

APPROVED

by the Resolution of the Board of Directors
of PJSC TransContainer
of May 17, 2016 (minutes № 12)

(annex № 7 to the Minutes)

Regulations
on the Internal Audit Service
of PJSC TransContainer

1. General Provisions

1.1. Regulation on the Internal Audit Service has been designed in accordance with the legislation of the Russian Federation, the Charter and other internal documents of PJSC TransContainer (hereinafter referred to as the Company), as well as in accordance with the provisions of the Corporate governance code recommended for use by the Bank of Russia, and the listing rules of the MICEX Stock Exchange.

1.2. The present Regulations define the objectives, functions, tasks and powers of the Internal Audit Service of PJSC TransContainer (hereinafter referred to as the Service), the rights and duties of the Service employees, as well as subordination of the Service.

1.3 The service is a structural subdivision of the Company.

1.4 The Service shall be created by the General Director of the Company following the resolution of the Company's Board of Directors to assist the Board of Directors and the executive bodies of the Company in enhancing the efficiency of the Company management, improving its financial and business activity through systematic and consistent approach to analysis and evaluation of risk management systems and internal controls, as well as corporate governance as tools to provide reasonable confidence in achieving the Company's objectives.

1.5 In its activities the Service shall be governed by the principles of independence and objectivity, as well as hereby, the legislation of the Russian Federation, Regulations on the Audit Committee of PJSC TransContainer, by resolutions of the General Meeting of Shareholders and of the Board of Directors, by the Company's internal documents, internal auditors' standards determined by the International professional internal audit standards and the Code of ethics of the Institute of internal auditors.

2 Functions and Objectives of the Service

2.1 The Service shall perform the following functions:

2.1.1. To assess the efficiency of the internal control system of the Company and its subsidiaries (hereinafter referred to as dependent business companies, or DBC) and elaboration of the relevant recommendations by the results of the assessment.

Assessment of the Company's internal control system effectiveness shall include:

1) analysing the compliance of objectives of business processes, projects and structural subdivisions to the Company's objectives, checking to ensure reliability and integrity of business processes (activities) and information systems, including the reliability of procedures to counteract illegal actions, abuse and corruption;

2) checking the credibility of accounting (financial), statistical, managerial and other reports, determining the degree to which the results of the activities of business processes and structural subdivisions of the Company correspond to the objectives stated;

3) assessment of the adequacy of criteria established by the executive bodies of the Company to analyse the degree of objectives performance (achievement);

4) identifying shortcomings of the internal control system which have not allowed (do not allow) the Company to achieve the stated objectives;

5) assessment of the results of the implementation (realization) of activities to remediate violations, shortcomings and to improve the internal control system implemented by the Company at all governance levels;

6) checking the efficiency and appropriateness of the resources use;

7) safety of assets assurance audit;

8) verification of compliance with the requirements of the legislation, the Charter and internal documents of the Company.

2.1.2. Assessment of the efficiency of the Company and its DBC risk management system and elaboration of the relevant recommendations by the results of the assessment.

Assessment of the Company's risk management system effectiveness shall include:

1) checking the sufficiency and the maturity of the elements of the risk management system for efficient risk management (goals and objectives, infrastructure, process organization, regulatory and methodological support, interaction between structural units within the system of risk management, reporting);

2) verification of the identification completeness and correctness of the risk assessment by the Company's management at all levels of governance;

3) checking the efficiency of the control procedures and risk management activities, including the efficiency of the use of resources allocated in this regard;

4) analysing information on actualized risks (violations identified by the results of internal audits, failures to achieve the objectives stated, instances of court proceedings).

2.1.3. Assessment of the Company's corporate governance.

Assessment of the Company's corporate governance shall include inspection of the following:

1) adherence to ethical principles and corporate values of the Company;

2) order of the Company's objectives setting, their monitoring and control;

3) level of normative provision and communication procedures (including those relating to internal control and risk management issues) at all levels of the Company, including interaction with the stakeholders;

4) ensuring the rights of the shareholders, including controlled (subsidiary) companies, and efficiency of relationships with stakeholders;

5) information disclosure procedures concerning the activities of the Company and its controlled (subsidiary) companies.

