



**RUSSIA'S LEADING
FREIGHT RAIL GROUP**

**2008
2018**

**10 YEAR IPO
ANNIVERSARY
2008-2018**

**A DECADE OF
SUCCESS
THE JOURNEY
CONTINUES**

**Globaltrans Investment PLC
Annual Report 2018**

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

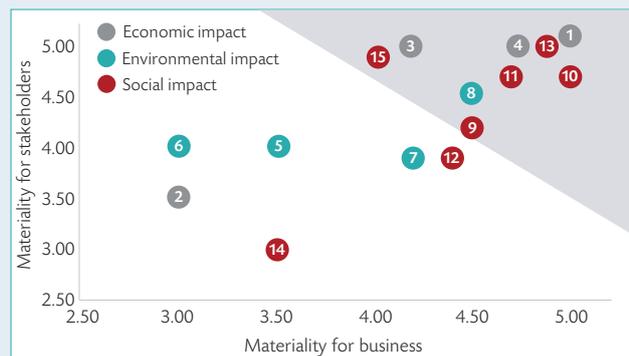
In order to develop a broader and more fulfilled stakeholder engagement process, the Group gathered both external and internal feedback (employees, shareholders, investors, clients) on the materiality of sustainability issues for the Group.

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

continued

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:

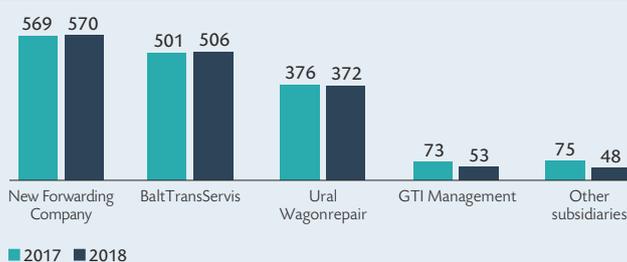
- Internal code of labor conduct
- Workplace safety guidelines and fire instructions
- Job description
- Code of Ethics and Conduct
- Compensation and Benefits Policy
- Regulations on the Protection of Personal Data of Employees
- Regulations on Business Trips
- Anti-Fraud Policy
- Regulations on Contractual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

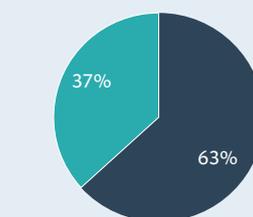
Globaltrans is committed to fostering a workplace that is safe and professional and that promotes teamwork and trust. Hostility, harassment and other unprofessional behaviours are not tolerated.

Headcount by companies in 2018 (at year-end)



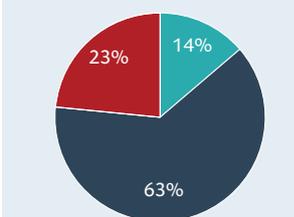
Source: Globaltrans

Headcount by gender in 2018 (at year-end)



Source: Globaltrans

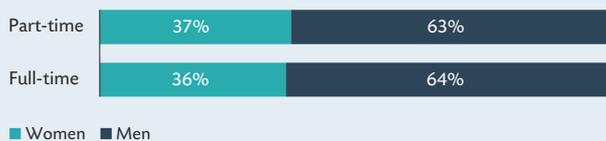
Headcount by age in 2018 (at year-end)



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

continued

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.

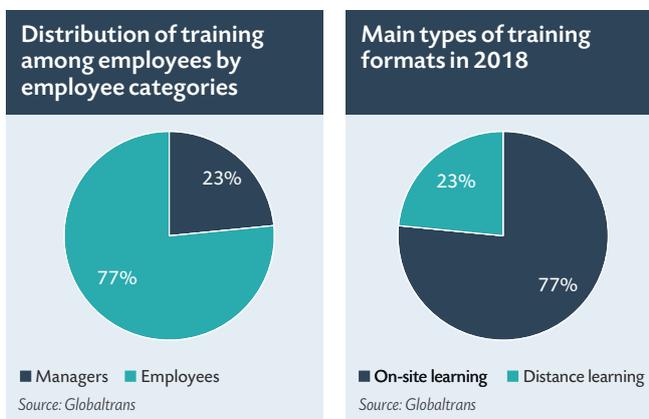
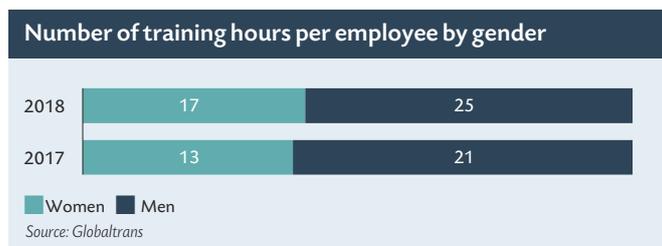
Globaltrans recognises that historically the freight rail transportation industry has been a sector with relatively low female representation. The Group is working to address this as part of its wider commitment to diversity. As of the end of 2018, 37% of the total workforce was female, with one female 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

continued

Use of water

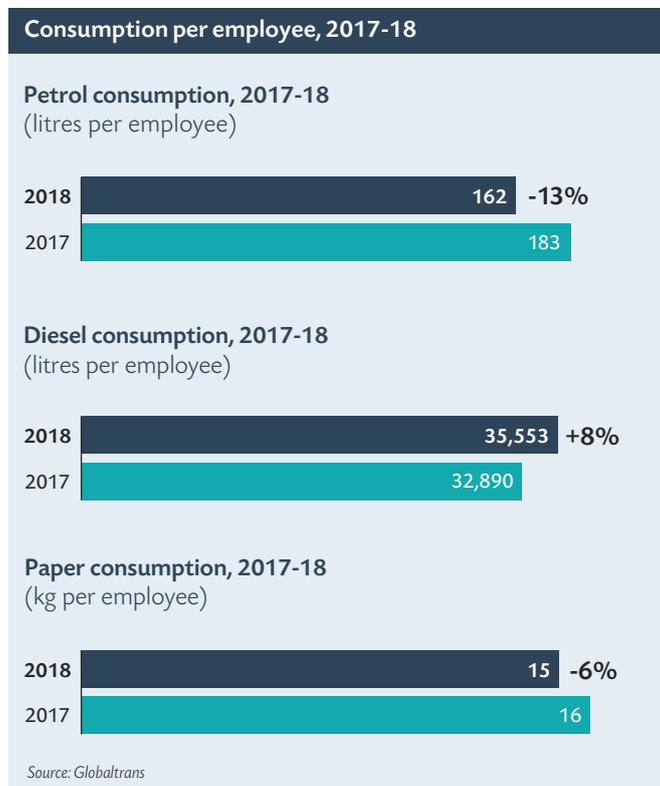
The Group has carried out extensive work aimed at improving its water management systems in recent years. While the system for capturing and processing statistical data regarding water usage across the Group is still under development, considerable progress continues to be made in this area. For example, 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.

