



Annual Report
& Accounts
2019



Sustainability

Our approach

Our report has been prepared in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI) and in line with the non-financial and diversity disclosure information contained in the EU's 2014/95/EU Directive.

We defined our sustainability report's content by applying the relevant GRI Reporting Principles. 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.

The details within this Sustainability section cover the key results and activities of Globaltrans Investment PLC and its subsidiaries in the field of sustainable development for the year ended 31 December 2019.

Stakeholder engagement

Globaltrans recognises the importance of stakeholder engagement for its long-term success. We place great emphasis on ensuring that our stakeholders are provided with the information they need about our policies, practices and strategic direction. We believe that relationships built on trust and dialogue lead to better business decisions and help underpin the Group's ability to act sustainably and deliver consistent value to all stakeholders: employees, investors, customers, government and regulators, media and local communities.

Communication with stakeholders is an ongoing process throughout the year. This includes regular engagement with financial stakeholders via one-to-one and group meetings, results presentations, investor roadshows and attendance at conferences. More generally, results, acquisitions, appointments and contract wins are published on the Group's website. The corporate website is the main repository of information about the Company. In addition, our approach encourages regular dialogue with governments, regulators and local authorities at all levels, led by our Government Relations team and supported by management.

How it works:

Step 1. Identification of material topics

We identified material topics relevant to the Group's business operation by carefully reviewing and analysing our internal regulations, non-financial reports issued by peer companies and global sustainability trends.

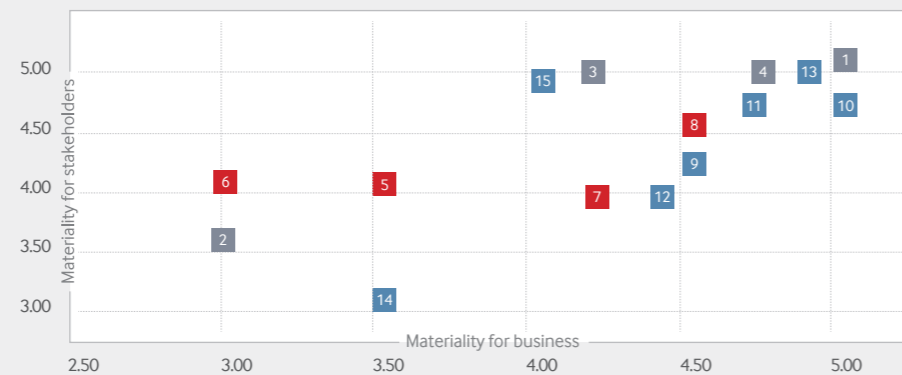
Step 2. Prioritisation of material topics

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

We developed a materiality matrix to identify those topics that are deemed most important/significant to 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 the 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	Outcomes in 2019
Employees	<ul style="list-style-type: none"> Labour-management consultations Staff surveys Corporate booklets, information boards Networking events Regular, direct communication between managers, teams and individuals Career development, training and performance reviews 	<ul style="list-style-type: none"> Provision of social benefits and guarantees, including medical insurance Improved working conditions 28,447 hours of training Increased number of health and safety checks Zero fatalities, 2 minor accidents and zero cases of occupational illness
Shareholders and investors	<ul style="list-style-type: none"> Open, effective and transparent communication Investor Relations website Dedicated Investor Relations team General Meetings of Shareholders Corporate reporting, webcasts Broker-hosted investor events and roadshows, conference calls and Company-initiated roadshows 	<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 and the US. Over 300 meetings held with investors in 2019 Regular dividend payments¹ Publication of the Annual Report and integrated sustainability report Globaltrans was awarded "Most Honored Company" by Institutional Investor
Customers and business partners	<ul style="list-style-type: none"> Face-to-face formal and informal meetings, as well as formal consultations Customer analytics, customer evaluation system Conferences and forums Customer satisfaction surveys Transparent supply chain 	<ul style="list-style-type: none"> Service contracts extensions with two major metallurgical customers, MMK and Metalloinvest New long-term contract with Gazprom Neft secured Maintained long-term partnerships with clients – 66% of the Group's 2019 Net Revenue from Operation of Rolling Stock was covered by service contracts Strengthened customer privacy and data security
Government, regulators and professional authorities	<ul style="list-style-type: none"> Regular communication with regulators/policy makers on issues affecting the freight rail transportation industry Industry and regulatory forums 	<ul style="list-style-type: none"> Participation in industry 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"> Contributions supporting the socioeconomic development of our communities Regular contributions to aid various charitable projects
Media	<ul style="list-style-type: none"> Communication with media representatives Transparent disclosure through various channels Dedicated Media section on corporate website Dedicated media relations contacts Press-conferences and exhibitions 	<ul style="list-style-type: none"> Distribution of news and information announcements Providing access to results calls with CEO and CFO Responding to media queries Participation at events and exhibitions (e.g. the annual TransRussia Exhibition for Transport and Logistics Services and Technologies)

¹ Total dividends in respect of 2019 amounted to RUB 16.6 billion (including interim, final and special dividends).

Ethics and behaviour

In 2008, the Group established its ethics programme to define the values, standards and behaviours expected of everyone who works for Globaltrans. These are formally enshrined in our **Code of Ethics and Conduct** which defines the way we think and should act as an organisation, helping to drive consistent responsibility and behaviours across the Group. The Code also describes the Group's principles with respect to confidential information, anti-bribery, conflicts of interest and reporting concerns.

All Globaltrans employees are expected to know, use and behave in accordance with our Code, and are required to sign an acknowledgement to this effect. We have zero tolerance for any behaviour that is contrary to the core values contained within the Code.

Tolerance

Understanding and respecting diverse cultures and people with different views

Impartiality

Acting objectively and professionally

Respect

Acknowledging people's abilities, qualities and achievements and complying with all 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

Globaltrans has an active process of compliance, monitoring and reporting. We strive to ensure that all our policies are clear, publicly available and communicated to all employees.

As part of our ongoing commitment to improving the Group's overall compliance, the Board has formally adopted Group-wide policies covering: Human Rights, Freedom of Association, Diversity and Inclusion, and Supplier Conduct.

The Group's **Human Rights Policy** sets out our commitment to promoting respect for human rights in line with internationally accepted standards. We expect all our employees, suppliers and customers to share this commitment. In order to support and promote acceptance and compliance among our people, in line with our values, we regularly evaluate human rights issues, conduct any necessary training, and integrate the results into our business activities.

Our **Diversity and Inclusion Policy** sets out what having a diverse workforce and inclusive workplace means to us as an organisation. At Globaltrans we value difference and promote respect and dignity for all people. We acknowledge the benefits which different backgrounds, skills and perspectives can bring and actively seek to increase diversity in our business. We target career development across a range of employees to support this aim. Inclusion is based on respect and we care about our employees, customers and the communities we serve and treat them professionally, fairly and equally.

Our **Freedom of Association Policy** recognises the fundamental right of Globaltrans employees to form and join workers' organisations without interference and to engage in collective bargaining. We respect our employees' choice on the matter and are committed to maintaining a constructive regular dialogue with them and their representatives.

