Climate-related Financial Disclosure ("TCFD")

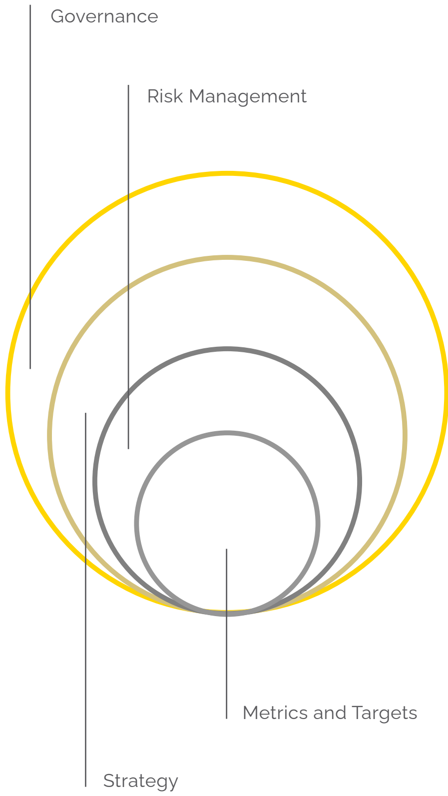
THE GROUP'S EFFORTS TO RESPOND TO CLIMATE CHANGE — IMPLEMENTING THE RECOMMENDATIONS OF THE TCFD

Globaltrans has long identified climate change as a material issue, and we incorporate the most relevant climate-related risks in the Group's risk management process. However, we understand that companies are increasingly expected to take more proactive measures to combat climate change. Therefore, in 2021 Globaltrans voluntarily committed to aligning its climate disclosure with the Taskforce on Climate-related Financial Disclosures ("TCFD") framework in order to ensure consistency, relevance and comparability for all our stakeholders within and outside our industry.

We believe that assessing climate risks and opportunities is an evolving process. This year, as disclosure of climate-related information becomes mandatory, we will continue to deepen our understanding of potential climate-related risks and opportunities, embed responses to them into our strategy, planning and internal processes, and increase the level of climate-related disclosure. In line with the TCFD recommendations, this Report addresses the four key areas: governance, strategy, risk management and metrics and targets.

As we move forward, we will continue to develop our climate analytics capabilities, further strengthen our climate resilience and be transparent about our progress on climate change issues. At some point in the future we intend to cooperate with industry experts to conduct a high-level quantitative scenario analysis that will provide our stakeholders with a better understanding of the potential financial impacts of climate change on our business and rail infrastructure in general.

Core elements of recommended climate-related financial disclosures



Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Risk Management
The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

GOVERNANCE

The Board of Directors, through the work of its Audit and ESG committees, is accountable for the overall management of all risks, including climate-related risks. The ESG Committee ensures that all appropriate policies, mechanisms and processes are in place to allow the Board to effectively manage sustainability matters and address stakeholder needs. Furthermore, the Board has delegated responsibility for the efficient implementation and maintenance of the risk management system to the Group's CEO. The CEO is actively involved in all sustainability-related matters, including climate change, and closely monitors the Group's overall ecological performance. He receives updates from the Group's subsidiaries on their performance and planned initiatives. This careful monitoring of the Group's environmental activities allows the CEO to set the right tone and guide the development of Globaltrans' sustainability strategy.

Management of climate-related issues

Responsibilities of the Board include:

- Overseeing the management of climate-related issues, risks and opportunities;
- Monitoring and reviewing the effectiveness of the management approach (review of the policies, initiatives, metrics and action plans);
- Overseeing the climate-related disclosures.

Responsibilities of the management team include:

- Monitoring, managing and assessing climate-related issues, risk and opportunities;
- Providing analyses, recommendations and updates for the Board or Board committees;
- Maintaining effective data collection, including environmental and climate-related data;
- Determining the allocation of costs and resources, such as personnel, and coordinating within the Group to identify, manage and mitigate environmental and climate-related issues.