GOVERNANCE

15
Board
members

4
Independent
Directors

Globaltrans has continued to work diligently over the last 10 years to ensure that its corporate governance framework meets the highest standards of international best practice.

The Board is committed to providing effective, transparent and ethical oversight of the Group so that the Board can take decisions that it believes benefit all stakeholders, promote the long-term interests of the Group and its communities, and create value.



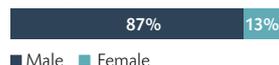
BOARD OF DIRECTORS

Globaltrans has in place a highly experienced Board of Directors, with the right blend of skills and experience necessary to lead the Group effectively. In addition to the significant operational and financial experience of the Board members, the independent Non-executive Directors bring their own external experience and objectivity to the Board's deliberations and decision-making process, helping to support and constructively challenge the Executive.

Executive/Non-executive Board Directors



Board Gender



Sergey Maltsev

Chairman of the Board, Executive Director, Chief Strategy Officer, Co-founder of Globaltrans

Appointment: Sergey Maltsev was elected as Chairman of the Board of Directors of Globaltrans in April 2018. He also serves as Chief Strategy Officer having been appointed to the role in August 2017.

Skills and Experience: Mr. Maltsev was instrumental in the development of the freight rail market in Russia and has worked in the industry for over 30 years. He co-founded Globaltrans and served as Chief Executive Officer from 2008 until 2015 when he left the Group. After leaving Globaltrans, he served as Senior Vice President for strategy and corporate governance at OAO Russian Railways, until his return to Globaltrans as Chief Strategy Officer in 2017.

Mr. Maltsev was a founder member and Chairman of the non-profit partnership "Council of Railway Operators". In recognition of his services to the rail industry, Mr. Maltsev received the award of "Honoured Railwayman of Russia". He graduated with a degree in railway engineering.

External Appointments: N/A



Michael Zampelas

Senior Independent Non-executive Director, Chairman of the Nomination Committee

Appointment: Mr. Zampelas joined the Board in March 2008. He is the Senior Independent Non-executive Director, Chairman of the Nomination Committee and a member of the Remuneration Committee.

Skills and Experience: From 2013 to 2018, Mr. Zampelas served as Chairman of the Board of Globaltrans. He was Chairman and Managing Partner of accountancy firm Coopers & Lybrand in Cyprus from 1970 until 2001 (latterly as PricewaterhouseCoopers). He served as vice chairman of Eurobank Cyprus Limited from 2007 until 2018 and chaired its Audit Committee for a period of five years. From 2002 to 2006, Mr. Zampelas was Mayor of Nicosia.

Mr. Zampelas is a chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments:

Mr. Zampelas is an independent non-executive director of Arricano Real Estate Plc, a Ukrainian real estate company, listed on the London Stock Exchange, and chairs its Audit and Remuneration Committees.

Mr. Zampelas is the Honorary Consul General of Estonia in Cyprus, a role he has undertaken since 1997. He is also President of the Association of Friends of the Christou Steliou Ioannou Foundation, a charitable foundation for children with learning difficulties.



Dr. Johann Franz Durrer

Independent Non-executive Director, Chairman of the Remuneration Committee

Appointment: Dr. Durrer was appointed to the Board as an Independent Non-executive Director in March 2008. He is Chairman of the Remuneration Committee and a member of the Nomination Committee.

Skills and Experience: Dr. Durrer began his career at Union Bank of Switzerland and in 1970 founded Fidura Treuhand AG which provides book-keeping, auditing and financial services.

Dr. Durrer graduated from the University of Zurich with a doctorate in Economics and is a member of the Swiss Fiduciary Association.

External Appointments: Dr. Durrer currently serves on the Board of IMT-Dienst AG, a transport company. He is also an executive board member of several privately held companies.



John Carroll Colley
Independent Non-executive
Director, Chairman of the
Audit Committee

Appointment: Mr. Colley was appointed to the Board as an Independent Non-executive Director in April 2013. He is also Chairman of the Audit Committee.

Skills and Experience: Mr. Colley has extensive experience in international trade and risk management both in the public and private sectors. From 2007 to 2010, Mr. Colley served as country manager for Russia at Noble Resources SA. Prior to that, he held a variety of positions in the public sector, including at the office of the US Trade Representative and the US Department of Commerce in Washington, DC. He also worked for Linkful Ltd and Noble Resources SA in Moscow from 1992 to 1999.

Mr. Colley, a fluent Russian speaker, holds an MA in History and a BA in International Affairs and Russian Studies from the University of Virginia.

External Appointments: Mr. Colley is currently the principal of Highgate Consulting LLC, a global advisory consulting company.



George Papaioannou
Independent Non-executive
Director

Appointment: Mr. Papaioannou joined the Board as an Independent Non-executive Director in April 2013. He also serves on the Audit Committee.

Skills and Experience: Mr. Papaioannou has more than 20 years' experience in financial reporting, risk management, auditing, financial performance analysis and taxation. In 2004, he founded G. Papaioannou Auditors Ltd, which provides accounting, audit, tax and consulting services. From 2002 to 2004, he worked at Grant Thornton in Cyprus and before that for PricewaterhouseCoopers. Mr. Papaioannou holds a degree in Accounting and Financial Management from the University of Essex. He is a qualified chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments: N/A



Alexander Eliseev
Executive Director,
co-founder of Globaltrans

Appointment: Alexander Eliseev joined the Board as an Executive Director in March 2008.

