

Safety and Security

The safety of FPC's passenger trains is one of the Company's top priorities.

Train operation safety

Since the Company was founded, no traffic incidents (train crashes, accidents) have happened through FPC's fault.

Consistent efforts to reduce the number of incidents connected with a breach of traffic or railway safety rules are an integral part of the Transport Strategy¹ for Guaranteed Security and Reliability of Transportation Process in the Russian Federation for the Period until 2030.

FPC exceeded its traffic safety target by 72% (0.0026 incidents per one million train-kilometres, with the incident

threshold of 0.0092 across RZD Holding) and by 20% year-on-year (4 incidents in 2016 and 5 in 2015).

In 2016, the Company reduced the total number of failures by 36% (58 failures in 2016, 90 failures in 2015).

Higher safety and stable traffic safety targets resulted, among other things, from:

- implementation of FPC's Action Plan to Improve Traffic Safety Measures and to Achieve Accident Reduction Targets;

- on-schedule delivery of the Action Plan to Ensure Functional Traffic Safety on the Infrastructure of JSC RZD;
- 9 technical audits and 7 inspections conducted in FPC's branches and their structural units to ensure traffic safety, monitor elimination of revealed defects, and develop corrective actions;
- 69 technical audits of repair and maintenance processes conducted in structural units of FPC's branches, including 34 scheduled audits, 10 ad-hoc audits and 25 tracking audits.



20%

year-on-year improvement of traffic safety



36%

year-on-year decline in the total number of failures



By the end of 2016, the total number of facilities equipped with automatic fire-fighting systems reached

997

facilities,

or 72.4% of the target

¹ Decree of the Government of the Russian Federation No. 1734-r On the Transport Strategy of the Russian Federation dated 22 November 2008.



Fire safety

Two fire incidents occurred in 2016 (1 fire incident in 2015).

In 2016, fires caused 31% less economic losses year-on-year.

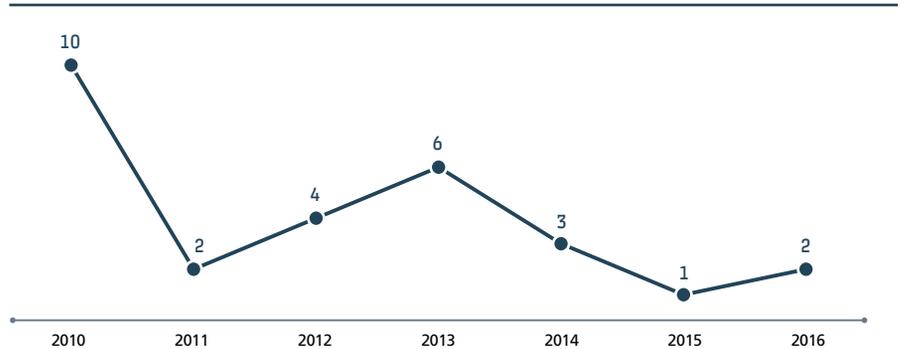
The Company carried out fire risk assessments at 128 stationary facilities to verify their compliance with Federal Law No. 123-FZ Technical Regulations on Fire Safety Requirements dated 22 July 2008.

In 2016, FPC developed and introduced:

- fire safety instructions in FPC's carriages (as approved by the order of FPC issued in 2016);
- FPC's standard for Fire Safety Management System (FPC STO 1.21.009–2016) (as approved by the order of FPC issued in 2016).

In line with the repair and maintenance programme, 321 carriages were equipped with new fire-fighting equipment in 2016.

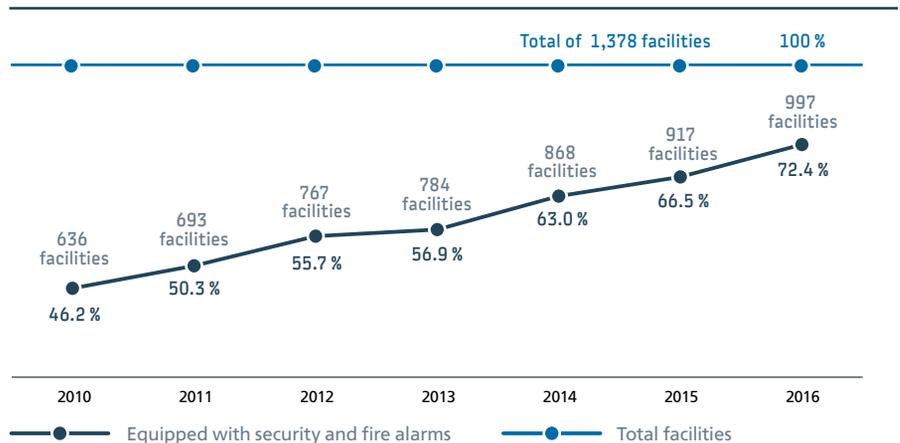
Number of fires at passenger infrastructure facilities in 2016



1 One arson in a carriage

1 One short circuit at a stationary facility

Equipping FPC depot workshops and other stationary facilities with security and fire alarms and automatic fire extinguishers.