At Globaltrans, we treat our suppliers fairly and choose to work with those suppliers who conduct their businesses in a just and ethical manner. In 2020 we formally introduced our **Supplier Code of Conduct**, based on the UN Global Compact's principles, which sets out the standards we expect them to comply with when conducting their business operations.

Globaltrans does not tolerate bribery and corruption in any form. Our policy on this issue is summarised in our **Anti-Fraud Policy**. We have established rules and procedures for dealing with suspected violations, overseen by a team responsible for internal controls and investigations. Each employee is required to understand the types of violations that may occur within the area of his/her responsibility and closely monitor for any indications of potential non-compliance.

The Group's **Whistleblowing Policy** governs the investigation and reporting of improper activities, including non-compliance with our Code of Ethics and Conduct. We actively encourage employees to speak up and report any concerns that they may have regarding workplace issues. We provide confidential, safe and secure mechanisms to report any suspected violations of the Group's standards.

The Group's executive management meets regularly to discuss, among other things, anti-fraud and anti-corruption measures. During 2019, there were no reported cases within the Group of alleged fraud, bribery or corruption.

We respect and protect the privacy of personal information of our stakeholders and comply with the EU general data protection regulation, adopted by the EU Parliament in April 2016. The Group has adopted a **Privacy Policy** which can be viewed on the Group's website.

Covid-19

From the start of 2020, like many other companies, Globaltrans has adapted to measures undertaken by nations to address the global spread of coronavirus (Covid-19). While this is a new situation for the Group and the world, we have taken the necessary steps to keep our staff and clients safe, closely following recommendations and requirements. At the same time, we are playing our part to ensure that rail freight keeps moving as it is vital for the supply of goods within Russia and abroad. The Group continues to function at full capacity and to meet its contractual obligations with clients, all while safeguarding the interests of our employees, clients and other stakeholders.

Risk Management



To satisfy regulatory obligations and meet stakeholder expectations, Globaltrans is constantly seeking to improve how it controls, manages and mitigates the impact of non-financial risks, comprised of strategic, operational and compliance risks.

Further details are set out on pages **60 to 68**

Key ESG activities:



Corporate governance

We have in place a corporate governance framework that is in line with the highest international standards. This supports the Board in its objective to provide effective, transparent and ethical oversight of the Group and to take decisions that will create value for all the Group's stakeholders, as well as that promote the long-term interests and welfare of the Group and the communities where it operates.



Environment

Minimising the adverse impact of Globaltrans' activities on the environment is at the heart of our business and is principally achieved by employing more energy efficient practices across the Group, reducing carbon emissions and emphasising the importance of recycling.



Employees

We believe the role of a responsible employer is to create and sustain a place of work that is safe, allows people to work with dignity and respect, offers a rewarding and fair-minded work culture, presents opportunities to grow and develop and, importantly, that complies fully with all relevant employment legislation.



Communities

We impact our communities at every level – through our employees and the opportunities our business can create for them, through the economic value created by our Company, through participation in community initiatives and through direct support of good causes through charitable giving.

Employees

Globaltrans aspires to be a great place to work. Our business performance and future success depends on our ability to attract, develop and retain talented individuals at all levels. We strive to be an employer of choice by providing attractive job opportunities, investing in training and development, rewarding performance and creating a supportive and respectful working environment.

We are committed to ensuring the safety and wellbeing of our people no matter where they are working. We maintain well-run and safe sites and operate a zero tolerance approach to any form of hostility, harassment or unprofessional behaviour.

We have comprehensive human resources strategies and policies for managing our employee and labour relations:

- Human Rights policy
- Diversity and Inclusion policy
- Internal Code of Labour Conduct
- Freedom of Association policy
- Workplace Safety Guidelines, 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 average employee headcount in 2019 rose 2% year on year to 1,569 employees. The overall headcount at the end of the year increased 6% compared to 2018 to 1,640¹. New Forwarding Company and BaltTransServis continued to employ the most people within the Group.

Diversity

We value a diverse workforce and respect differences regardless of an individual's age, disability, ethnicity, nationality, gender, race, colour, religion or sexual orientation. The Group is committed to creating equality of opportunity and an inclusive work environment in which all our people are treated fairly and with respect and dignity. We have zero tolerance for any form of discrimination. Our approach to diversity is set out in our newly published Diversity and Inclusion Policy, violations of which are grounds for disciplinary action.

While the historic nature of the freight rail transportation industry means that the majority of our workforce is male, we continue to explore ways to encourage greater female representation. As at year-end 2019, females made up 36% of our workforce. At board and senior management level, women represented 13% of the Board of Directors (two board members) and 10% of senior management (one senior executive).

In line with our commitment to equality and impartiality, we seek to select the best candidates based on performance, skills, experience and qualifications. We aim to offer equal pay opportunities for both women and men.

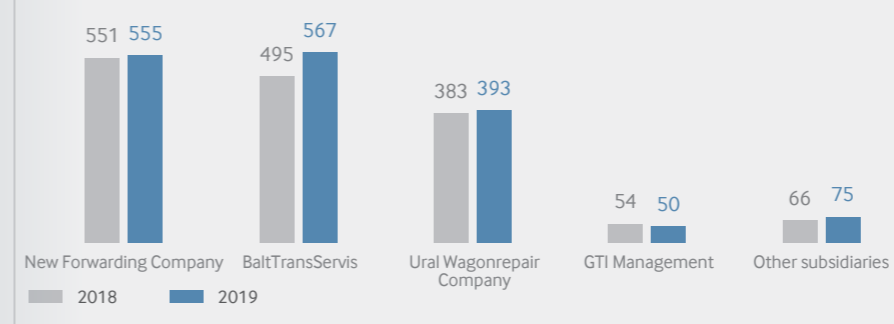
Training and education

Developing our employees' skills is essential in order to keep pace with change and meet current and future business needs. We encourage every employee to take advantage of the learning and development opportunities we offer at Globaltrans.

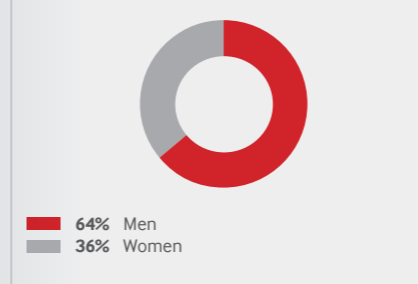
We have many different types of programmes tailored to individuals' work requirements. These range from structured training courses, workshops and seminars through on-line learning and individual coaching. During 2019, 343 employees undertook training and the Group spent a total of 28,447 hours on training and development. During the year, training was provided in a range of areas including accounting, business administration, environmental safety, information security, health and safety, financial management and marketing.

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 2019, while the average headcount is calculated by summing up the number of employees on the list in each month of the reporting period and dividing this sum by the number of months.