Skills and Experience: Mr. Eliseev co-founded Globaltrans in 2004 and has played a leading role in introducing market-based reforms to the Russian rail transportation market. He has spent more than 17 years in senior management positions, mostly within the rail sector. He also sits on the boards of two Globaltrans subsidiaries, New Forwarding Company and BaltTransServis. Mr. Eliseev is a graduate of the Russian State Medical University, where he studied biophysics.

External Appointments: Mr. Eliseev is a member of the Board and General Director of Globaltruck, a leading freight trucking operator in Russia, listed on the Moscow Exchange.



Andrey Gomon
Non-executive Director

Appointment: Mr. Gomon served as a member of the Board of the Company from 2013 to 2016 and rejoined the Board in April 2017.

Skills and Experience: Mr. Gomon has more than 13 years of management experience in the railway industry. From 2006 to 2012 he was CEO of Transoil, one of the largest oil transportation companies in Russia, having previously served as CFO between 2003 and 2006. He is a member of the boards of two Globaltrans subsidiaries, New Forwarding Company and BaltTransServis. Mr. Gomon studied economics at St Petersburg State University and holds an MBA from INSEAD.

External Appointments: N/A

BOARD OF DIRECTORS

continued



Elia Nicolaou

Non-executive Director, Company Secretary, Secretary to the Board

Appointment: Ms. Nicolaou joined the Board as a Non-executive Director in March 2008. She is the Company Secretary and a member of the Audit Committee.

Skills and Experience: Ms. Nicolaou has extensive experience in commercial, corporate and funds law. She is currently the Managing Director of Amicorp (Cyprus) Ltd. Previously, she was head of the Corporate Legal department at Polakis Sarris LLC and also worked at C. Patsalides LLC. Ms. Nicolaou participates in various associations of the Cyprus Chamber of Commerce and also sits on the boards of other listed and private companies. Ms. Nicolaou graduated with an LLB in Law from the University of Nottingham, and holds an LLM in Commercial and Corporate Law from University College London. She also has an advanced diploma in Business Administration from the Cyprus International Institute of Management.

External Appointments: N/A



Melina Pyrgou

Non-executive Director

Appointment: Ms. Pyrgou was appointed to the Board as a Non-executive Director in April 2013.

Skills and Experience: Ms. Pyrgou is a barrister and registered insolvency practitioner and has practised corporate law for over 25 years. She is currently Managing Director of Pyrgou Vakis Law Firm, a Cyprus-based corporate and commercial law practice. Previously she was Director of Legal Services at PricewaterhouseCoopers in Cyprus.

Ms. Pyrgou served as the Chairman of EuropeFides Association, a European network of accounting, audit, tax and legal firms, from 2015 to 2016. She is also a member of various local business associations. Ms. Pyrgou graduated from the University of Keele with a degree in Law and Sociology, and also holds a diploma in Environmental Law from the University of Geneva. She was called to the bar in Cyprus in 1992 and in London (Grays Inn) in 1995.

External Appointments: Ms. Pyrgou currently serves as a member of the Cyprus Investments Promotion Agency ("CIPA"). She also currently sits on the Disciplinary Committee of the Institute of Certified Public Accountants of Cyprus ("ICPAC").



Konstantin Shirokov

Executive Director, Head of Internal Audit

Appointment: Mr. Shirokov was appointed to the Board as an Executive Director in March 2008. He is head of Globaltrans' Internal Audit function.

Skills and Experience: Mr. Shirokov has over 12 years' senior international management experience. Prior to joining Globaltrans, he worked in senior finance roles at Mechel and as an economist at Glencore International. He also served as a non-executive member on the board of Global Ports Investments PLC between 2008 and April 2018 where he also sat on the Audit and Risk Committees. Mr. Shirokov graduated from the Finance Academy under the Russian government. He also studied business management at Oxford Brookes University.

External Appointments: N/A



Alexander Storozhev

Executive Director, Chief Procurement Officer

Appointment: Mr. Storozhev joined the Board as an Executive Director in April 2013.

Skills and Experience: Mr. Storozhev has held a series of senior management roles over a 20-year career in the rail industry and has been with Globaltrans since the company was established. He is Chairman of a number of Globaltrans subsidiary boards, including AS Spacecom, AS Spacecom Trans, GTI Management and BaltTransServis. He also serves on the boards of New Forwarding Company and Ural Wagonrepair Company, both Globaltrans subsidiaries. Since February 2015, he has been director of Investments and Business Development at New Forwarding Company. Mr. Storozhev is a recipient of the "Honoured Transport Worker of CIS" Award.

Mr. Storozhev graduated from the Kiev Military Academy of Aviation and Engineering in 1990 with a degree in Engineering. He also holds a diploma from the Mirbis Business School in Moscow and a Master's degree in Business Administration and Finance.

External Appointments: N/A



Alexander Tarasov
Non-executive Director

Appointment: Alexander Tarasov joined the Board in April 2013.

Skills and Experience: Mr. Tarasov served as a deputy director general in Sevttekhnotrans, a Globaltrans subsidiary that subsequently merged with Ferrotrans. He has held management positions at a number of leading Russian companies across different sectors, with a focus on financial management and analysis. Mr. Tarasov graduated from the Bauman Moscow State Technical University with a degree in Engineering. He also holds a degree in Economics from the Moscow State University of Commerce.

External Appointments: N/A



Michael Thomaidis
Non-executive Director

Appointment: Mr. Thomaidis was appointed to the Board as a Non-executive Director in April 2014.

Skills and Experience: Mr. Thomaidis previously served as a director at Globaltrans Investment PLC from 2004 to 2008 and sat on the Board of Directors of Global Ports Investments PLC, Russia's leading container port operator. He has been a director at Leverret Holding Ltd (Cyprus) since 2007. Mr. Thomaidis graduated from London Southbank University with a BSc in Consumer Product Management.

External Appointments: N/A



Marios Tofaros
Non-executive Director

Appointment: Marios Tofaros was appointed to the Board as a Non-executive Director in April 2013.

Skills and Experience: Mr. Tofaros is a director of the Client Accounting department at Amicorp (Cyprus) Ltd. He was a financial accountant at Depfa Investment Bank Ltd from 2004 to 2008 and a financial officer at Louis Catering Ltd from 2003 to 2004. He also held various positions in the Audit department at KPMG Cyprus. Mr. Tofaros has a degree in Accounting, Finance and Economics and a master's degree in Business Studies, both from the University of Kent. He also holds a chartered certified accountant (FCCA) diploma and is a member of the Institute of Certified Public Accountants of Cyprus.

