans remains committed to the principles of sustainable development and does its utmost to follow them. The Group is therefore aiming to develop its business and deliver a strong economic performance in a way that is environmentally friendly.

The Group complies with all requirements of applicable legislation, including legally enforceable local enactments and internal regulations. No incidents of non-compliance with environmental laws and regulations occurred in the reporting period.

Globaltrans seeks to be an eco-friendly company with a focus on the rational use of water, improvement of energy efficiency and reducing paper and fuel consumption. Statistics as well as descriptions of the activities that the Group is implementing to reduce its impact on the environment are provided for each area in the below paragraphs⁽¹⁾.

Energy usage

Globaltrans fully recognises that increasing energy efficiency and successfully adopting modern energy-saving technologies are central to achieving a more sustainable future. Given the particular nature of the industry, the Group’s operations consume energy from various sources, namely fuel (petrol, diesel, and gas) and electricity. In order to reduce energy consumption Globaltrans is developing effective energy management.

Total consumption of energy resources by type, 2017-18

Energy carrier	2017	2018	Change, %
Electricity (kWh)	7,628,109	7,347,827	-4%
Diesel (litres)	50,453,999	54,752,185	9%
Petroleum (litres)	280,310	250,051	-11%

Globaltrans successfully reduced its energy consumption in two key areas in 2018 compared with the previous reporting period. Total electricity consumption declined by 4% year-on-year, due to a continued focus on energy efficiency and ongoing cost optimisation efforts across the Group. Globaltrans plans to optimise energy consumption in the future by implementing the best green practices.

(1) As Globaltrans has begun disclosing data on resource consumption only this year, the mechanism for collecting, processing and presenting information in the areas of rational use of water, energy and paper has not yet been fully developed. Therefore, the Company does not yet have enough data to fully demonstrate the trends occurring in all of its business units.

CORPORATE SOCIAL RESPONSIBILITY

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Use of water

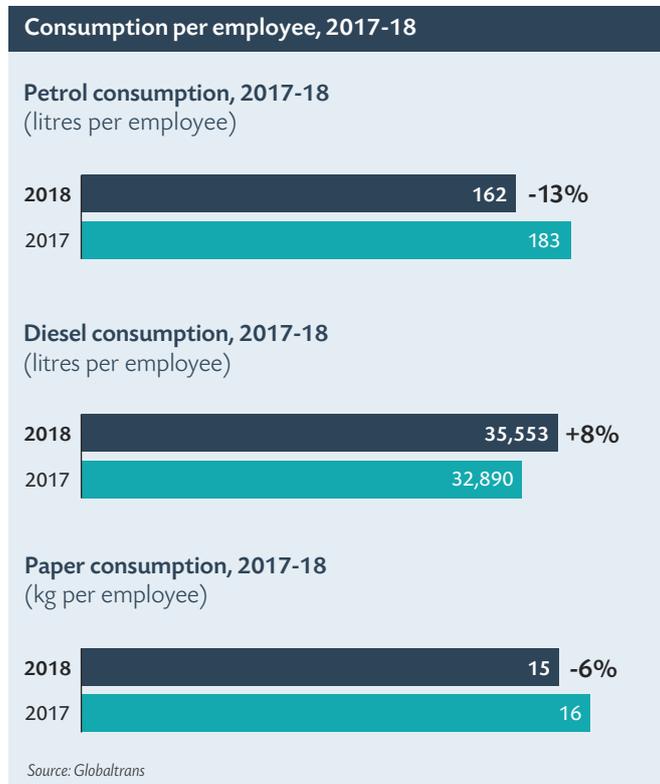
The Group has carried out extensive work aimed at improving its water management systems in recent years. While the system for capturing and processing statistical data regarding water usage across the Group is still under development, considerable progress continues to be made in this area. For example, both BaltTransServis and Ural Wagonrepair Company reported significant improvements in their use of water in 2018:

- Total consumption of cold water by BaltTransServis decreased 19% year-on-year.
- Total consumption of cold and hot water by Ural Wagonrepair Company decreased 16% year-on-year.

Globaltrans plans to improve the monitoring system to control water quality and consumption in the future.

Paper consumption and recycling

Document production happens as a matter of course in the Group's activities. Globaltrans enters into a large number of contracts and must maintain many different documents and, as a result, consumes significant amounts of paper. In addition to this, Globaltrans' business volumes are growing and therefore document flow and production are increasing. However, the Group does its utmost to reduce paper consumption and is trying to gradually make the transition to electronic document flow ("EDF").



Recycling is among the key initiatives at Globaltrans. The amount of paper sent for recycling by New Forwarding Company and Ural Wagonrepair Company has increased by 60% compared with the previous reporting period. This is an area the Company continues to focus on improving across its other business units.

Greenhouse gas management

Rail is one of the most environmentally friendly and fuel efficient methods of moving freight over land as large amounts of cargo can be moved by a single locomotive. However, locomotives do produce a carbon footprint which is why effective greenhouse gas management is key to reducing the industry's environmental impact.

It is important to highlight that the vast majority of locomotive traction used by the Group is provided by OAO Russian Railways, the only railway carrier engaged in owning and building railway infrastructure in Russia. For context, there are nearly 11,000 mainline locomotives operated by Russian Railways.