Industrial safety

In 2016, FPC implemented a Centralised Industrial Safety Programme. During 2016, 448 initiatives were launched, with total costs amounting to RUB 32.4 million.

In 2016, production process optimisation and efforts to ensure compliance with the requirements of federal laws helped the Company reduce the number of its hazardous production facilities and technical devices operated by such facilities.

As at 31 December 2016, the State Register listed 212 FPC's hazardous production facilities (224 facilities in 2015), which operated 490 technical devices (526 devices in 2015).

In line with Federal Law No. 225-FZ On Compulsory Insurance of Civil Liability of the Owner of a Hazardous Facility for Inflicting Damage as a Result of an Accident at the Hazardous Facility dated 27 July 2010, all FPC's hazardous production facilities are insured.

In 2017, the Company intends to reduce the number of hazardous production facilities from 212 to 200, and the number of technical devices from 490 to 467.

In 2016, FPC developed and introduced a standard for Industrial Safety Management System at FPC (FPC STO 1.21.008–2016) (as approved by the order of FPC).

Transportation safety and security

FPC's arrangements for transportation safety and security of transport infrastructure facilities and vehicles are governed by Federal Law No. 16-FZ On Transportation Safety dated 9 February 2007 and other regulations.

The Company carried out the vulnerability assessment of FPC's transport

infrastructure facilities and vehicles listed in the Register. FPC developed and introduced transport security action plans for all vehicles.

All international passenger trains made up in foreign countries and travelling in the territory of the Russian Federation were escorted by train crew safety

instructors, which brought a significant reduction in the number of technical failures in carriages, on-board equipment, electrical equipment and fire-fighting systems on such trains.

During 2016, the Company prevented any unlawful interferences¹ at transport infrastructure facilities and in carriages.

¹ Unlawful interference is an unlawful action (omission), including a terror attack, such as to jeopardise the safety of the transport system, resulting in damage to life and health of individuals, financial damage or posing a threat of such consequences; unlawful and illegal actions, etc.



Corporate, economic and information security

The Company's carriages are escorted by squads of transport police officers and security guards from private security companies. Based on the review of the public order situation and within the limits of the budget allowance, 896 long-distance trains were escorted by squads of security providers on a monthly basis. In 2016, a total of 10,798 FPC's trains were escorted, up 33.7% year-on-year. The Company strongly focused on providing security for children travelling in groups.

In the reporting year, as part of the state Integrated Programme to Ensure Public Safety on Transport, the Company fitted 23 FPC's facilities, including 18 FPC's facilities involved in hosting the FIFA Confederations Cup Russia 2017 and the 2018 FIFA World Cup, with state-of-the-art systems ensuring transport security.

FPC's facilities located in the cities hosting the above sports events are fully equipped with security posts.

Due to FPC's economic security initiatives the amount of unjustified losses recovered as a result of inspections in 2016 exceeded RUB 47 million, and prevented losses totalled over RUB161 million.

The Company's information security is ensured in accordance with the requirements of the Information Security Concept approved by FPC's General Director.

Occupational health and safety

In 2016, FPC's occupational health and safety management system was validated as compliant with the requirements of GOST R 54934-2012 / OHSAS 18001:2007 standard (Occupational Health and Safety Management Systems. Requirements), and

validity of the Company's management system compliance certificate No. 1 614 was renewed.

In 2016, ensuring safe working environment for the employees

of FPC's administration and branches enabled the Company to obtain special terms of the Social Insurance Fund for the insurance rate for compulsory insurance covering industrial accidents and occupational diseases.

Anti-corruption policy

FPC's arrangements to prevent corruption comply with the requirements of Article 13.3 of Russian Federal Law No. 273-FZ On Countering Corruption dated 25 December 2008.

According to the resolution of FPC's General Director, the Corporate Security Department is responsible for prevention of corruption.

All the Company's branches place anti-corruption information on dedicated

information boards, including the "safe hotline" number and e-mail for reporting on corruption offences, as well as contact details of anti-corruption officials.

FPC developed and introduced its anti-corruption regulations.

The Company has in place:

- Commission for Resolving Conflicts of Interest (established by the order of FPC issued in 2016);

- Anti-Corruption Committee (established by the order of FPC issued in 2016).

FPC also consistently interacts with law enforcement bodies to identify breaches of anti-corruption laws.