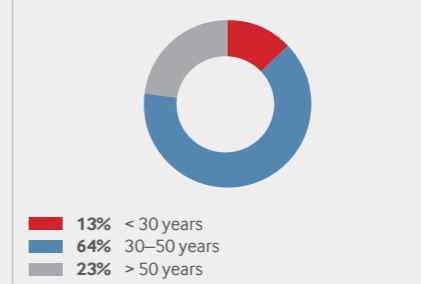
Headcount by companies in 2019 and 2018 (at year-end)



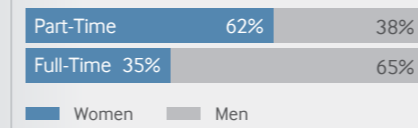
Headcount by gender in 2019 (at year-end)



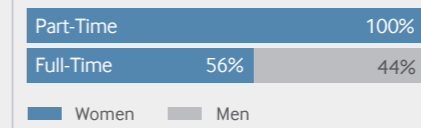
Headcount by age in 2019 (at year-end)



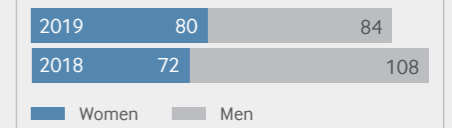
Permanent contract



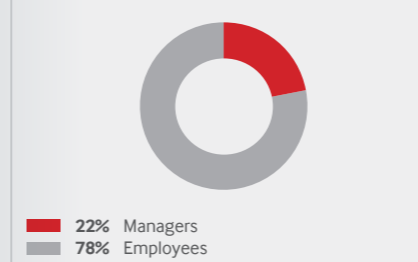
Temporary contract



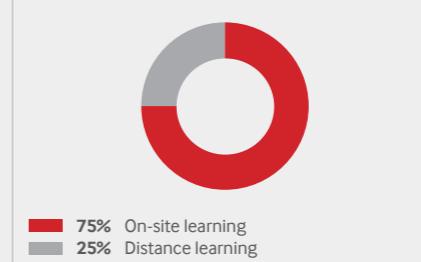
Average training hours by gender



Distribution of training among employees by employee categories in 2019



Main types of training formats in 2019



1,640 employees

The overall headcount at the end of the year

28,447 training hours

Motivation

We operate in a competitive and dynamic market so having the right team is absolutely critical to our future success as a business. Ensuring that colleagues are engaged, motivated and happy is at the heart of our people strategy.

We offer a competitive reward package for our employees which encourages high performance and helps us attract and retain key talent. Employee benefits include health insurance, childcare support, additional holidays and other benefits. Eligible employees can participate in the various incentivisation schemes that the Group operates for different groups of employees.

We continually benchmark our rewards packages against our industry peers in order to ensure we continue to attract and retain the best talent. We are committed to retaining a motivated and productive workforce that values being a part of Globaltrans and believe our success can be measured by our low level of staff turnover of only 14% (11% among men and 3% among women).

Corporate culture and internal communications

Globaltrans aims to provide its people with a great working environment based on a strong collaborative culture of shared values where everyone feels valued and each member of staff plays their part in the team, working collegiately with others to get better results. That is why teamwork and collaboration are at the core of our business.

Listening and responding to our employees is a priority. We actively encourage employee involvement as we want each individual to feel that their views are heard and that they are empowered at work. We conduct regular employee surveys to identify those issues that most concern employees and to then respond to the feedback. Some of the Group's subsidiaries have employee hotlines to enable them to deal quickly and effectively with employees' concerns or questions. Our protocols stipulate that each and every call to a hotline is dealt with and no communication is left unanswered.

We also regularly hold sports, cultural and leisure events for our employees and their families. These help to foster a sense of community, increase employee engagement and promote better teamwork.

Health and safety

Globaltrans is dedicated to providing a safe and healthy working environment and improving the quality of work-life for all its employees. We believe that integrating wellbeing into our work practices serves to create a positive environment and culture that contributes to our business success. We are committed to operating in a zero-harm work environment and to ensuring that our people, suppliers and partners share this commitment.

The Group ensures all safety procedures are carried out and that they are compliant with all policies and legislation.

To guarantee that safety compliance is met, our 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.

We actively promote our safety culture by encouraging our people to take the initiative in managing health and safety risks. We do this through a programme of education, training, instruction, and supervision.

We actively train our people in occupational safety as part of our drive to develop a workplace culture of awareness and responsibility. We also carry regular spot-checks at our operations to ensure that they continue to meet high safety standards. In 2019, we significantly upped our focus on safety performance across the Group, more than doubling the number of workplace safety checks we carried out to 769 visits (2018: 373 visits):

- 414 locations in New Forwarding Company;
- 355 locations in BaltTransServis.

We remain committed to a zero-harm work environment. In 2019 there were no fatalities and just two minor reported incidents involving two workers at BaltTransServis. All incidents are thoroughly investigated and findings shared across the Group.

Environment

We believe that business success should not come at a cost to the environment. We are committed to following sustainable business practices that limit the impact our operations have on the environment. By doing so and encouraging our employees, customers and suppliers to follow suit, we help deliver sustainable value for society.

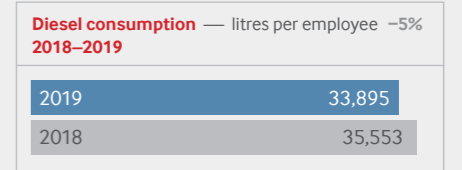
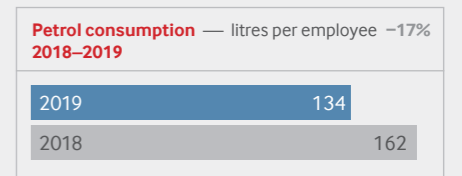
In 2019, Globaltrans continued to refresh our environmental strategy, focusing on improving the transparency and effectiveness of our sustainability performance. We established a formal **Environmental and Energy Policy** to reinforce our commitment to doing business sustainably and introduced internal reporting systems to monitor group-wide environmental performance.

We comply with all requirements of applicable legislation, including local and internal regulations. We had no incidents of non-compliance with environmental laws and regulations in the reporting period.

We seek to be an eco-friendly company in other ways too, with a focus on improvement in our energy efficiency, the rational use of water and reducing our paper and fuel consumption, the results of which are set out below¹.

Energy usage

As a responsible business, we are committed to promoting efficient and wise use of our energy sources. Given the particular nature of the industry, the Group's operations consume energy from various sources, namely fuel (petrol, diesel, and gas) and electricity. To reduce energy consumption we are constantly developing our approach to effective energy management. In 2019, we again reduced our energy consumption in three key areas and further energy optimisation measures are planned. The significant decline in electricity consumption came as a result of the Group relocating a number of offices to a single office building in 2019.



Total consumption of energy resources by type, 2018-2019

	2018	2019	Change
Electricity (KWh)	7,347,827	4,795,686	-35%
Diesel (litres)	54,752,185	53,184,738	-3%
Petroleum (litres)	250,051	210,715	-16%

-35%
decrease in total consumption of electricity

¹ While the Company is making great strides in collecting, processing and presenting information on rational use of water, energy and paper the process is on-going and there is still insufficient data to fully demonstrate the trends occurring in all of its business units. Addressing this remains a key focus for the Group.

-3%
Decrease of GHG emissions

Use of water

Our operations do not consume significant amounts of water. Nevertheless, we want to raise awareness about the importance of water conservation within the business and among employees. We implemented internal environmental management systems in 2018 to improve the monitoring of water usage and progress continues to be made. Both BaltTransServis and Ukrainian New Forwarding Company made further reductions in their use of water in 2019:

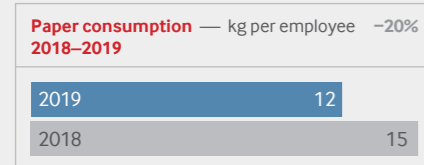
- Total consumption of cold water by BaltTransServis decreased 6% year on year.
- Total consumption of cold water by Ukrainian New Forwarding Company decreased 7% year on year.