2.2 The Service shall perform the following tasks:

2.1.2. Conducting internal audits (hereinafter referred to as inspections) on the basis of the approved internal audit plan;

2.2.2. Implementation of individual orders of the Audit Committee, the Board of Directors and Director General Director of the Company within the limits of its competence.

2.2.3. Provision of advice to the executive bodies of the Company on issues of risk management, internal control and corporate governance (subject to the preservation of independence and objectivity of internal audit);

2.2.4. Assistance to the executive bodies of the Company in the investigation of unfair/unlawful activities of employees and third parties, including negligence, fraud, bribery and corruption, commercial bribery, abuse and various illegal activities that damage the Company;

2.2.5. Development and update of internal documents regulating internal audit activities (internal audit methodology);

2.2.6. Preparation of a draft activity plan of the Service for a year, containing, among other items, a plan to carry out inspections of production, financial and business activity of the Company and its presentation to the Audit Committee for harmonization and to the Board of Directors for approval;

2.2.7. Preparation and submission to the Board of Directors, the Audit Committee and the Company's General Director of reports based on the results of the Service activities (including those incorporating information about material risks, shortcomings, results and efficiency of corrective actions activities, results of the implementation of the Service activity plan, results of an assessment of the actual state, reliability and efficiency of the risk management systems, internal controls systems and the Company's corporate governance);

2.2.8. The internal audit of controlled (subsidiary) companies within the established procedure;

2.2.9. Coordinating activities with the Company's external auditor, as well as persons providing consulting services in the areas of risk management, internal control and corporate governance;

2.2.10. Preparation and submission for consideration by the Company's General Director of proposals for the remediation and prevention of identified shortcomings in the production, financial and business activity of the Company, as well as proposals for bringing those responsible to disciplinary, material and other liability in accordance with the legislation of the Russian Federation and internal normative documents of the Company;

2.2.11. Participation in working groups, commissions, committees of the Company within its competence, as well as in other consulting and advisory activities conducted in the Company without the right to vote;

2.2.12. interaction with Company's subdivisions on issues relating to internal audit activities;

2.2.13. other tasks assigned to the Service by the Company's Board of Directors.

3 Powers of the Service

3.1 Within the limites of fulfilling the vested functions:

3.1.1. The Head of the Service shall be authorized to the following:

- have direct access to the Chairman of the Audit Committee and the Company's General Director ;

- request and obtain from the Company's executive bodies any information and materials necessary to perform their duties;

- get acquainted with the current and long-term activity plans, reports on the implementation of plans and programs, draft resolutions, and resolutions of the Company's Board of Directors and executive bodies;

- bring to the attention of the Board of Directors (Audit Committee) and executive bodies of the Company proposals to improve existing systems, processes, standards, business practices, as well as comments on any issues falling within the competence of the internal audit;

- engage the Company's employees and third-party experts to carry out inspections and other assignments in consultation with the Company's General Director;

- participate as observer at meetings of working bodies of the Company (committees, commissions, working groups, etc.).

- inform the Company Director General and the Audit Committee on undue restrictions by the Company officials and employees preventing employees from performing their duties.

3.1.2. The Service's employees shall be authorized to:

- request and receive free access to any assets, documents, accounting records and other information (including those in electronic form) on the Company's activities required for the performance of their duties, make copies of the relevant documents and carry out photo and video recording of the facts of the Company's business activities;

- within the framework of inspections to carry out interviews with the Company executive bodies and employees;

- use the information resources and software of the subdivisions in accordance with the established procedure for internal audit purposes;

- examine and assess any documents requested during the check and submit these documents and/or the relevant information to the Head of the Service;

- request and obtain necessary assistance from employees of subdivisions being checked, as well as assistance of employees of other units/business functions of the Company;
- carry out other actions required to achieve the purposes of the inspections.

