

CORPORATE

QUALITY MANAGEMENT SYSTEM

FPC's corporate quality management system ("FPC's QMS") is built in line with Russian Railways' Quality Management Strategy and the Regulations on Russian Railways' Quality Management System. Measures set out in Russian Railways' Quality Management Strategy and the Regulations

on Russian Railways' Quality Management System are implemented in accordance with the Passenger Service Improvement Programme for 2017–2019.

Quality management activities in the Company are governed by JSC FPC's Quality Policy.



JSC Federal Passenger Company is a customer-focused, national carrier providing long-distance rail passenger services across Europe and Asia.

In managing the quality of its services, FPC strives to:

- fully meet customer requirements and expectations by continuously improving service quality and ensuring high levels of service, comfort, and safety
- continuously improve the Company's operational efficiency and performance by enhancing its corporate quality management system and business processes and introducing new technologies for lean production, rolling stock maintenance and passenger service.

To achieve these goals and ensure sustainable development, FPC's management undertakes to:

- follow the Management's Leadership principle, foster collaboration between employees in achieving goals, enhance their competence, motivation, and corporate relations culture
- support and develop mutually beneficial long-term relations with suppliers, improve the satisfaction levels among the Company's customers and all its stakeholders
- manage potential corporate risks, prevent recurring and potential inconsistencies, and make decisions based on objective evidence and stakeholder requirements
- keep the corporate quality management system compliant with ISO 9001:2015 international standard and stakeholder requirements
- continuously improve the corporate quality management system, enhance operational efficiency and performance through process improvement, innovation and cost optimisation.

FPC's management assumes responsibility for taking steps to implement the Quality Policy and provide relevant resources.

FPC's QMS processes are defined and described in accordance with Russian Railways' Guidelines for Process Quality Management Modelling.

In November 2017, five branches of the Company passed a QMS inspection for compliance with GOST R ISO 9001-2015 "Quality management systems – Requirements":

- Northern Branch, including 7 business units
- Northwest Branch, including 8 business units
- Ural Branch, including 5 business units
- South Urals Branch, including 4 business units
- Kuybyshev Branch, including 5 business units.

Following the inspection, LLC DQS (a subsidiary of the DQS Group, head-quartered in Frankfurt, Germany) issued Compliance Certificate No. 31101056 QM15 dated 1 December 2017 and valid until 28 November 2019 for the following business processes:

- Transportation of passengers, baggage and unaccompanied baggage
- Passenger assistance and services on long-distance trains
- Carriage servicing and maintenance in transit
- Issuance and sales of travel and carriage tickets and documents
- Carriage servicing before journey

- Carriage overhauls with service life extension (KVR)
- Depot repairs (DR)
- Carriage overhauls (KR-1)
- Carriage overhauls (KR-2)
- Current repairs of coupled/uncoupled carriages
- Wheelset repairs
- Repairs of carriage components and assemblies
- Carriage maintenance (TO-1, TO-2 and TO-3).

All the processes are annually inspected by a certifying body in no less than 33% of branches and relevant business units.

Compliance of FPC's QMS with GOST R ISO 9001-2015 is checked through internal audits. In 2017, the Company developed an internal audit programme for the corporate quality management system.

Internal audits of FPC's QMS were conducted in accordance with the Company's corporate Standard for Internal Audits of the Quality Management System, FPC STO 1.006.1-2.

To assess the effectiveness of FPC's QMS, the Company developed a list of FPC's Quality Targets for 2017. The internal audit results suggest that all corporate targets for 2017 have been fully achieved.