The system for capturing and processing water use data elsewhere across the Group remains under development, but we have made considerable progress. Further improvements to the monitoring system around water quality and consumption are planned.

Paper Recycling

We are keen to reduce the negative environmental impact of paper consumption. As an organisation, Globaltrans consumes significant amounts of paper and as our business volumes grow, the need for more documentation is likely to grow with it.

We continue to promote the merits of a green workplace, encouraging staff across the Group to recycle waste paper, monitoring usage particularly with regard to photocopying, and introducing the use of electronic documentation. The new initiatives are leading to a significant reduction in paper consumption, with paper consumption per employee reducing by 20% in 2019. Recycling continues to be an area of focus across all our business units.



Greenhouse gas management

Rail remains one of the greenest, most fuel-efficient modes of transport with, for instance, just one litre of fuel needed to move one tonne of freight over a distance of about 200 km by rail. Nevertheless, we continue to focus on measures to reduce the greenhouse gas emissions associated with our operations. We achieve this by constantly seeking ways to reduce our energy consumption, by ensuring optimal efficiency in how we manage our railcar fleet, and through innovation and investment in new rolling stock and services.

Operating a modern, well-maintained fleet is key to minimising our environmental footprint. A strong focus for us over the last year has been our locomotive fleet, as diesel locomotives are the biggest contributor to our GHG emissions. In 2019, to further improve our operational and environmental performance, we acquired 10 new modern diesel locomotives, bringing our total fleet of locomotives to 75 units as of the end of 2019. These new locomotives are significantly more fuel efficient, cleaner and more reliable. The other key driver to reducing GHG emissions is operational efficiency, in particular, reducing the incidence of Empty Runs as there is a direct environmental impact from having trains moving while carrying empty railcars. Globaltrans continues to lead the industry, delivering one of the lowest Empty Run Ratios for gondola cars in the sector.

Since 2018, we have undertaken an annual data capture exercise for the purposes of measuring and reporting our GHG emissions. In 2019, GHG emissions from the Group's locomotive fleet were 161,299 tonnes of CO₂ equivalent¹, a pleasing 3% lower than in 2018 (166,129 tonnes of CO₂ equivalent). Whilst we can rightly be considered a low emitter of CO₂, we recognise there is more work to do in improving our environmental management system. We remain committed to reducing further our GHG emissions and improving our understanding of how we impact the environment in a way consistent with our values.

Communities

We want to do everything we can to make a positive difference to the communities where we operate. We work closely with local communities and look to find ways to best contribute to the regions where we are present both economically and socially. This can be achieved in a variety of ways from targeted contributions of time, skills or financial aid to charitable organisations, support for volunteer work, internship, workplace development programmes which increase the capabilities and potential earnings power of employees as well as contributions through local and national taxes, licenses or other fees which help provide the resources needed to support the broader economy.

Wherever possible we try to employ people from the communities where we operate and work with them to develop their skills and potential. We provide a workplace environment that is fair, respectful, fulfilling and safe in order to contribute to their sense of well-being and that of the broader community. Health insurance, childcare support and part-time employment are just some of the elements of employment at Globaltrans that can benefit our employees and their families. And beyond this, we encourage and support participation by our businesses and our employees in community initiatives and charitable organisations that are aligned with our values.

We believe ensuring we have an employee base that is happy, healthy and valued enables them to better support and add value to their own families and communities. In addition to this, we create economic well-being for them and our other stakeholders. How we as a company create wealth for our stakeholders is reflected in the table on the right.

We want to be a company that makes a positive difference to society as a whole, and improves the lives of those in the communities where we operate.

While remaining a successful company ensures that we can continue to create opportunities, wealth and a sense of value for people in our communities, we also contribute directly to charitable efforts in these areas. We consider this to be a core part of how we conduct business as a sustainable company, and in 2019, the majority of our operating companies were involved in supporting community schemes and charitable activities.

Our charitable activities are focused on:

- Supporting vulnerable groups;
- Supporting health and well-being initiatives;
- Supporting sports activities;
- Supporting cultural activities;
- Supporting education.

Alongside providing support for vulnerable groups in society such as the disabled, military veterans, and pensioners, the area of child health is one where we particularly seek to make a positive difference.

GTI Management, New Forwarding Company and BaltTransServis are long-time supporters of the Life Line Fund which assists children with life-threatening illnesses. Additionally, New Forwarding Company has been supporting a regional charitable foundation which provides 'illustrated' books that cater for blind children.

The preservation and promotion of Russia's rich cultural heritage is another focus for our companies' charitable activities. For examples, BaltTransServis supports the International Charitable Fund "Constantine" which works to restore monuments and safeguard and promote Russia's cultural heritage.

Additionally, we play an active role in improving the quality of education and the development of sports. New Forwarding Company, for instance, made charitable donations to the Fencing Federation of Russia in 2019 to support access to and appreciation of this unique sport.

Direct economic value generated, distributed and retained ²	
	2019 RUB mln
Direct economic value generated³	94,994
Economic value distributed	89,458
Total cost of sales (excluding Employee benefit expense)	57,322
Total selling, marketing and administrative expenses (Community investments and excluding Employee benefit expense and Taxes (other than income tax and value added tax))	1,112
Employee benefit expense	4,483
Payments to the providers of capital ⁴	20,531
Payments to the government ⁵	6,009
Economic value retained	5,536

² Information in the table is derived from the Consolidated Management Report and Consolidated Financial Statements for the year ended 31 December 2019.

³ Direct economic value generated includes "Revenue".

⁴ Payments to providers of capital include "Interest paid", "Dividends paid to owners of the Company" and "Dividends paid to non-controlling interests in subsidiaries".

⁵ 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.

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



CHAPTER 3

Governance

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Board of Directors



Sergey Maltsev

Chairman of the Board, Executive Director, Chief Strategy Officer, co-founder and shareholder of Globaltrans

Appointment: Mr. Maltsev was elected Chairman of the Board of Directors in April 2018 and has served as Chief Strategy Officer since 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. At that point he served as Senior Vice President for strategy and corporate governance at JSC Russian Railways, until his return to Globaltrans as Chief Strategy Officer in 2017.

Mr. Maltsev was a founding 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 "Honoured Railwayman of Russia" award. He has a degree in railway engineering.

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.

Committee membership: Mr. Colley is Chairman of the Audit Committee and member of Nomination and Remuneration committees.

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 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.

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

Dr. Johann Franz Durrer

Senior Independent Non-executive Director¹, Chairman of the Remuneration and Nomination committees

Appointment: Dr. Durrer was appointed to the Board as an Independent Non-executive Director in March 2008.

Committee membership: Dr. Durrer is Chairman of the Remuneration and Nomination committees.

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.

Other appointments: Dr. Durrer currently serves on the Board of IMT-Dienst AG, a transport company and is an executive board member of several privately held companies.