External Appointments: N/A



Sergey Tolmachev
Executive Director,
Managing Director

Appointment: Mr. Tolmachev was appointed to the Board as a Non-executive Director in April 2013 and as an Executive Director in October 2013.

Skills and Experience: Mr. Tolmachev became the Group's Managing Director in October 2013. He joined N-Trans Group in 2001 and has held various management positions focused on corporate finance and treasury. He also serves on Globaltrans subsidiary boards, including AS Spacecom and AS Spacecom Trans. He has extensive experience in financial analysis and modelling. Mr. Tolmachev graduated from Lomonosov Moscow State University with a degree in Mechanics and Applied Mathematics.

External Appointments: N/A

EXECUTIVE MANAGEMENT

The executive leadership at Globaltrans is one of the most highly respected and experienced management teams in the freight rail transportation industry in Russia, with a proven track record of success stretching back over many years.

1. Sergey Maltsev
Chief Strategy Officer,
Chairman of the Board,
Executive Director,
co-founder of Globaltrans

Sergey Maltsev was elected as Chairman of the Board of Directors of Globaltrans in April 2018. He has been serving as Chief Strategy Officer of the Group since August 2017.

Mr. Maltsev has worked in the rail sector for more than 30 years and was instrumental in the development of the private freight rail market in Russia. Mr. Maltsev was one of the founding members of the non-profit partnership "Council of Railway Operators" and held the position of Chairman.

Having co-founded Globaltrans, he served as the Company's CEO and member of the Board for over a decade before stepping down in 2015. Subsequently, he worked as the Senior Vice President for strategy and corporate governance at OAO Russian Railways. He is a recipient of the "Honoured Railwayman of Russia" award.

2. Valery Shpakov
Chief Executive Officer

Valery Shpakov became CEO in March 2016, having served as interim CEO since November 2015. He joined New Forwarding Company, a Globaltrans subsidiary, in 2003 and has been its CEO since 2007.

He is an experienced manager with a track record of over 30 years in the rail industry. He began his career in the private sector in 1999 and has held managerial positions at various companies in the transport sector. He is a recipient of the "Honoured Railwayman of Russia" award.

3. Alexander Shenets
Chief Financial Officer

Alexander Shenets has been the CFO of Globaltrans since the Group's establishment and has more than 15 years of experience in senior finance positions, mostly in the rail sector. He is a member of the boards of GTI Management, New Forwarding Company, BaltTransServis, AS Spacecom, AS Spacecom Trans and Ural Wagonrepair Company, all Globaltrans subsidiaries.

He holds an MBA from Lomonosov Moscow State University.

4. Vyacheslav Stanislavsky
Deputy Chief Executive Officer,
Head of Operations

Vyacheslav Stanislavsky joined New Forwarding Company, a Globaltrans subsidiary, as Deputy General Director for Operations and Commerce in March 2010 and became First Deputy General Director in April 2011.

He has more than 30 years of experience in the rail industry. Mr. Stanislavsky is a recipient of the "Honoured Railwayman of Russia" award.



5. Alexander Storozhev

Chief Procurement Officer,
member of the Board,
Executive Director

Alexander Storozhev joined the Board as an Executive Director in April 2013. He has held a series of senior management roles over a 20-year career in the rail industry. He has been with Globaltrans since the company was established and is Chairman of a number of Globaltrans subsidiary boards, including AS Spacecom, AS Spacecom Trans, GTI Management and BaltTransServis. He also serves on the boards of New Forwarding Company and Ural Wagonrepair Company, both Globaltrans subsidiaries. Mr. Storozhev is a recipient of the "Honoured Transport Worker of CIS" award.

He graduated from the Kiev Military Academy of Aviation and Engineering in 1990 with a degree in Engineering. He also holds a diploma from the Mirbis Business School in Moscow and a Master's degree in Business Administration and Finance.

6. Kirill Prokofiev

CEO of BaltTransServis

Kirill Prokofiev was appointed CEO of BaltTransServis, a Globaltrans subsidiary, in February 2017. Prior to his appointment, he spent more than seven years working in senior executive roles in the rail sector.

He graduated from St Petersburg State University of Economics, where he majored in economics. He also holds an MBA in Strategic Management from Moscow's Higher School of Economics.

7. Roman Goncharov

Head of Treasury

Roman Goncharov has served as CFO of New Forwarding Company, a Globaltrans subsidiary, since 2005 and has over 13 years of management experience.

He has an MBA from the Moscow International School of Business.

8. Sergey Avseykov

Business Development Officer

Sergey Avseykov is in charge of business development for the Group. Mr. Avseykov originally joined New Forwarding Company, Globaltrans subsidiary, in 2011 as Head of the Marketing and Development Division. Between 2017 and 2018, Mr. Avseykov served as acting Head of Business Project Management at OAO Russian Railways. In 2018, he rejoined Globaltrans as Business Development Officer.

Mr. Avseykov graduated from Tomsk State University and holds a PhD in political science from the Russian Presidential Academy of National Economics. Mr. Avseykov is a board member of several RZD subsidiaries.

9. Svetlana Brokar

Government Relations Officer

Svetlana Brokar joined Globaltrans as government relations officer in December 2018. She is an attorney and has significant expertise in civil, tax, commercial, corporate, finance and railway transport matters. She has also worked with government departments including the Russian Transport, Finance and Railway Ministries. From 2009 to 2013, Svetlana was a member of the Board of Globaltrans subsidiary New Forwarding Company and since 2014 has acted as in-house legal counsel or provided it with legal services. She also previously worked with the non-profit partnership "Council of Railway Operators".

Ms. Brokar graduated with a law degree from Kaliningrad State University in 1985.



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CORPORATE GOVERNANCE REPORT

Maintaining high governance standards



“Good governance has been a central pillar of our business model ever since we listed in 2008 and adopted governance principles based on the UK Code of Corporate Governance.

Our culture and values have always been fundamental to our success, helping to underpin our business model and guide how we engage with our employees, our customers, other stakeholders and the wider community.”

