

Explanatory note

Issue:

On approval of the new edition of the Regulations on payment of rewards and compensations to the members of the Board of Directors of PJSC TransContainer

the Russian Institute of Directors carried out the assessment of corporate governance practice in PJSC TransContainer (hereinafter - the Company) and confirmed the national corporate governance rating at 8 level - "Corporate governance best practices".

The high level of corporate governance indicates that the Company:

- complies with the requirements of the Russian legislation in the field of corporate governance;
- follows an essential part of the recommendations of the Russian Corporate Governance Code;
- Risks of losses of the owners connected with quality of corporate management are insignificant.

Experts also noted three key shortcomings of corporate governance practice in their report:

1. In accordance with the Regulations on Dividend Policy of the Company, the Board of Directors, while determining the recommended dividends rate, focuses on the net profit defined according to RAS.
2. The Company has not been certified for compliance with Environmental Protection Standards (ISO14001 Certificate);
3. The existing system of reward payments to the members of the Board of Directors doesn't comply with some recommendations of the Russian Corporate Governance Code.

In accordance with clause 4.2.1. Corporate Governance Code 4.2.1. A fixed annual reward shall be a preferred form of monetary reward of the members of the Board of Directors. It is not advisable to pay a reward for participation in individual meetings of the Board of Directors or committees of the Board of Directors, as well as Clause 234, participation in meetings of the Board of Directors or committees of the Board of Directors (including extraordinary ones), discussion of any items on its agenda or passing resolutions thereon is a basic duty of the Director and shall not be rewarded because respective time spent by the director and his efforts should be taken into account when determining the amount of the director's fixed annual reward.

Under the existing Regulations on payments to the members of the Board of Directors, the member of the Board of Directors is paid 30 000 rubles as the reward for each meeting (meeting in presentia, personal participation) or 15 000 rubles (meeting in absentia or ballot voting). In this case, the fixed rate of the reward is 4 300 000 rubles.

In order to comply with the Russian Corporate Governance Code, it is suggested to consider increasing the fixed reward at the rate of the reward assessed to the member of the Board of Directors in case of 100% participation in the meetings during a corporate year, that is

400 000 rubles. Then, it means to discontinue the practice of receiving the reward for each meeting and to increase the base rate of the annual reward up to 4 700 000 rubles.