Vasilis Hadjivassiliou

Independent Non-executive Director

Appointment: Mr. Hadjivassiliou was appointed to the Board as an Independent Non-executive Director in September 2019.

Skills and Experience:

Mr. Hadjivassiliou was a partner in Assurance and Advisory services in PricewaterhouseCoopers (PwC), Cyprus, from 1990 until 2018 when he retired. During this time he held various leadership positions with PwC, including as an elected member of the Executive Board, Head of the Limassol office as well as a number of other offices in Cyprus and was a leading figure in business development. He has extensive experience in auditing, International Financial Reporting Standards and business advisory services having advised major local and international groups including companies publicly listed on the London Stock Exchange as well as in Cyprus.

Mr. Hadjivassiliou is a graduate of the University of Manchester and a Fellow of the Institute of Chartered Accountants of England and Wales.

Other appointments:

Mr. Hadjivassiliou holds directorships in a number of companies affiliated with his family and is also a Board member in a number of other private companies.

Globaltrans is led by a highly experienced Board, which provides entrepreneurial leadership for the Group and strategic direction to management. The composition of the Board includes a variety of skills and competences needed to lead the Group effectively. In reviewing strategy and performance matters, the Board Directors are able to offer constructive support and challenge to management drawing on their wide-ranging commercial experience and business expertise.



George Papaioannou

Independent Non-executive Director

Appointment: Mr. Papaioannou joined the Board as an Independent Non-executive Director in April 2013.

Committee membership:

Mr. Papaioannou is a member of 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 in Cyprus. 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.

Alexander Eliseev

Non-executive Director, co-founder and shareholder of Globaltrans

Appointment: Mr. Eliseev joined the Board 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 freight rail transportation market. He has spent more than 17 years in senior management positions, mostly within the rail sector, and 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.

Other appointments: Mr. Eliseev is Chairman of the Board 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 over 13 years management experience in the railway industry. From 2006 to 2012 he was CEO of Transoil, one of the largest oil rail transportation companies in Russia, having previously served as CFO between 2003 and 2006. He sits on 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.

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.

Committee membership: Ms. Nicolaou is 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 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 has an advanced diploma in Business Administration from the Cyprus International Institute of Management.

¹ Served as Independent Non-executive Director until May 2019.

**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 and is a member of various business associations.

Ms. Pyrgou graduated from the University of Keele with a degree in Law and Sociology, and 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.

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

Konstantin ShirokovExecutive Director,
Head of Internal Audit

Appointment: Mr. Shirokov was appointed to the Board as an Executive Director in March 2008 and heads 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 served as a non-executive member on the board of Global Ports Investments PLC between 2008 and April 2018 where he was a member of both the Audit and Risk committees.

Mr. Shirokov graduated from the Finance Academy under the Russian government and studied business management at Oxford Brookes University.

Alexander StorozhevExecutive Director,
Chief Procurement Officer

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

Skills and Experience: Mr. Storozhev has held senior management roles over the course of a 20-year career in the rail industry and has been with Globaltrans since it was established. He is chairman of a number of Globaltrans subsidiary boards, including AS Spacecom, AS Spacecom Trans, GTI Management and BaltTransServis and serves on the boards of other Globaltrans' subsidiaries, including New Forwarding Company and Ural Wagonrepair Company. 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 holds a diploma from the Mirbis Business School in Moscow and a Master's degree in Business Administration and Finance.

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 Sevtekhnotrans, 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 and holds a degree in Economics from the Moscow State University of Commerce.

**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 served as a director at Globaltrans from 2004 to 2008 and sat on the Board 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 degree in Consumer Product Management.

Marios Tofaros

Non-executive Director

Appointment: Mr. 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 finance officer at Louis Catering Ltd from 2003 to 2004. He has 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 holds a chartered certified accountant (FCCA) diploma and is a member of the Institute of Certified Public Accountants of Cyprus.

Sergey TolmachevExecutive 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.

Executive Management



Valery Shpakov

Chief Executive Officer

Mr. 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.

Sergey Maltsev

Chief Strategy Officer, Chairman of the Board, Executive Director, co-founder and shareholder

Mr. Maltsev has served as Chief Strategy Officer of the Group since August 2017 and was elected as Chairman of the Board of Directors of Globaltrans in April 2018.

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 a founding member and Chairman of the non-profit partnership "Council of Railway Operators".

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 JSC Russian Railways. He is a recipient of the "Honoured Railwayman of Russia" award.

Alexander Shenets

Chief Financial Officer

Mr. Shenets has been 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.

Vyacheslav Stanislavsky

Deputy Chief Executive Officer, Head of Operations

Mr. 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 and is a recipient of the "Honoured Railwayman of Russia" award.

Alexander Storozhev

Chief Procurement Officer, member of the Board, Executive Director

Mr. 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.



Kirill Prokofiev

CEO of BaltTransServis

Mr. 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 Saint 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.

Roman Goncharov

Head of Treasury

Mr. Goncharov has served as CFO of New Forwarding Company, a Globaltrans subsidiary, since 2005 and has over 15 years of management experience.

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

Sergey Avseykov

Business Development Officer

Mr. Avseykov is in charge of business development for the Group. He joined New Forwarding Company, a 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 JSC Russian Railways before rejoining Globaltrans in 2018.

Mr. Avseykov graduated from Tomsk State University and holds a PhD in political science from the Russian Presidential Academy of National Economics.

Svetlana Brokar

Government Relations Officer

Ms. Brokar joined as Government Relations Officer in December 2018. She is an attorney with significant expertise in civil, tax, commercial, corporate, finance and railway transport matters. She has worked with government departments including the Russian Transport, Finance and Railway Ministries. From 2009 to 2013, Ms. Brokar was a member of the Board of New Forwarding Company, a Globaltrans subsidiary, and since 2014 has acted as its 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.

Artem Gabestro

General Counsel, Corporate Governance Advisor to CEO

Artem Gabestro joined the Group in 2007 as a lawyer before becoming general counsel of Globaltrans two years later. He is a member of the Audit Committee of Globaltrans' subsidiary New Forwarding Company and in January 2020 was appointed as an advisor to Globaltrans' CEO on issues of corporate governance.

Mr. Gabestro is a graduate of Moscow State University of International Affairs and holds a Master's degree in law.

The executive leadership comprises the senior management team which is responsible for the Group's business operations and key support functions. In 2019, the team underlined its reputation for management excellence delivering strong results in a volatile market environment.

Corporate Governance Report



Sergey Maltsev

Chairman
Chief Strategy Officer
co-founder and shareholder

"I am pleased to introduce our Corporate Governance Report for 2019. As a Company, we have a long-standing commitment to high standards of corporate governance. As a Board, we continue to believe that strong corporate governance is vital to good decision making and underpins our ability to create long-term sustainable value for our shareholders and other stakeholders."

"The Board is responsible for the management, direction and performance of the Group. My role as Chairman is to manage the Board so that it operates effectively and has the right balance of skills, knowledge, independence and experience. In this regard, I am pleased to report that we have a strong group of experienced directors, with diverse backgrounds and skills, all of whom are fully committed to the Group's continued success.

How companies behave, their culture and their values have become increasingly important. And they matter precisely because they are the underpinning for our business and guide how we work. The Board understands the importance of its role in setting the right tone for the culture of Globaltrans.