FPC's Quality Targets for 2018

No.	Target	Measures of success	Responsibility
1	Year-on-year reduction in carriages uncoupled for current repairs	<p>≥ 5.0% – target achieved</p> <p>4.9%–3.0% (inclusive) – target partially achieved</p> <p>< 3.0% – target not achieved</p>	Rolling Stock Management Department
2	Year-on-year reduction in train delays due to improper repairs or maintenance of passenger carriages	<p>≥ 5.0% – target achieved</p> <p>4.9%–3.0% (inclusive) – target partially achieved</p> <p>< 3.0% – target not achieved</p>	Rolling Stock Management Department
3	No irregularities in supplying carriages with solid fuel and water	<p>≤ 3.0% – target achieved</p> <p>3.1%–5.0% (inclusive) – target partially achieved</p> <p>≥ 3.0% – target not achieved</p>	Rolling Stock Management Department
4	Proper fit-out of compartments/seats	<p>95.0% – target achieved</p> <p>94.9%–90.0% (inclusive) – target partially achieved</p> <p>< 90.0% – target not achieved</p>	Passenger Service Department
5	Year-on-year reduction in ticketing-related complaints by passengers at FPC's ticket offices	<p>≥ 5.0% – target achieved</p> <p>4.9%–3.0% (inclusive) – target partially achieved</p> <p>< 3.0% – target not achieved</p>	Sales Department
6	Meeting the passenger carriage maintenance and repair budget under the Inventory Supply Plan	<p>≥ 97.0% – target achieved</p> <p>96.9%–95.0% (inclusive) – target partially achieved</p> <p>< 95.0% – target not achieved</p>	Procurement and Contracting Centre
7	Implementation of the Action Plan for Training, Re-training and Professional Development of FPC's Employees	<p>100.0% – target achieved</p> <p>99.9%–97.0% (inclusive) – target partially achieved</p> <p>< 97.0% – target not achieved</p>	HR and Social Development Department
8	Certification of QMS compliance with GOST R ISO 9001-2015 (Quality Management Systems – Requirements)	<p>Compliance with GOST R ISO 9001-2015 certified before 30 November 2018 – target achieved</p> <p>Compliance with GOST R ISO 9001-2015 not certified by 30 December 2018 – target not achieved</p>	Technical Policy Department

SAFETY AND SECURITY

Operation safety of FPC's passenger trains is a top priority for the Company.

TRAIN OPERATION SAFETY

Over the years since the Company was established, no traffic incidents (derailments or accidents) have happened through FPC's fault.

Consistent efforts to reduce the number of incidents resulting from violation 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.

The Company maintains traffic safety through:

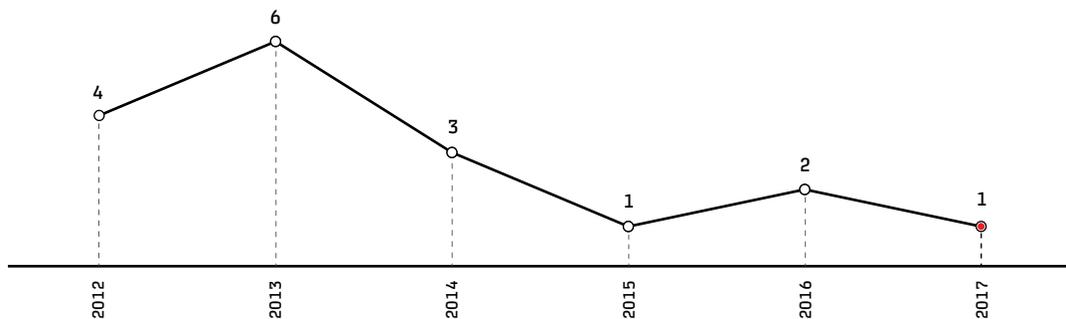
- implementation of the Action Plan to Improve Traffic Safety Measures and Achieve Accident Reduction Targets at JSC FPC
- on-schedule delivery under the Action Plan to Ensure Functional Traffic Safety on the Infrastructure of JSC RZD
- technical audits and inspections conducted in FPC's branches and their structural units to ensure traffic safety, monitor elimination of identified gaps, and develop corrective actions
- technical audits of repair and maintenance processes in structural units of FPC's branches.

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

FIRE SAFETY

One fire incident took place during 2017 (vs two incidents in 2016), with no damage to property.