Dear Shareholders,

As Chairman, I am committed to ensuring that high standards of corporate governance are in place and consistently applied in the boardroom and across the Group. Good governance has been a key pillar of our business model ever since we listed in 2008 and adopted governance principles based on the UK Code of Corporate Governance. 10 years on, the governance template put in place in 2008 continues to support the delivery of our strategic priorities, and we remain absolutely committed to pursuing best practice corporate governance.

As a Board, our primary responsibility is to ensure that the Group provides long-term, sustainable growth for its shareholders. Robust governance structures are critical as they help ensure the trust of our shareholders, customers and other stakeholders. Over the last decade we have continually fine-tuned our governance approach to keep it aligned with international best practice. Alongside this, we have built an effective and able Board of Directors with the right blend of experience, objectivity and independence needed to take the business forward, protect the interests of stakeholders and drive long-term value.

Aligned to the principles of good governance, as Board Directors we also have to set the right culture and tone from the top. Consequently, the Board places great emphasis on leading by example and ensuring that the high standards and values of the Company are consistently applied throughout the business. Our culture and values have always been fundamental to our success, helping to underpin our business model and guide how we engage with our employees, our customers, other stakeholders and the wider community.

Under the leadership of the Board, the Group will continue to work towards delivering the agreed strategy and targets for growth. In the following pages, we set out the Group’s approach to corporate governance and how it supports our business strategy.

A handwritten signature in black ink, appearing to read 'S. Maltsev', written over a light grey circular stamp.

Sergey Maltsev
Chairman of the Board,
Chief Strategy Officer,
Co-founder and shareholder

CORPORATE GOVERNANCE REPORT

Corporate governance framework

Corporate governance policies

The Group's policies are designed to ensure an effective and transparent corporate governance framework. All employees are required to comply with the guidelines contained in these policies and procedures, and the management is ultimately responsible for ensuring that all departments follow them.

Globaltrans' policies include, inter alia:

- Anti-Fraud Policy;
- Appointment Policy for the Board of Directors and Committees;
- Business Continuity Policy;
- Code of Ethics and Conduct;
- Continuing Obligations Policy;
- Disclosure Policy;
- Dividend Policy (new edition adopted on 31 March 2017 and amended on 24 August 2018);
- Policy on assessment of External Auditor Objectivity Policy;
- Policy on the treatment of the rights of minority shareholders;
- Privacy Policy;
- Risk Management Policy;
- Securities Dealing Code and PDMR Securities Dealing Code (new edition adopted on 15 December 2017);
- Terms of Reference of Board Committees (Audit, Nomination, Remuneration);
- Terms of Reference of the Board of Directors; and
- Whistleblowing policy.

Full details of the Group's policies can be found on the corporate website at: <http://www.globaltrans.com/about-us/corporate-governance/governance-policies/>

Board of Directors

The Board of Directors (the "Board") of Globaltrans is accountable to the Company's shareholders for standards of governance across the Group's activities. The Board's responsibilities include:

- providing leadership, setting the overall strategy and ensuring that the necessary components are in place for the Group to meet its objectives;
- setting Group values and standards, and ensuring that obligations to all stakeholders are understood and met;
- monitoring and reviewing the performance of the Group and its management;
- maintaining an effective system of internal control and risk management to safeguard shareholders' rights and interests and the Group's assets;
- ensuring an effective governance framework and compliance with relevant regulations; and
- assessing from time to time whether the Independent Non-executive Directors continue to demonstrate independence.

The Board of Directors' report is presented in full in the Financial Statements section of this Annual Report.

Membership of the Board of Directors

The process for Board appointments is led by the Nomination Committee and members of the Board of Directors are elected at the General Meeting. Board members are nominated based on their industry knowledge, expertise and experience in areas such as accounting, finance, business management and strategic planning.

In selecting candidates for the Board, the Group seeks to create an effective and complementary Board whose capability is appropriate for the scale, complexity and strategic positioning of the business. Non-executive Directors are drawn from a wide range of industries and backgrounds, including infrastructure, transport and financial services, and have appropriate experience of large international organisations. Some have considerable experience of the freight rail industry. In addition, the Group selects Independent Directors with a view to ensuring that the views of shareholders are represented, that there is appropriate challenge to management and that the interests of all stakeholders are taken into account. There are currently four Independent Directors.

Globaltrans separates the positions of Chairman and CEO to ensure an appropriate segregation of roles and a clear division of responsibilities.

Mr. **Sergey Maltsev**, as Chairman, is responsible for the overall leadership, governance and effectiveness of the Board, agreeing Board agendas and ensuring that all Board members play their part to enable the Board to take sound decisions and promote the success of the Group.

Mr. **Valery Shpakov**, as CEO, is responsible for the development and implementation of the strategy set out by the Board, the leadership of the Group and the day-to-day performance of the business.

Alongside Mr. Maltsev, the other members of the Board are:

- Michael Zampelas (*Senior Independent Director*)
- John Carroll Colley (*Independent Director*)
- Dr. Johann Franz Durrer (*Independent Director*)
- George Papaioannou (*Independent Director*)
- Alexander Eliseev
- Andrey Gomon
- Elia Nicolaou
- Melina Pyrgou
- Konstantin Shirokov
- Alexander Storozhev
- Alexander Tarasov
- Michael Thomaidis
- Marios Tofaros
- Sergey Tolmachev (*Managing Director*)

The Directors' biographies are on pages 70 to 73 of this Annual Report. In 2018, members of the Board of Directors held 18,859,256 shares and Global Depositary Receipts ("GDRs") in Globaltrans. Although Mr. Zampelas and Dr. Durrer have served on the Board for 10 years the Board of Directors still considers them to be independent.

CORPORATE GOVERNANCE REPORT

continued

Committees of the Board of Directors

Globaltrans has established three Committees to assist the Board and ensure transparency and impartiality in specific areas: the Audit Committee, the Nomination Committee and the Remuneration Committee. The Chairperson of each Committee is an Independent Director.

All Committees are advisory bodies. While these Committees have the authority to examine particular issues and report back with recommendations, the ultimate decision-making responsibility for all matters lies with the full Board.

Audit Committee

The role of the Audit Committee is to ensure the integrity of the Group's published financial information and the effectiveness of the internal audit function and systems of internal control and risk management, and external audit process.