The Board is committed to understanding the views of all of Globaltrans' stakeholders, as understanding their opinions is a vital part of the Board's decision-making process.

Our ethos as a company is one of proactive and open engagement with stakeholders. The Board has long supported this approach, as we believe that understanding stakeholders' opinions is crucial for good decision-making and fundamental to building a sustainable business. We spend a lot of time communicating with and listening to our key stakeholders: shareholders, clients, colleagues, suppliers and officials. This remains a key focus for the Board.

Led by me, the Board will continue to focus on the progress made against our strategic priorities and performance targets. We will continue to align our governance structure to international best practice."

Corporate governance framework

Corporate governance policies

Globaltrans' corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders and other stakeholders. This key principle is promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. To that end, Globaltrans' Board of Directors has adopted the Company's Code of Corporate Governance (based on the principles of the UK Corporate Governance Code), guaranteeing that the interests of all shareholders are given due consideration.

The Board responsibilities and activities

Globaltrans' Board of Directors is accountable to the Company's shareholders for standards of governance across the Group's activities. The Board is committed to providing effective, transparent and ethical oversight of the Group so that the Board can take decisions which it believes benefit all its stakeholders and communities and create value for the Group.

Responsibilities

- 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.
- Assessing from time to time whether the Independent Non-executive Directors continue to demonstrate independence.

Membership

The process for the Board appointments is led by the Nomination Committee and members of the Board 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 working with and for large international organisations. In addition, the Group selects Independent Directors intending to ensure that the views of the free-float shareholders are represented and that the interests of all stakeholders are taken into account.

The Board comprises 15 members, eleven of whom are Non-executive Directors. Four of the Non-executive Directors are independent. Globaltrans separates the positions of Chairman and CEO to ensure appropriate segregation of roles and a clear division of responsibilities.

In 2019, members of the Board of Directors held 16,326,121 shares and GDRs in Globaltrans. Although Dr. Durrer has served on the Board for eleven years the Board of Directors still considers him independent.

Globaltrans' policies include, inter alia:

Corporate documents and policies

- Articles of Association
- Appointment policy for the Board of Directors and committees
- Audit Committee – terms of reference
- Board of Directors – terms of reference
- Dividend policy
- Nomination Committee – terms of reference
- Policy on assessment of independence and objectivity of external auditor
- Remuneration Committee – terms of reference

Business ethics

- Anti-Fraud policy
- Business continuity policy
- Code of Ethics and Conduct
- Policy on reporting and investigating allegations of suspected improper activities (whistleblowing policy)
- Corporate Diversity and Inclusion policy
- Environmental and Energy policy
- Freedom of Association policy
- Human Rights policy
- Supplier Code of Conduct

Disclosure, transparency and market abuse regulation

- Corporate policy on the treatment of the rights of minority shareholders
- Disclosure policy
- Securities dealing Code and the PDMR securities dealing Code

Privacy

- Privacy policy

For the Group's corporate governance documents and policies, please visit our corporate website at:

www.globaltrans.com



The composition of the **Board and the Directors' biographies** are available on pages **82 to 85** of this Annual Report

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 take into account these aspects when making new Board appointments and considering the composition of the Board.

There are two female members on the Board, who make up about 13% of the Board. The Board ranges in age from 40 to over 70 years old, with the average age being 52 years. Board members have experience across the following areas: the transportation and ports industry, accounting, economics and finance, the banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

Induction and professional development

The Chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

Performance evaluation

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.

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.

The Board met 14 times during 2019 and considered 60 items.

Regular meetings

- Review of the Group's financial and operational performance.
- Approval of the annual budget.
- 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.
- Changes in responsibilities of Board members and other matters.

The Board and the Board Committees meetings in 2019 and the attendance of Directors

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
	E	A	E	A	E	A	E	A
Sergey Maltsev (Chairman)	14	12						
John Carroll Colley	14	14	1	1	2	2	5	5
Dr. Johann Franz Durrer	14	14	1	1	3	3		
Alexander Eliseev	14	13						
Andrey Gomon	14	12						
Vasilis Hadjivassiliou ¹	6	6						
Elia Nicolaou	14	14					5	5
George Papaioannou	14	14					5	5
Melina Pyrgou	14	12						
Konstantin Shirokov	14	14						
Alexander Storozhev	14	13						
Alexander Tarasov	14	12						
Michael Thomaidis	14	14						
Marios Tofaros	14	14						
Sergey Tolmachev	14	14						
Michael Zampelas ²	3	1			1	1		

¹ Appointed as a member of the Board on 20 September 2019.

² Michael Zampelas passed away on 15 May 2019. Mr. Zampelas was a Senior Independent Non-executive Director, Chairman of the Nomination Committee and member of the Remuneration Committee. He served on the Board of Globaltrans since 2008; and from 2013 to 2018 was Chairman.

Remuneration of the Board and the management

Directors serve on the Board under letters of appointment, which 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 2019 at the Annual General Meeting held on 22 April 2019 and on Extraordinary General Meeting held on 20 September 2019. For details of the remuneration paid to the Board and key executives in 2019, please refer to Note 35a of the Group's 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 paid by the Group in 2019 amounted to RUB 508 million.

Shareholder engagement

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 and shareholders 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 2019, the Company held more than 300 meetings with investors and shareholders, visited about 15 investor conferences and arranged 4 non-deal roadshows. There are currently 11 sell-side analysts who monitor Globaltrans.

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; and
- 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



For details of the **main risks** facing the Group, please refer to the **Risk Management section** of this report and the **Principal Risks and Uncertainties subsection**, included in the Financial Statements section of this Annual Report

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.

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 2019 and 2020. The appointment for 2019 was approved by the Group's shareholders at the Annual General Meeting on 22 April 2019.

The Board committees

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. Each committee has written terms of reference, approved by the Board, that summarise the committee's role and responsibilities.

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 2019		
Members and meetings	3 members, including two independent	<p>John Carroll Colley, Independent Non-executive Director (Chairman)</p> <p>Elia Nicolaou, Non-executive Director</p> <p>George Papaioannou, Independent Non-executive Director</p>	Four			
				E	A	
				John Carroll Colley	5	5
				George Papaioannou	5	5
				Elia Nicolaou	5	5
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 2019	<ul style="list-style-type: none"> — Review of the Group's Consolidated Financial Statements and Parent company financial statements for 2018 and interim financial results for the six months ended 30 June 2019. — Review of the external auditor's report to the Audit Committee following its full-year audit for 2018 and review for the six months ended 30 June 2019. — Consideration of the independence of the external auditor. — Review of the Group's external auditor and terms of reappointment for 2019. 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. — Review of the report of the external auditor on the audit strategy for 2019. — 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 2019		
Members and meetings	2 members, including two independent	<p>Johann Franz Durrer, Senior Independent Non-executive Director (Chairman)</p> <p>John Carroll Colley, Independent Non-executive Director</p>	One			
				E	A	
				Dr. Johann Franz Durrer	1	1
				John Carroll Colley	1	1
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 2019	<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 2019		
Members and meetings	2 members, including two independent	<p>Johann Franz Durrer, Senior Independent Non-executive Director (Chairman)</p> <p>John Carroll Colley, Independent Non-executive Director</p>	One			
				E	A	
				John Carroll Colley	2	2
				Dr. Johann Franz Durrer	3	3
				Michael Zampelas ¹	1	1
Responsibilities	<ul style="list-style-type: none"> — Remuneration of Executive Directors (Chairman and Executive Directors determine the remuneration for independent members). — Review of the Group's remuneration policies. 					
Issues considered in 2019	<ul style="list-style-type: none"> — Remuneration of new member of the Board and key management. 					

