

APPROVED

by Decision of the Board of Directors
of JSC TransContainer
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(Minutes No. _____)

Chairman of the Board of Directors
_____ D. K. Novikov

Risk Management Concept of JSC TransContainer

1. General Provisions

This Concept is developed in accordance with the Risk Management Policy of JSC TransContainer (hereinafter the 'Company') and sets forth:

- risk management purposes and tasks;
- requirements to the risk management system;
- functional risk management structure;
- roles in and responsibilities of risk management;
- risk classification approach;
- general risk management approach;
- basic stages of development of the corporate risk management system.

2. Terms

2.1 **'Risk'** means any potential event or action which (if occurred) may affect achievement of the Company's goals and prevent from successful implementation of its strategy. As a rule, a risk is evaluated in terms of its probability and the value of potential financial damage.

2.2 **'Risk Owner'** means an official (head of a department) who is responsible for daily operations of a department, achievement of which purposes is affected by a corresponding risk.

2.3 **'Risk Management'** means a process consisting of the following procedures: risk identification and assessment, adopting decisions on a response to revealed or occurred risks (impact on risk), and risk monitoring and analysis procedures.

2.4 **'Corporate Risk Management System (CRMS)'** means a set of approved interrelated procedures, methods and corresponding risk management tools applied on the basis of regulated cooperation of departments and management bodies of the Company.

3. CRMS Purposes and Tasks Addressed at the Development Stage

3.1. The main purpose of the risk management system of the Company is to ensure a reasonable degree of confidence in achievement of the goals that the Company set by revealing, analyzing and managing potential risks.

3.2. Basic tasks addressed at the CRMS development stage include:
developing the uniform methodological framework;
distributing powers and responsibilities in terms of risk management among departments and other management bodies of the Company;
regulating activities of employees and department in terms of risk management;
revealing, assessing, monitoring and analyzing risks on a regular basis;
efficient risk management;
developing and implementing risk monitoring procedures and procedures for monitoring of efficiency of the risk management efforts;
developing and implementing procedure for notifying managers of the Company and related parties of revealed and occurred risks.

4. Requirements to CRMS

4.1. The CRMS will be implemented and operated within the framework of the currently existing management structure (at least, at the initial stage) in accordance with regulations on risk management.

4.2. The CRMS is developed based on the following requirements:
appropriate multi-level functional risk management structure ensuring adequate distribution of powers and responsibility;
uniform terminology;
single information space and support of information flows vertically and horizontally at all management levels of the Company;
unification of data collection and analysis procedures;
feedback mechanisms (adjustment of the CRMS parameters depending on statistical data on occurred risks) and ability to quickly respond to new risks;
coordinated and regulated risk management procedures;
balanced, adequate budget of risk management measures and potential damage of risks;
risk management monitoring mechanisms.

5. Functional Risk Management Structure

5.1. The functional risk management structure consists of the following stages:

- a) Board of Directors;
- b) Audit Committee;
- c) Director General;
- d) Working Group on Risk Management;
- e) Risk Owners.

5.2. The Working Group on Risk Management consists of employees of different departments of the Company and is established to coordinate work

associated with risk management.

5.3. Director General approves members and powers of the Working Group on Risk Management.

5.4. Director General selects Risk Owners from heads of the Company's departments.

6. Risk Management Powers and Responsibilities

6.1. Powers of the Board of Directors:

approves risk levels;

approves the Corporate Risk Map that is the basic document laying down all revealed risks of the Company;

studies reports on monitoring of critical risks¹ and adjusts applicable management steps if necessary.

6.2. Powers of the Audit Committee:

examines a draft of the Corporate Risk Map prepared by the Working Group on Risk Management and recommends whether the Board of Directors should approve it or not;

ensures general management of the risk management process;

studies reports on monitoring of critical and permissible risks prepared by the Working Group on Risk Management;

adjusts permissible risk management steps if necessary.