	Number of members	Members	Minimum meetings a year	Number of meetings in 2018
Members and meetings	Three; two independent	<ul style="list-style-type: none"> • John Carroll Colley (<i>Chairman</i>) • Elia Nicolaou • George Papaioannou 	Four	Seven
Responsibilities	<ul style="list-style-type: none"> • Integrity of the Group's financial statements. • Effectiveness of the Group's internal control and risk management systems. • Relationship with the Group's external auditors, including the audit process and reports. • Terms of the auditor's appointment and remuneration. • Implementation of codes of conduct. • Assessment of the Chairman of the Board's performance. 			
Issues considered in 2018	<ul style="list-style-type: none"> • Review of the Group's Consolidated Financial Statements for 2017 and interim financial results for the six months ended 30 June 2018. • Review of the external auditor's report to the Audit Committee following its full-year audit for 2017 and review for the six months ended 30 June 2018. • Consideration of the independence of the external auditor. • Review of the Group's external auditor and terms of reappointment for 2018. The Committee recommended reappointment of the external auditors to the Board which, in turn, proposed their reappointment at the Annual General Meeting of the Group. • Setting terms and conditions of a tender for the appointment of external auditors for 2019, review of the materials of the audit tender and evaluation of candidates. Selection and recommendations to the Board of Directors of preferred and alternative options of the audit firms for appointment for 2019. • Review of the report of the external auditor on the audit strategy for 2018. • Review of regulatory announcements by the Group. • Review of internal controls and risk management processes. • Approval of non-audit services to be provided to the Group by the external auditor. • Review of the internal audit function and reports on its activities, and on the internal audit model and plan. 			

Nomination Committee

The role of the Nomination Committee is to monitor and review the composition and balance of the Board and its committees to ensure Globaltrans has the right structure, skills and diversity for the effective management of the Group.

	Number of members	Members	Minimum meetings a year	Number of meetings in 2018
Members and meetings	Two; two independent	<ul style="list-style-type: none"> • Michael Zampelas (<i>Chairman</i>) • Johann Franz Durrer 	One	Two
Responsibilities	<ul style="list-style-type: none"> • Preparation of selection criteria and appointment procedures for Board members. • Regular review of the Board's structure, size and composition. • Future Board appointments. • Recommendations regarding the membership of the Audit and Remuneration Committees. 			
Issues considered in 2018	<ul style="list-style-type: none"> • Advice to the Annual General Meeting on the appointment of Board members. • Recommendation on appointment of Director to the Board of the Company. 			

Remuneration Committee

The role of the Remuneration Committee is to ensure that executive remuneration aligns appropriately with the business strategy and that the remuneration policy remains appropriate.

	Number of members	Members	Minimum meetings a year	Number of meetings in 2018
Members and meetings	Two; two independent	<ul style="list-style-type: none"> • Johann Franz Durrer (<i>Chairman</i>) • Michael Zampelas 	One	Two
Responsibilities	<ul style="list-style-type: none"> • Remuneration of Executive Directors (Chairman and Executive Directors decide the remuneration for independent members). • Review of the Group's remuneration policies. 			
Issues considered in 2018	<ul style="list-style-type: none"> • Remuneration of key management. 			

CORPORATE GOVERNANCE REPORT

continued

Board and Board Committees meetings in 2018 and the attendance of Directors

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
	E	A	E	A	E	A	E	A
Sergey Maltsev (<i>Chairman</i>) ⁽¹⁾	12	10						
Michael Zampelas ⁽²⁾	16	16	2	2	3	3		
John Carroll Colley	16	16					7	7
Dr. Johann Franz Durrer	16	16	2	2	3	3		
George Papaioannou	16	16					7	7
Alexander Eliseev	16	14						
Andrey Gomon	16	15						
Elia Nicolaou	16	16					7	7
Melina Pyrgou	16	15						
Konstantin Shirokov	16	15						
Alexander Storozhev	16	16						
Alexander Tarasov	16	16						
Michael Thomaidis	16	16						
Marios Tofaros	16	16						
Sergey Tolmachev	16	16						
Total	236	229	4	4	6	6	21	21

External auditor

The Audit Committee manages the relationship with the external auditor on behalf of the Board. Each year, it considers the reappointment of the external auditor, reviews requirements of the rotation of the audit partner and the audit firm when applicable, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are then asked to approve the appointment at the Annual General Meeting.

The Group has a formal policy on assessing the independence and objectivity of the external auditor. It regulates the terms of appointment of the external auditor and the nature of audit and permitted non-audit services provided to the Group. External auditors periodically (at least annually) provide written confirmation to the Committee that, in their professional judgement, they are independent of the Group. The Committee is satisfied that the independence and objectivity of the external auditors is not impaired, and that the external audit process remains effective.

The Audit Committee recommended the reappointment of PricewaterhouseCoopers as the Group's external auditor for 2018. This appointment was approved by the Group's shareholders at the Annual General Meeting on 23 April 2018. The appointment of the external auditor in April 2019 for 2019 will be based on the results of a tender, which the Group has conducted during 2018. On the basis of the tender, the Board has chosen PricewaterhouseCoopers and will therefore propose PricewaterhouseCoopers for reappointment at the next AGM of the shareholders of the Company.

Board activities

The Board meets at least four times a year. Fixed meetings are scheduled at the end of each quarter, while ad hoc meetings are called when there are pressing matters requiring the Board's consideration in between the scheduled meetings. Directors may participate in meetings either in person or via telephone or video conference.

Board diversity

The Board does not operate a formal diversity policy with regard to age, gender or educational and professional backgrounds. However, in line with best practice, the Board does consider these aspects when making new Board appointments or considering the composition of the Board of Directors.

As at the date of publication of these financial statements, there are two female members on the Board, meaning that females make up about 13% of the Board. The Board of Directors range in age from 30 to over 70 years old, with the average age being 52 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

The Board met 16 times during 2018 and considered 71 items.

Regular meetings

- Review of the Group's financial and operational performance.
- Approval of the annual budget.

(1) Appointed as a member of the Board on 23 April 2018 and as Chairman of the Board on 27 April 2018.

(2) Resigned as Chairman of the Board on 27 April 2018. Served in this role since March 2013.

- Review of the Group's performance against the approved annual budget.
- Approval of the annual and semi-annual financial statements and the respective regulatory announcements.
- Review of the results of risk assessments.
- Approval of the Annual General Meeting agenda, including dividend proposals and Board reappointments.
- Approval of appointments to the Board of Directors of subsidiaries.