¹ Michael Zampelas passed away on 15 May 2019. Mr. Zampelas was a Senior Independent Non-executive Director, Chairman of the Nomination Committee and member of the Remuneration Committee. He served on the Board of Globaltrans since 2008; and from 2013 to 2018 was Chairman.

Share Capital

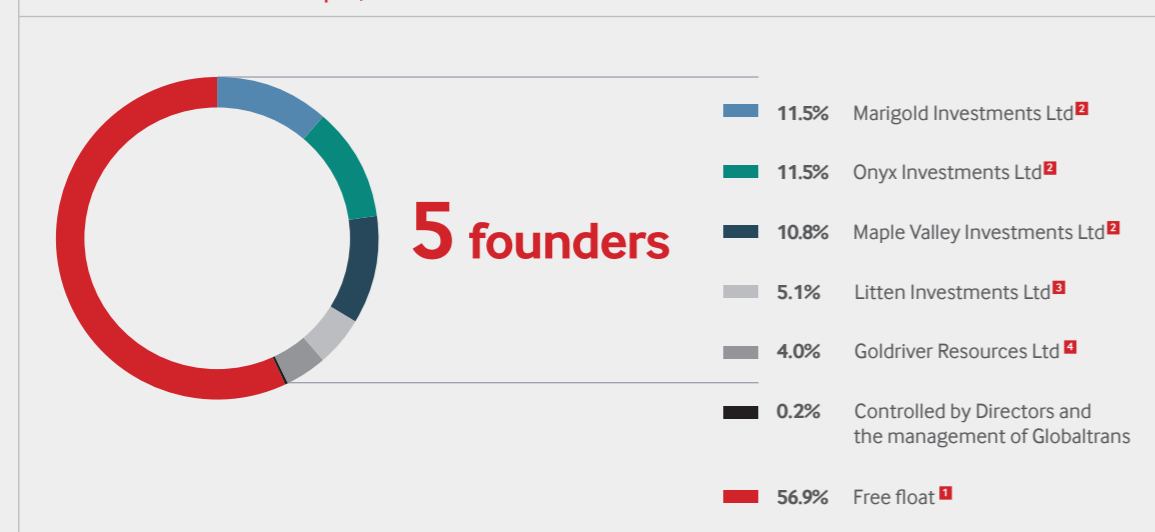
The Company was formed in 2004 when a group of like-minded entrepreneurs brought their freight rail businesses together to form Globaltrans, giving it the scale, governance and focus to become one of the leading players in the region. Those founders continue to be shareholders today with a combined stake of about 43% in total and their entrepreneurial spirit remains at the heart of the Group's culture and approach. In addition, other directors and management of Globaltrans are shareholders in the Company representing about 0.2% of the issued share capital.

In 2008, Globaltrans' founders recognised the benefits of an international listing and undertook an Initial Public Offering on the London Stock Exchange, becoming the first freight rail company serving Russian cargo flows to be listed internationally. Today, the majority of the Company's shares are in the hands of the public with Globaltrans' free float amounting to approximately 56.9%¹ of the issued share capital.

The issued share capital of Globaltrans consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depository Receipts (GDRs).

The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange under the ticker GLTR. The Bank of New York Mellon is the depository bank for the GDR programme of Globaltrans.

Breakdown of Globaltrans' Share capital, 31 December 2019



Source: The information is based upon notifications and other information received by the Company with respect to beneficial ownership as of 31 December 2019.

¹ For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with Globaltrans.

² Andrey Filatov, Nikita Mishin and Konstantin Nikolaev are co-founders of Globaltrans and are beneficiaries with regard to 11.5% and 11.5% and 10.8% respectively of Globaltrans' ordinary share capital each through their respective SPVs (Marigold Investments Ltd, Onyx Investments Ltd and Maple Valley Investments Ltd).

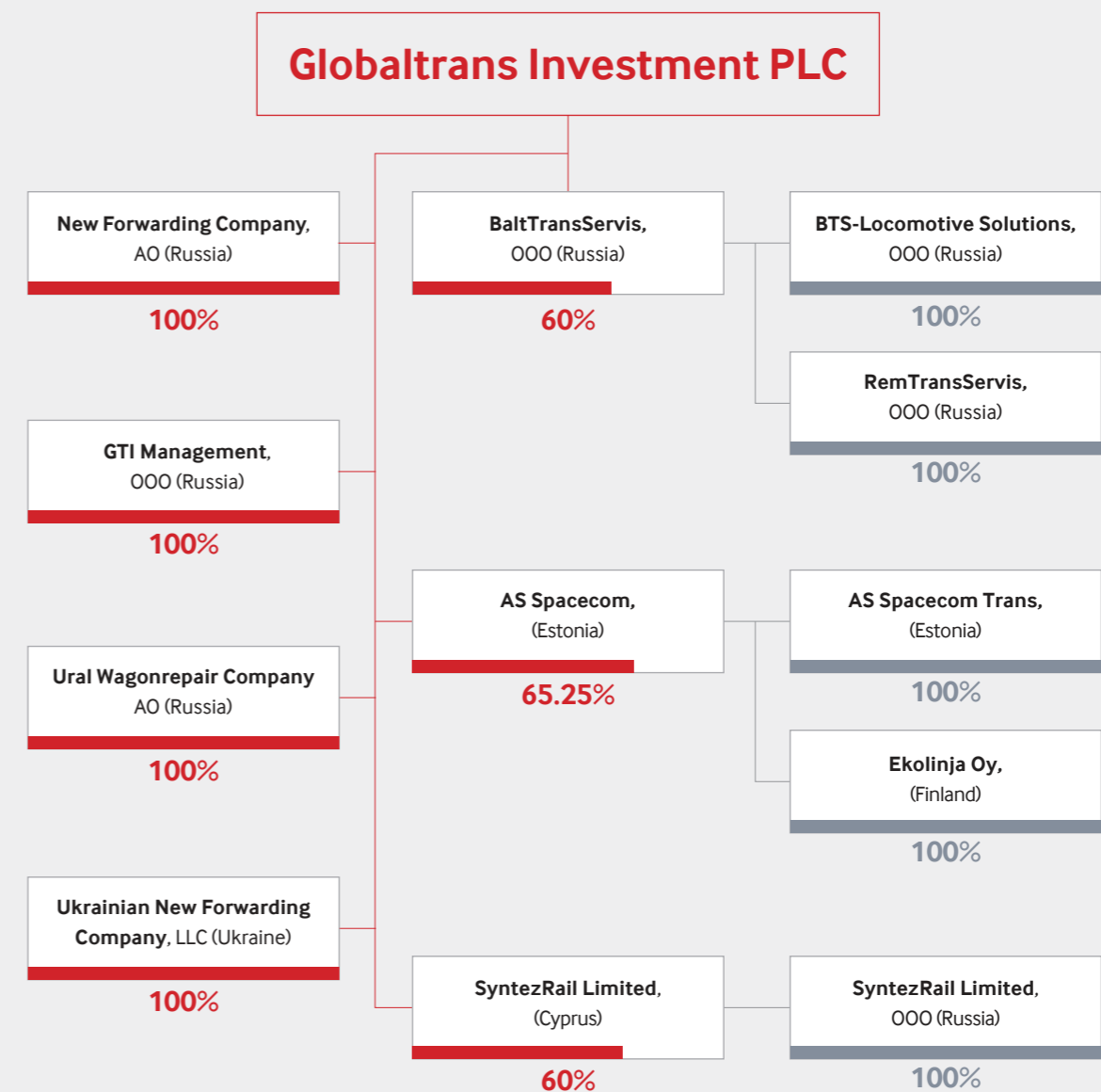
³ Beneficially owned by Alexander Eliseev, Non-executive Director and co-founder of Globaltrans.