Fires at FPC's facilities in 2012–2017



¹ fire broke out at a mothballed facility of the South Eastern Branch. It was caused by a combustion source brought in by an unidentified person. No damage was caused to the property.

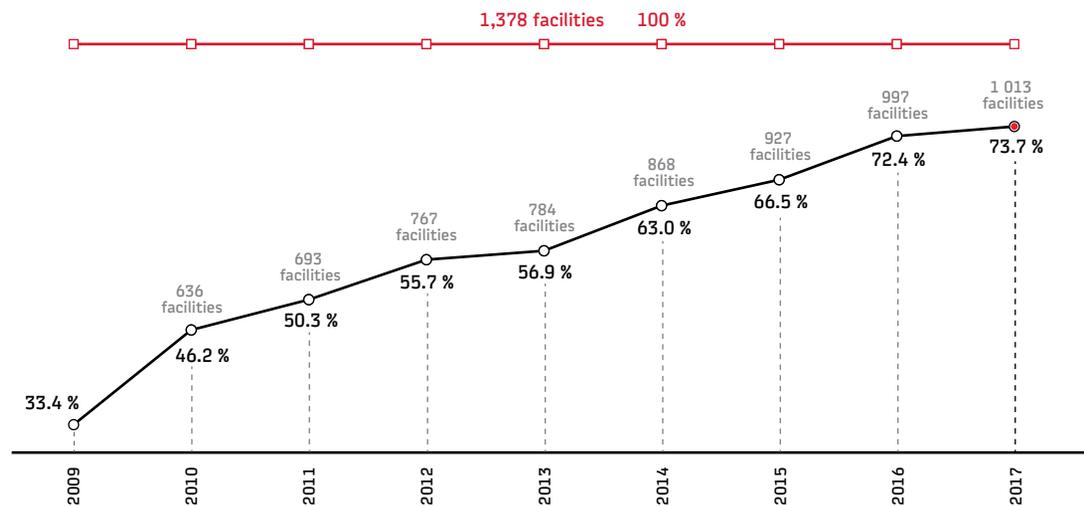
As part of its Investment Programme, the Company installed and commissioned 18 fire protection

systems, or in 73.7% of the facilities in need of such systems (1,378).

FPC facilities with fire safety systems installed

> RUB 180
million

invested in fire safety



As part of the Operational Programme for Fire Safety in 2017, FPC spent over RUB 180 million on fire safety measures, with:

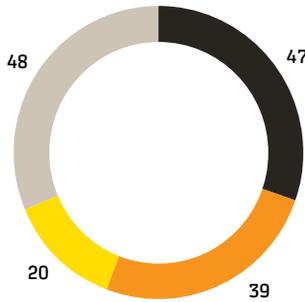
- fire safety systems serviced
- over 14,000 fire extinguishers, over 9,000 eye and respiratory PPE units, and
- over 9,000 units of fire-fighting equipment (cabinets, hoses, racks, nozzles, posters and spades) purchased and put into service.

Over RUB 20 million were invested in measures to meet fire safety regulatory requirements, in particular to:

- service over 76,000 fire extinguishers
- fireproof 98,000 sq m of premises
- test over 250 escape ladders and roof railings
- test capacity of over 3,500 fire valves and hydrants on external and internal fire mains
- assign explosive and fire hazard classes to 345 premises in accordance with the Electric Installation Guidelines
- install over 200 fire-rated doors.

Over RUB 48 million were spent on daily fire prevention measures for FPC's rolling stock and facilities under the contract with FGP VO ZDT of Russia.

Implementation of the Operational Programme for Fire Safety in 2017, RUB million



In 2017, FPC spent over RUB 180 million on fire safety.