Ad hoc meetings

- Approval of material borrowings and pledges by subsidiaries.
- Approval of remuneration of key management and executive Directors.
- Appointment of the key management of the Group.
- Approval of dividend distribution by subsidiaries.
- Review and consideration of various business development opportunities and major transactions.
- Approval of results of an audit tender.
- Changes in responsibilities of Board members and other matters.

The Board's performance is assessed annually, and the evaluation process is conducted through a combination of self-assessment and annual appraisals. The Chairman's performance is evaluated by the Non-executive Directors.

Internal control and audit

The Board is primarily responsible for establishing a framework of prudent and effective internal controls and risk management in relation to the financial reporting process for the undertakings included in the Group consolidation that enables risks to be assessed and managed and financial reports to be prepared.

The Audit Committee reviews and assesses the Group's internal control and risk management processes.

The system of controls is designed to manage rather than eliminate the risks relevant to the Group's operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service ("IAS"). It tests the Group's systems of risk management, internal control and corporate governance to obtain a reasonable assurance that:

- The risk management system functions efficiently.
- Material financial, management and operating information is accurate, reliable and up to date.
- The actions of employees and management bodies are in compliance with the Group's policies, standards and procedures and the applicable laws.
- Resources are procured reasonably and used efficiently and their safekeeping is fully guaranteed.
- Group companies conduct their business in compliance with applicable laws.

Every year the Audit Committee approves an internal audit plan, which is developed by identifying the audit universe, performing a risk analysis and obtaining input from management relative to risks, controls and governance processes. The internal auditor regularly reports to the Audit Committee on the progress of planned audits. If any material internal control deficiencies are identified, they are immediately communicated to the Audit Committee and consequently to the Board.

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.

Remuneration of the Board of Directors and management

Directors serve on the Board under letters of appointment that specify their terms of appointment and remuneration. Appointments are effective until the following Annual General Meeting. Remuneration levels for Non-executive Directors reflect their expertise, time commitment, responsibilities and membership of any Board Committees. Directors are also reimbursed for expenses associated with the discharge of their duties.

Non-executive Directors are not eligible for bonuses, retirement benefits or participation in any incentive plans operated by the Group. The Group's shareholders approved the remuneration of Board members for 2018 at the Annual General Meeting held on 23 April 2018. For details of the remuneration paid to the Board and key executives in 2018, please refer to Note 33c of the Consolidated Management Report and Consolidated Financial Statements included in the Financial Statements section of this Annual Report.

The total gross remuneration of the members of the Board of Directors incurred by the Group in 2018 amounted to RUB 409 million.

Relations with shareholders

The Board is committed to maintaining an open and constructive dialogue with the Company's institutional shareholders and debt investors and recognises the importance of those relationships in the governance process. Regular engagement with investors allows the Board to better understand their views and ensure they are provided with timely and appropriate information on the Group's strategy and business performance.

The executive management undertakes a regular programme of meetings, presentations, conference calls and webcasts with institutional investors and sell-side analysts. The Group announces financial results semi-annually. On a day-to-day basis, our investor relations team also engages with investors on a wide range of issues. In 2018, the Company held more than 300 meetings with investors and shareholders, attended 10 investor conferences and arranged two non-deal roadshows following the publication of the results.

A selection of the Group's historical results together with other useful information for investors and shareholders can be found on the investor section of the Group's corporate website (www.globaltrans.com).

GRI CONTENT INDEX

Indicator	Definition	Report section / notes	Annual Report page
General disclosures			
102-1	<ul style="list-style-type: none"> Name of the organisation 	<ul style="list-style-type: none"> Corporate Structure 	p.241
102-2	<ul style="list-style-type: none"> Activities, brands, products, and services 	<ul style="list-style-type: none"> At a Glance Operational Performance 	p.4 p.32-37
102-3	<ul style="list-style-type: none"> Location of headquarters 	<ul style="list-style-type: none"> Key Contacts 	p.249
102-4	<ul style="list-style-type: none"> Location of operations Number of countries where the organisation operates 	<ul style="list-style-type: none"> At a Glance Market Review 	p.4 p.24-25
102-5	<ul style="list-style-type: none"> Ownership and legal form 	<ul style="list-style-type: none"> Corporate Structure 	p.241
102-6	<ul style="list-style-type: none"> Markets served 	<ul style="list-style-type: none"> Market Review Operational Performance 	p.24 p.32-37
102-7	<ul style="list-style-type: none"> Scale of the organisation 	<ul style="list-style-type: none"> Operational Performance Financial Review 	p.32-37 p.40
102-8	<ul style="list-style-type: none"> Information on employees and other workers 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.63-64
102-9	<ul style="list-style-type: none"> Supply chain 	<ul style="list-style-type: none"> Operational Performance 	p.36
102-10	<ul style="list-style-type: none"> Significant changes to the organisation and its supply chain 	<ul style="list-style-type: none"> No significant changes in the supply chain 	
102-11	<ul style="list-style-type: none"> Precautionary Principle or approach 	<ul style="list-style-type: none"> The Group does not explicitly use the precautionary principle 	
102-12	<ul style="list-style-type: none"> External initiatives A list of externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses 	<ul style="list-style-type: none"> The Group does not have membership in external initiatives 	
102-13	<ul style="list-style-type: none"> Membership of associations A list of the main memberships of industry or other associations, and national or international advocacy organisations 	<ul style="list-style-type: none"> Corporate Social Responsibility Union of Railway Transport Operators – SOZHT (<i>AO New Forwarding Company</i>) Council of Russian Transport Workers – STR (<i>AO New Forwarding Company</i>) Railway Engineering Association – OPZHT (<i>AO Ural Wagonrepair Company</i>) Estonian Chamber of Commerce and Industry (<i>AS Spacecom (Estonia) and AS Spacecom Trans (Estonia)</i>) 	p.61
102-14	<ul style="list-style-type: none"> Statement from senior decision-maker 	<ul style="list-style-type: none"> Chairman’s Statement Chief Executive Officer’s Review 	p.14-16 p.20-23
102-15	<ul style="list-style-type: none"> Key impacts, risks opportunities 	<ul style="list-style-type: none"> Risk Management Corporate Social Responsibility 	p.57 p.63
102-16	<ul style="list-style-type: none"> Values, principles, standards and norms of behaviour 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.62
102-18	<ul style="list-style-type: none"> Governance structure 	<ul style="list-style-type: none"> Board of Directors, Executive Management 	p.70-75
102-35	<ul style="list-style-type: none"> Remuneration policies 	<ul style="list-style-type: none"> Corporate Governance – Remuneration of the Board of Directors and management 	p.81
102-40	<ul style="list-style-type: none"> List of stakeholder groups 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60-61
102-41	<ul style="list-style-type: none"> Collective bargaining agreements 	<ul style="list-style-type: none"> As at 31 December 2018, 51% of total employees in OOO BaltTransServis were covered by collective bargaining agreements. In other Group subsidiaries there were no collective bargaining agreements. 	
102-42	<ul style="list-style-type: none"> Identifying and selecting stakeholders with whom to engage 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60-61