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STRATEGY

Globaltrans' material climate-related risks

Globaltrans' fleet, operations and financial results could be adversely affected by climate change and regulatory and legislative responses to climate change. Following the TCFD's methodology, we identify and consider both the transitional risks (those associated with the transition to a low-carbon society) and the physical risks of climate change. It is expected that the most significant effects of climate change are likely to emerge over the long term. Nevertheless, we consider both the short, medium and long-term time horizons when assessing climate-related risks (short-term: 0–5 years, medium-term: 5–10 years, long-term: 10 years and above).

Physical

Acute and chronic physical risks
Time horizon: long-term

Description

Natural disasters, severe weather events and extreme temperatures pose a material risk to rail infrastructure in Russia and other countries and, therefore, to the Group's operations and rolling stock.

Delays, disruptions, derailments, infrastructure damage and other events may result in significant interruption to, or disruption of, the Group's business operations and damage to its rolling stock, which may negatively affect the Group's operations and performance. Moreover, disruptions to our clients' operations may also impact demand for the Group's services and affect its business and performance. Although the Group's rolling stock is fully insured, replacing damaged rolling stock may take a considerable amount of time.

Controls and mitigating factors

In addition to implementing its business continuity policy, the Group plans to refine its analysis of potential physical risks and mitigation plans. The Group intends to conduct future climate assessments with potential involvement of external industry experts and adopt strategies to enhance its business resilience.

Transition

Policy/regulation
Time horizon: medium to long-term

Description

As a fuel-intensive industry, the rail freight sector is exposed to the risk of increased regulation related to carbon emissions and the use of fossil fuels (higher carbon prices) which may lead to:

- Increased fuel and energy costs, as well as spare parts and rolling stock due higher prices for iron and steel;
- Problems operating diesel locomotives if one is unable to address increased regulations;
- Increases in the cost of cleaner, more fuel-efficient locomotives;
- Higher costs related to the introduction of carbon taxes and increased carbon offset costs and carbon footprint reduction solutions;
- Early asset write-downs/impairment due to new and stricter energy standards.

Controls and mitigating factors

In response to these types of transitional risks, the Group will continue to improve its operational efficiency and reduce its energy consumption and environmental footprint. Furthermore, Globaltrans will continue to proactively monitor the carbon emissions associated with the operation of the Group's locomotive fleet to identify and evaluate operational and technological improvements in fuel efficiency. We believe that annual emissions testing will help us better prepare for future changes to the regulatory environment.

Market
Time horizon: medium to long-term

Description

Market risks include potential declines in demand for certain types of freight transported by rail due to increased climate change regulations and shifts in consumer preferences (for example, coal demand is affected by energy policy and GHG emission regulations). This may negatively impact demand for the Group's services, cause increased competition and affect the Group's operations and performance.

Controls and mitigating factors

The Group has always focused on maintaining a balanced fleet that better positions its operations to face the consequences of increased regulation and evolving market demand. By operating a fleet balanced between universal gondola cars that can carry various different bulk cargoes, and tank cars that just transport oil-related cargoes, the Group reduces its dependence on any one cargo flow. It also means it can adjust quickly to changing market conditions.

Reputation
Time horizon: short to long-term

Description

Increased expectations among stakeholders of more aggressive environmental measures and climate change actions may lead to greater scrutiny from investors and other stakeholders. If this happens and the Group fails to meet these expectations and/or it fails to mitigate changes in climate change regulations, it may lead to a fall in investment, rising funding costs and a potential loss of clients.

Controls and mitigating factors

The Group will continue to engage with stakeholders and improve transparency around all ESG topics material to our business, including climate change, to meet stakeholder expectations.

Globaltrans' climate-related opportunities

The TCFD framework recognises that climate change and the transition to a net zero economy may also present opportunities for businesses. Due to the nature of our business, Globaltrans considers the following climate-related opportunities:

Market
Time horizon: medium to long-term

Globaltrans regards transition climate risks, together with increased environmental awareness and further decarbonisation of the economy, as an opportunity to further promote the environmental benefits of freight rail transportation. As carbon pricing regulation will sooner or later come into force globally and demand for lower carbon transport will continue to grow, we may face a potential increase in our business operations, financial results and expansion of our client base over the medium and long term.