4 Subordination and Independence Ensuring . Organizational Structure of the Service

4.1. The Service shall be headed by the Head of the Service.

4.2. With a view to ensuring the independence and objectivity the Head of the Service shall be appointed and dismissed by the Company's General Director on the basis of the resolution adopted by the Board of Directors, shall be functionally accountable to the Company's Board of Directors, and administratively to the Company's General Director. This being stated, these individuals shall not provide management of the functional areas of the Company activity which require adopting managerial resolutions in relation to the audited objects.

The Service shall be functionally accountable to the Board of Directors, which means:

1) approval by the Board of Directors (preliminary consideration by the Audit Committee) of the plan of activities and budget of the Service;

2) receipt by the Board of Directors (Audit Committee) of information on the implementation of the plan of activities of the Service and on the implementation of internal audit;

3) approval by the Board of Directors (preliminary consideration by the Audit Committee) of the resolutions on appointment and on determination of the remuneration for the Head of the Service;

4) consideration by the Board of Directors (Audit Committee) of significant restrictions of authority of the Service or other restrictions which can negatively affect the internal audit function.

The Service shall be administratively accountable to the Company's General Director, which means:

1) allocation of the necessary resources within the approved budget of the Service;

2) receipt of reports on the activities of the Service;

3) assistance in collaboration with the Company's subdivisions;

4) administering the policies and procedures of the Service's activities.

4.3. The resolution on the appointment and termination of powers of the Head of the Service shall be adopted by the Board of Directors by a majority of

votes of the members of the Board of Directors attending the meeting, based on the recommendation of the Audit Committee.

4.4. The Employment contract with the Head of the Service shall be signed by the Company's General Director on the terms determined by the Audit Committee.

4.5. The Head of the Service shall submit quarterly reports to the Audit Committee on the results of the Service's activities during the reporting period and on the status of the systems of internal control and risk management in the Company.

4.6. The Head of the Service shall participate at the meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee.

4.7. In the absence of the Head of the Service or in the event of failure to perform his functions the Deputy Head of the Service shall perform his duties.

4.8. Staff size and organizational structure of the Service shall be approved by the Company's order based on the recommendation of the Audit Committee.

4.9. The Head of the Service and Service's employees shall meet the following requirements:

- a) have an impeccable reputation;
- b) have higher economic (financial) and/or higher legal education;
- c) shall not be shareholders of the Company;
- d) shall not hold other (in addition to the position within the Service) positions in the Company or another organization competing with the Company;
- e) shall not engage in any activity that could undermine the impartiality of their assessments;
- f) shall have no unexpunged and/or outstanding conviction, they shall not be subjected to an administrative penalty in the form of disqualification.

4.10. At the appointment of the Head and employees of the Service their education, professional training, work experience in the area of internal control and risk management and other expertise required by the Head and employees of the Service to perform their duties shall be taken into account.

4.11. The Head of the Service shall possess at least 5 (five) years of working experience in accordance with the education he has received (in the areas of legal, economic, financial activities, internal controls and/or auditing). Employees of the Service shall possess at least 3 (three) years of working experience in accordance with the education they have received.

4.12. Employees of the Service shall be appointed by the Company's General Director based on the proposal of the Head of the Service.

5. Liabilities of the Service

5.1. The Head and employees of the Service, in exercising their rights and performing their working obligations, shall act in the interests of the Company and exercise their rights and perform their obligations in good faith and reasonably.

5.2. The Head and employees of the Service shall abstain from disclosure and shall not use in personal interests and/or in the interests of third parties or in any other manner inconsistent with the legislation of the Russian Federation, confidential information about the Company and insider information.

5.3. The Head and employees of the Service shall bear liability in accordance with the legislation of the Russian Federation for performing their functions provided hereby, by the relevant job descriptions, as well as by relevant internal documents of the Company.