Indicator	Definition	Report section / notes	Annual Report page
General disclosures continued			
102-43	<ul style="list-style-type: none"> The organisation's approach to stakeholder engagement 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60-61
102-44	<ul style="list-style-type: none"> Key topics and concerns that have been raised through stakeholder engagement 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60-61
102-45	<ul style="list-style-type: none"> Entities included in the consolidated financial statements 	<ul style="list-style-type: none"> Notes to the Consolidated Financial Statements 	p.154
102-46	<ul style="list-style-type: none"> Defining report content and topic boundaries 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60
102-47	<ul style="list-style-type: none"> List of the material topics 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60
102-48	<ul style="list-style-type: none"> Restatements of information given in previous reports 	<ul style="list-style-type: none"> This is the second time the Group has published a Corporate Social Responsibility section in the Annual Report. No restatements of information provided in the previous report were made 	
102-49	<ul style="list-style-type: none"> Significant changes from previous reporting periods in the list of material topics and topic boundaries 	<ul style="list-style-type: none"> No significant changes 	
102-50	<ul style="list-style-type: none"> Reporting period 	<ul style="list-style-type: none"> Calendar year 2018 	
102-51	<ul style="list-style-type: none"> Date of most recent report 	<ul style="list-style-type: none"> April 2017 	
102-52	<ul style="list-style-type: none"> Reporting cycle 	<ul style="list-style-type: none"> Annual 	
102-53	<ul style="list-style-type: none"> Contact point for questions regarding the report 	<ul style="list-style-type: none"> Investor Relations Phone: +357 25 328 860 Email: irteam@globaltrans.com 	
102-54	<ul style="list-style-type: none"> Claims of reporting in accordance with the GRI standards 	<ul style="list-style-type: none"> The Corporate Social Responsibility Report was prepared in accordance with the GRI Standards – core option 	
102-55	<ul style="list-style-type: none"> GRI content index 	<ul style="list-style-type: none"> GRI content index 	p.250-252
102-56	<ul style="list-style-type: none"> External assurance 	<ul style="list-style-type: none"> External assurance for the Group's Corporate Social Responsibility section was not conducted in the reporting period 	
Management			
103-1	<ul style="list-style-type: none"> Explanation of the material topic and its boundary 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60-67
103-2	<ul style="list-style-type: none"> The management approach and its components 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60-67
103-3	<ul style="list-style-type: none"> Evaluation of the management approach 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.60-67
Economic impact			
Economic performance			
201-1	<ul style="list-style-type: none"> Direct economic value generated and distributed 	<ul style="list-style-type: none"> Financial Review Corporate Social Responsibility 	p.38-52 p.67
Indirect economic impacts			
203-2	<ul style="list-style-type: none"> Significant indirect economic impacts 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.67
Anti-corruption			
205-3	<ul style="list-style-type: none"> Confirmed incidents of corruption and actions taken 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.62

GRI CONTENT INDEX

continued

Indicator	Definition	Report section / notes	Annual Report page
Environmental impact			
Materials			
301-1	<ul style="list-style-type: none"> Materials used by weight or volume 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.66
301-2	<ul style="list-style-type: none"> Recycled input materials used 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.66
Energy			
302-1	<ul style="list-style-type: none"> Energy consumption within the organisation 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.65
Water and effluents⁽¹⁾			
303-5	<ul style="list-style-type: none"> Water consumption 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.66
Emissions			
305-2	<ul style="list-style-type: none"> Direct (Scope 1) GHG emissions⁽²⁾ 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.66
Environmental compliance			
307-1	<ul style="list-style-type: none"> Non-compliance with environmental laws and regulations 	<ul style="list-style-type: none"> Corporate Social Responsibility No incidents of non-compliance with environmental laws and regulations occurred in the reporting period 	p.65
Social impact			
Employment			
401-1	<ul style="list-style-type: none"> New employee hires and employee turnover 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.64
401-2	<ul style="list-style-type: none"> Benefits provided to full-time employees that are not provided to temporary or part-time employees 	<ul style="list-style-type: none"> Corporate Social Responsibility Notes to the Consolidated Financial Statement 	p.64 p.146
Occupational health and safety			
403-1	<ul style="list-style-type: none"> Occupational health and safety management system 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.65
403-5	<ul style="list-style-type: none"> Worker training on occupational health and safety 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.65
403-9	<ul style="list-style-type: none"> Work-related injuries 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.65
Training and education			
404-1	<ul style="list-style-type: none"> Average hours of training per year per employee by gender and employee category 	<ul style="list-style-type: none"> Corporate Social Responsibility 	p.64
Diversity and equal opportunity			
405-1	<ul style="list-style-type: none"> Diversity of governance bodies and employees 	<ul style="list-style-type: none"> Corporate Social Responsibility Corporate Governance Consolidated Management Report Management Report 	p.64 p.79-80 p.93 p.176-181

(1) Given the fact that Globaltrans has decided to disclose data on water consumption only this year, the mechanism for collecting, processing and presenting such information has not yet been fully developed. Therefore, the Company does not have enough statistics to fully demonstrate the trends occurring in all of its business units. Data only for BaltTransServis and Ural Wagonrepair were collected.

(2) Taking into account that this is the first year the Group has disclosed its indirect greenhouse gases emissions, only data for 2018 is available.

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