Resource efficiency
Time horizon: medium to long-term

Transition risks can also be regarded as an opportunity to promote and improve the Group's energy efficiency and enhance its environmental performance. Thus, efficient use of resources (energy, water) may reduce the Group's environmental footprint and operating costs. The Group will also continue to investigate and steadily implement fuel-saving measures.

Reputation
Time horizon: short to long-term

Globaltrans believes there is a potential opportunity to enhance its competitiveness and reputation by improving its environmental performance, further developing our climate awareness and resilience and ensuring high quality climate reporting for all stakeholders.

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RISK MANAGEMENT

Responsible decision-making, risk management and early action have always been part of what we do as they ensure the successful longevity of our business. From the outset, Globaltrans established a system to monitor and control the uncertainties and risks it faces. This system is overseen by a dedicated risk management function responsible for systematically identifying, assessing and managing opportunities and risks, including those related to climate change. Many elements, such as extreme weather, have long been recognised as a material issue and captured within the Group's existing risk framework. However, the TCFD recommendations and our willingness to contribute to positive climate action have led us to add both physical and transition risks to our risk watchlist. We also recognise that climate-related risks are interconnected and can trigger other types of risks (operational, financial and reputational). Nevertheless, each group of risks requires a tailored management approach.

With regard to climate risk management, we are continuously working on building our expertise and enhancing the methodology and tools to better assess climate-related risks and opportunities. Globaltrans is currently in the early stages of conducting climate scenario analyses to help quantify the potential financial impacts and assess the resilience of the business.

To mitigate the effects of climate change, the Group is committed to a variety of environmentally responsible practices. We constantly monitor changes in the external environment and review laws and regulations. We also prepare and conduct a detailed analysis of the Group's energy consumption and emissions on a semi-annual basis.

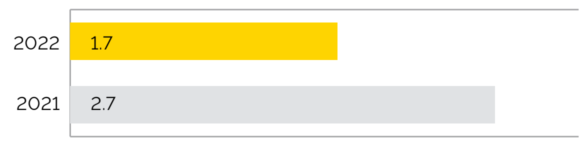
For more information on our processes for identifying and assessing risks and opportunities, please see the Risk Management section of this Annual Report on pages 51 to 67.

Scope 1 GHG emissions, tonnes of CO_2 equivalent

Total GHG emissions (Scope 1 + Scope 2), tonnes of CO_2 equivalent

Scope 2 GHG emissions, tonnes of CO_2 equivalent

Carbon intensity[1]



METRICS AND TARGETS

Globaltrans is committed to openness and transparency. Since 2018, we have reported annually on our key environmental performance metrics. We measure, monitor and report on our carbon emissions relating to the operations of our locomotive fleet, energy usage, and water consumption. We have for some time disclosed our Scope 1 GHG emissions that the Group makes directly. In 2021, for the first time we also provided data on our Scope 2 GHG indirect emissions.

At this stage, Globaltrans is not yet ready to set emission reduction targets. Nevertheless, over the recent years we have focused on driving our carbon reduction initiatives and enhancing our operational efficiency. As a result, our Empty Run Ratio for gondolas has continued to improve despite the challenging operational context and is one of the lowest in the industry.

A few years ago, we purchased 10 new, cleaner and more fuel-efficient locomotives. In 2022, Globaltrans launched a small environmental project that may potentially expand in the coming years. It aims to offset the Group's environmental footprint through planting trees. Last year, we also took steps to further promote green policies in day-to-day office activities by introducing the Green Office Initiative in all Group companies with the aim of improving energy efficiency and reducing the overall waste levels.

Going forward, the Group will work to demonstrate its progress in addressing climate change through our sustainability reports. We will continue to identify mitigation measures to minimise climate-related risks and improve reporting transparency.

[1] Carbon intensity is calculated as the sum of Scope 1 and Scope 2 emissions for the current baseline year, expressed in tonnes of CO_2 equivalent per Adjusted Revenue for the same baseline year.