However, Globaltrans does operate one of the largest privately owned mainline locomotive fleets in Russia's freight rail industry, with 69 units in ownership (as at the end of 2018) which haul block trains and are principally engaged in the transportation of oil products and oil.

Globaltrans has been focused on operational efficiency from the outset, recognising that it has a beneficial impact on the environment. The Group continues to improve logistics by reducing the number of empty rail cars that are moved across the country. This is evident in the Group's operational performance with Empty Run Ratio for gondola cars maintained at the industry leading level of 38% in 2018, in line with the Company's average for the last five years. In addition, the Group's unique ability to transport oil products and oil in block trains using its own locomotives contributes to operational efficiency enabling high fleet utilisation.

At the same time, the acquisition of new/relatively new rolling stock and the effective management of regular repairs using companies with resource-saving and environmentally friendly technologies, enable the Group to operate a modern, well-maintained fleet. This further contributes to operational efficiency and enables Globaltrans to provide a higher standard of service for the clients. In 2019, the Group plans to acquire up to 10 new modern diesel locomotives for modernisation purposes, which will help the Company to drive improved operational and environmental performance.

The Group's greenhouse gas emissions from operations with locomotives owned by the Group were 166,129 tonnes of CO₂ equivalent in 2018⁽¹⁾. To help manage its carbon footprint Globaltrans will actively measure this on an annual basis going forward. As 2018 was the first year the Group was in a position to report its indirect greenhouse gases emissions, data is only available for this year.

(1) The Group's greenhouse gas emissions were calculated in accordance with IPCC Guidelines for National Greenhouse Gas Inventories (2006).

It is important to emphasise that Globaltrans’ environmental management system is currently under development and the Group is committed to establishing an effective system for recording, collecting and processing information in all of its subsidiaries by next year. This will allow the Company to provide further information, building on what has been reported here, and to more accurately demonstrate the processes occurring across Globaltrans in the area of ecological management.

Investment in the community

Creating long-term value for a wide range of stakeholders is a vital part of our business. Achieving a high level of economic performance allows the Company to invest in social and economic development as well as to improve the quality of life for local communities. Globaltrans seeks to support the development of the regions where it is present by paying taxes, creating jobs and supporting charitable organisations. How the Company creates wealth for its stakeholders is reflected in the following table.

Direct economic value generated, distributed and retained⁽¹⁾

	2018 RUB mln
Direct economic value generated⁽²⁾	86,773
Economic value distributed	85,347
– Total cost of sales (excluding Employee benefit expense)	53,704
– Total selling, marketing and administrative expenses (including community investments and excluding Employee benefit expense and Taxes (other than income tax and value added tax))	1,252
– Employee benefit expense	4,367
– Payments to the providers of capital ⁽³⁾	19,577
– Payments to the government ⁽⁴⁾	6,447
Economic value retained	1,426

The Group believes that it is vital to create value for society not only through financial operations but also from direct cooperation with charitable organisations. Globaltrans is committed to investing in the social sphere to improve the living conditions of local communities and actively helps ill children and the elderly, supports cultural, spiritual and educational activities and sponsors sports programmes, among other initiatives. Adhering to the principles of sustainable development is an integral part of the Group’s business philosophy and is key to achieving its broader goals.

The key areas of Globaltrans’ charitable activities



This year Globaltrans contributed to various charitable projects.

Drawing public attention to the issue of child healthcare is an important part of the Group’s charitable focus. As part of this, in 2018, GTI Management and New Forwarding Company continued their support of the Life Line Fund, which assists children with life-threatening illnesses.

Globaltrans also regularly supports organisations that work with vulnerable social groups such as orphans, people with disabilities, veterans and pensioners. The following initiatives were undertaken in this area during 2018:

- GTI Management financed the building and facility improvement of the veterans’ organisation in St. Petersburg.
- As part of its cooperation with Moscow’s public organisation to support war veterans, New Forwarding Company contributed to the museum exhibition honouring the 150th anniversary of the Military communications service.

The preservation and promotion of cultural heritage is another key area of activity for Group companies. In line with this, over the course of 2018, New Forwarding Company provided support to the Ekaterinburg Artistic Fund while BaltTransServis gave funding to the International Charitable Fund “Constantine”. Both of these funds use donations to restore monuments and promote Russian culture.

Additionally, Globaltrans plays an active role in improving the quality of education. In 2018, its subsidiary BaltTransServis supported various educational initiatives, for instance “The Gaidar Foundation” that supports projects in the fields of science, culture and education and provides support for the implementation of projects and events for both communities and organisations.

Finally, as part of its commitment to support the development of sports, New Forwarding Company made charitable donations to the Fencing Federation of Russia in 2018.

(1) Information in the table is derived from the Consolidated Management Report and Consolidated Financial Statements for the year ended 31 December 2018.

(2) Direct economic value generated includes “Revenue”.

(3) Payments to providers of capital include “Interest paid”, “Dividends paid to owners of the Company” and “Dividends paid to non-controlling interests in subsidiaries”.

(4) Payments to government include “Tax paid” and “Taxes (other than income tax and value added taxes)”. The Company also pays Russian Value Added Tax (“VAT”). VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Purchases of property, plant and equipment are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.