⁴ Beneficially owned by Sergey Maltsev, Chairman of the Board of Directors, Chief Strategy Officer and co-founder of Globaltrans.

Corporate Structure

Globaltrans provides freight rail transportation, railcar leasing and other ancillary services to clients in Russia, the CIS and Baltic countries through its subsidiaries – New Forwarding Company, BaltTransServis, GTI Management, SyntezRail, Spacecom, Spacecom Trans and Ukrainian New Forwarding Company.

The Group's corporate structure¹ ensures efficient asset management and operational control while creating logical business segments.



¹ Corporate structure as of 31 March 2020.

GRI Content Index

Indicator	Definition	Report section/notes	Annual report page
General disclosures			
102-1	Name of the organisation	Corporate Structure	p. 95
102-2	Activities, brands, products, and services	Our Business Operational Performance	p. 6–7 p. 32–38
102-3	Location of headquarters	Contacts	p. 310
102-4	Location of operations Number of countries where the organisation operates	Globaltrans at a Glance Market Review	p. 2 p. 26–31
102-5	Ownership and legal form	Share Capital	p. 94
102-6	Markets served	Market Review	p. 26–31
102-7	Scale of the organisation	Operational Performance Financial Review	p. 32–38 p. 40
102-8	Information on employees and other workers	Sustainability	p. 74–76
102-9	Supply chain	Operational Performance	p. 36
102-10	Significant changes to the organisation and its supply chain	No significant changes in the supply chain.	
102-11	Precautionary Principle or approach	The Group does not explicitly use the precautionary principle.	
102-12	External initiatives. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	The Group does not have membership in external initiatives.	
102-13	Membership of associations. A list of the main memberships of industry or other associations, and national or international advocacy organisations	Sustainability Union of Railway Transport Operators – SOZHT (AO New Forwarding Company) Council of Russian Transport Workers – STR (AO New Forwarding Company) Railway Engineering Association – OPZHT (AO Ural Wagonrepair Company) Estonian Chamber of Commerce and Industry (AS Spacecom (Estonia) and AS Spacecom Trans (Estonia)	p. 71
102-14	Statement from senior decision-maker	Chairman's Statement CEO Review	p. 18–21 p. 22–25
102-15	Key impacts, risks, and opportunities	Risk Management Sustainability	p. 60 p. 70
102-16	Values, principles, standards, and norms of behaviour	Sustainability	p. 72
102-18	Governance structure	Governance	p. 82–87
102-35	Remuneration policies	Corporate Governance Report	p. 91
102-40	List of stakeholder groups	Sustainability	p. 71

Indicator	Definition	Report section/notes	Annual report page
General disclosures			
102-41	Collective bargaining agreements	As at 31 December 2019, 44% of total employees in OOO BaltTransServis were covered by collective bargaining agreements. In other Group subsidiaries, there were no collective bargaining agreements.	
102-42	Identifying and selecting stakeholders with whom to engage	Sustainability	p. 70–71
102-43	The organisation's approach to stakeholder engagement	Sustainability	p. 70–71
102-44	Key topics and concerns that have been raised through stakeholder engagement	Sustainability	p. 70–71
102-45	Entities included in the consolidated financial statements	Notes to the Consolidated Financial Statements	p. 188
102-46	Defining report content and topic boundaries	Sustainability	p. 70
102-47	List of the material topics	Sustainability	p. 70
102-8	Information on employees and other workers	Sustainability	p. 74–76
102-48	Restatements of information given in previous reports	This is the third time the Group has published a Sustainability section in the Annual Report. No restatements of information given in the previous report were made.	
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	No significant changes.	
102-50	Reporting period	Calendar year 2019	
102-51	Date of most recent report	April 2019	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Investor Relations Phone: +357 25 328 860 Email: irteam@globaltrans.com	
102-54	Claims of reporting in accordance with the GRI standards	The Report was prepared in accordance with the GRI Standards – Core option.	
102-55	GRI content index	GRI Content Index	p. 306–309
102-56	External assurance	External assurance for the Group's Sustainability section was not conducted in the reporting period.	
Management			
103-1	Explanation of the material topic and its Boundary	Sustainability	p. 70–79
103-2	The management approach and its components	Sustainability	p. 70–79
103-3	Evaluation of the management approach	Sustainability	p. 70–79

Indicator	Definition	Report section/notes	Annual report page
Economic impact			
Economic performance			
201-1	Direct economic value generated and distributed	Sustainability	p. 40–59
Indirect economic impacts			
203-2	Significant indirect economic impacts	Sustainability	p. 79
Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	Sustainability	p. 72
Environmental impact			
Materials			
301-1	Materials used by weigh or volume	Sustainability	p. 77
301-2	Recycled input materials used	Sustainability	p. 77
Energy			
302-1	Energy consumption within the organization	Sustainability	p. 77
Water and effluents¹			
303-5	Water consumption	Sustainability	p. 78
Emissions			
305-2	Direct (Scope 1) GHG emissions ²	Sustainability	p. 78
Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability <i>No incidents of non-compliance with environmental laws and regulations occurred in the reporting period</i>	p. 78

¹ While the Company is making great strides in collecting, processing and presenting information on rational use of water, the process is on-going and there is still insufficient data to fully demonstrate the trends occurring in all of its business units. Addressing this remains a key focus for the Group. Data only for BaltTransServis and Ukrainian New Forwarding Company were collected.

² Taking into account that this is the second year the Group has disclosed its indirect greenhouse gases emissions, only information for 2018 and 2019 is available.

Indicator	Definition	Report section/notes	Annual report page
Social impact			
Employment			
401-1	New employee hires and employee turnover	Sustainability	p. 74
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Notes to the Consolidated Financial Statements	p. 74 p. 176
Occupational health and safety			
403-1	Occupational health and safety management system	Sustainability	p. 76
403-5	Worker training on occupational health and safety	Sustainability	p. 76
403-9	Work-related injuries	Sustainability	p. 76
Training and education			
404-1	Average hours of training per year per employee by gender and employee category	Sustainability	p. 75
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Sustainability Corporate Governance Report Consolidated Management Report Management Report	p. 75 p. 88–94 p. 100–115 p. 218–231

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