6.3. Powers of Director General:

approves regulations on risk management except for documents that shall be approved by the Board of Directors;

approves the Risk Register.

6.4. Working Group on Risk Management:

develops draft regulations on risk management (standards, rules, methods, etc.);

develops the Risk Register of the Company;

ensures training of the Company's employees to reveal, assess and manage risks that fall within their competence;

ensures consolidated registration of risks and their basic assessment in a form of the Corporate Risk Map;

prepares and submits to the Audit Committee for approval reports on monitoring of critical and permissible risks;

manages minor risks including prepares monitoring reports and decides on responding to occurred and revealed risks, and adjusts applicable management steps;

ensures exchange of information on risk management issues with departments of the Company.

¹ Risk Levels ('critical', 'permissible', 'minor') are indicated in the Corporate Risk Map

6.5. Powers of Risk Owners:

reveal and assess potential risks (irrespective of their area of responsibility);

arrange for the risk management process within their area of responsibility;

develop risk management steps within their area of responsibility;

ensure daily risk management within their area of responsibility;

notify the Working Group of changes in the status of risks, risk management measures and risk implementation.

7. Risk Classification

7.1. The Company's risks are classified depending on the area of their occurrence and are registered in the Risk Register.

7.2. The Risk Register is a list of the Company's risks and contains information on risk description, causes and potential consequences, and on the Risk Owner.

8. General Risk Management Approach

8.1. The risk management process consists of four interrelated stages as follows:

1. Identification of risks affecting the business and performance of the Company.

2. Assessment of probability and scope of the impact that risks have on key performance indicators of the Company and on strategic targets listed in the development strategy. Risk Prioritization.

3. Development and implementation of risk management measures.

4. Monitoring of a risk status and risk management measures.

8.2. Risk identification calls for qualitative risk analysis.

8.3. Assessment of probability and scope of the impact that risks have on key performance indicators of the Company and on strategic targets listed in the development strategy implies quantitative analysis of risks enabling to reveal the most probable risks and risks causing greater losses that shall be further analyzed in order to adopt applicable managerial solutions. The degree to which a risk affects performance indicators is evaluated both in terms of relative value (i.e. probability) and in terms of absolute indicators, i.e. deviations of actual performance from planned indicators (in a form of potential financial damage). If a risk cannot be analyzed in terms of quantity broken down by 'probability/loss' (in particular, at the initial operation stage of the risk management system when reliable statistical data are yet unavailable), risks can be prioritized based on indirect methods, in particular, the method of expert opinions of the Working Group members.

8.4. Risk management measures call for development and implementation of managerial solutions concerning one of the following areas:

- a) risk prevention;
- b) minimizing of loss caused by a risk without influencing its probability;
- c) deciding on maintenance of a risk and avoidance of counteracting managerial solutions;
- d) risk transfer (often in a form of insurance, hedging, etc.)

One of the above areas is selected based on a comparative study of efficiency of each of the areas. Therefore, additional costs associated with implementation of the suggested measures for each area are compared to a possible deviation caused by occurrence of a risk.

8.5. Monitoring of a risk status and risk management measures implies collection, generalization and analysis of data on occurred risks and development of adjusting measures for all previous stages.

9. CRMS Development Stages

9.1. During the first CRMS development stage the Company prepares its regulations for risk management.

The process of risk management is governed by the following interrelated regulations:

Risk Management Policy;
this Concept;

rules for the risk management process that sets forth the order of and the procedure for implementation of mandatory risk management procedures, standard document forms (Risk Passport, Risk Status Monitoring Form, Corporate Risk Map), etc.;

regulations, methods, and other documents regulating procedures for adopting decisions on risk management in certain functional areas, for example, finance, personnel, etc.

9.2. At the second CRMS development stage the Company introduces:
necessary amendments to the regulations on the departments of the Company (including, if applicable, development of a special risk management department of the Company), and to job descriptions of its employees.