- Over 780 fire safety systems (including emergency alerting, evacuation management, fire alarm, fire suppression and smoke removal systems) serviced at FPC's facilities
- Fire safety materials and equipment (fire extinguishers, Strazhnik-3 fire extinguishing aerosol generators, eye and respiratory personal protective equipment (PPE), and fire-fighting equipment) purchased
- Fire safety services provided to provide maintenance for fire extinguishers, to fireproof facilities, and test the fire mains capacity.
- Fire prevention services for FPC's rolling stock and stationary facilities (under a contract with FGP VO ZDT of Russia).

In 2017, the Company developed and introduced JSC FPC's Regulations on Interaction with Fire System Maintenance Service Providers.

In accordance with the repairs plan for 2017, 31 passenger carriages were upgraded to meet fire safety requirements.

INDUSTRIAL SAFETY

In 2017, FPC implemented a Centralised Industrial Safety Programme. The Company invested RUB 42.0 million to implement 506 activities at its hazardous facilities and organize expert assessments, inspections and certifications of machinery and engineering structures.

RUB 141.9 million were spent on FPC's Investment Programme to Upgrade Hazardous Production Facilities.

As part of the Programme, the Company replaced and upgraded hoisting equipment, replaced pressure equipment, and prepared design documents to upgrade boiler plants operated by business units of FPC's branches.

141.9
million

invested in upgrading hazardous production facilities

TRANSPORTATION SAFETY AND SECURITY

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

Pursuant to Resolution of the Russian Government No. 495 On Approval of Transportation Safety Requirements, Including Requirements for Anti-Terrorism Protection of Facilities (Zones) by Safety Class of Rail Transport Infrastructure Facilities and Rolling Stock dated 26 April 2017, adopted on 1 July 2017, FPC carried out an additional vulnerability assessment of the Company's transport infrastructure facilities and vehicles.

Results of an additional vulnerability assessment were approved by the Federal Agency for Railway Transport (Roszheldor).

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

The Company's prevention efforts in 2017 resulted in zero unlawful interferences¹ at transport infrastructure facilities and in passenger trains.

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.

ADDITIONAL SAFETY AND SECURITY MEASURES DURING FIFA CONFEDERATIONS CUP

For the 2017 FIFA Confederations Cup period, the Company signed additional agreements and contracts with security service providers to escort and monitor 1,355 relevant trains.

FPC also signed contracts with security providers in the FIFA Confederations Cup host cities to increase the number of security lodges to manage external and internal access at the guarded facilities.

The Company maintained full functionality of security and transportation safety systems.

No instances of unlawful interference or offences at the facilities or rolling stock involved in servicing

football fans and visitors to the international sporting event held in the Russian Federation were registered during the period of the event.

Based on the experience of maintaining security at the Company's facilities and on passenger trains during the 2017 FIFA Confederations Cup and due to amendments to the Russian laws covering transportation safety and security on long-distance trains, FPC decided to engage certified providers of transportation security services during the 2018 FIFA World Cup.

CORPORATE, ECONOMIC, AND INFORMATION SECURITY

In 2017, the Company arranged for the escort of 10,992 passenger trains by private security companies, up 18.0% year-on-year.

The Company strongly focused on providing security for children travelling in groups.

As part of the government-sponsored Integrated Programme to Ensure Public Safety on Transport, FPC's facilities located in the cities hosting the 2018 FIFA World Cup were fully furnished with lodges for security providers.

Due to FPC's economic security initiatives, the amount of unjustified losses recovered as a result of inspections in 2017 exceeded RUB 92 million, and prevented losses totalled over RUB 5,172 million.

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

> RUB 5,172
million

in losses prevented
due to economic
security initiatives

OCCUPATIONAL HEALTH AND SAFETY

In 2017, FPC's occupational health and safety management system was fully compliant with the requirements of GOST R 54934-2012 / OHSAS 18001:2007 Occupational Health and Safety Management Systems – Requirements). A relevant validity document for the compliance certificate was issued in 2016.

In 2017, the safe working environment provided by the Company to employees of FPC's administration and branches allowed the Company to secure special rates from the Social Insurance Fund for the compulsory insurance policies covering industrial accidents and occupational diseases.

