

Organization of the Management System

Changes in the Organizational Model of JSC "Russian Railways" in 2012

In 2012, the Holding company continued to work actively on the implementation of the Concept of the Organizational Development of the Holding company. One of the most significant results of this work was the creation of the Central Directorate of Infrastructure.

The main task of the Central Directorate of Infrastructure is the management of the technology center of the public railway infrastructure, including its technical readiness for the transportation of freight and passengers.

In addition, in 2012 the Central Directorate of Multiple Unit Rolling Stock and the Central Directorate of Passenger Facilities (branches of JSC "Russian Railways") were established.

The main task of the Central Directorate of Multiple Unit Rolling Stock is to provide multiple unit rolling stock services and to organize their operation, maintenance, service and repair at the hauliers' request.

The main task of the Central Directorate of Passenger Facilities is the provision of services to users of the suburban passenger infrastructure, its maintenance and realization of the commercial potential of passenger facilities and their surroundings.

In 2012, the establishment of the Directorate of Capital Repair and Reconstruction of Electrification and Power Supply Facilities (a branch of JSC "Russian Railways") at the Moscow Electromechanical Plant (a branch of JSC "Russian Railways") was accomplished. The main task of the Directorate is the provision of specialized services of capital repair and the reconstruction of electrification and power supply facilities.

Representative offices of JSC "Russian Railways" have been opened in the French Republic and the Republic of Belarus to represent and protect interests of JSC "Russian Railways" abroad and to establish and develop its business relationships.

Corporate center

ADVISORY BODIES

Committees, Commissions, Working Groups

President

Chairman of the Executive Board

Members of the Executive Board

First Vice-presidents, Senior vice-presidents, Vice-presidents, Heads of key branches and subsidiaries

Passenger Transportation Block

Management of the Block

Economy
Personnel
Corporate procedures

Transport and Logistics Block

Management of the Block

Economy
Personnel
Corporate procedures

Infrastructure Block

Management of the Block

Economy
Personnel
Corporate procedures

JSC Federal Passenger Company	Suburban passenger companies	JSC Federal Freight	Corporate Transport Service Center	Central Directorate of Infrastructure	Центральная дирекция управления движением
Management of railway stations	Subsidiaries and affiliates for repair and maintenance of rolling stock	Central Directorate for Management of the Terminal and Warehouse Center	Other branches, subsidiaries and affiliates	Traction Directorate, Directorate for Repair of Traction Rolling Stock	Other branches, subsidiaries and affiliates
Branches, subsidiaries and affiliates providing services of rapid and high speed transportation	Other branches, subsidiaries and affiliates	Other Branches, Subsidiaries and Affiliates			

Departments, Directorates, Structural Units

Strategic Management	Finance and Economy	Technological Coordination	Personnel and Social Development	Corporate Coordination	Information Technology and Processes	Traffic Safety
Interaction with External Environment	Engineering Policy	Security and State Secrets	Corporate Services	Corporate Control	Innovation	Other

RESPONSIBILITY FOR THE OVERALL PERFORMANCE:

strategic management, coordination, unified representation

RUSSIAN RAILWAYS (REGIONAL CENTER OF CORPORATE GOVERNANCE)
Branches of JSC Russian Railways performing delegated functions of the Corporate Center at a regional level

MAIN FUNCTIONS OF THE BUSINESS BLOCKS

Passenger Transportation Block	Transport and Logistics Block	Infrastructure Block
<ul style="list-style-type: none"> Provision of passenger, passenger luggage and freight transportation services Passenger services Maintenance of passenger rolling stock 	<ul style="list-style-type: none"> Organisation of work with hauliers Establishment and development of the transport service system Development of the operating and logistic activities 	<ul style="list-style-type: none"> Services provision and maintenance of the public railway infrastructure

The advantages of the new organizational model of the Holding company are:

- a well-defined distribution of powers and responsibilities for the performance of the Holding company in general and the results of specific activities and businesses;

- ▶ ability to assess the activity of managers based on key indicators associated with strategic goals and operative tasks;
- ▶ optimization of management levels, including the removal of departments at an operational management level; optimization of the location of regional management bodies by establishing business units;
- ▶ quality improvement of strategic decision-making due to the Corporate Centre's focus on specific tasks;
- ▶ improvement of efficiency of operating decision-making due to the assignment of responsibilities and powers to the heads of business units.

To implement infrastructure projects abroad, branches of JSC "Russian Railways" have been set up in the State of Qatar and the United Arab Emirates.

To strengthen the position of the Holding company in the market of high-margin logistics services, in 2012 the Transport and Logistics Block was established.

In accordance with the programme and ideology of the railway reform the role of railways and their executives has changed significantly.

Following the railway companies' transition to functioning as regional centers of corporate governance in October 2012, the Corporate Centre's regional centers of corporate governance (RCCG) chain of command was established.

RCCG executives (heads of the railways), representing the President of JSC "Russian Railways" in the region, are responsible for the overall performance and improvement of the Holding company's efficiency. For this purpose, they have been vested with the necessary additional powers and responsibilities for the technological coordination and the corporate governance of the Holding company at a regional level, as well as for determining the effective interaction with public authorities, society and business partners within the railway companies.

The role of effective interaction with regional authorities, as well as users of railway services within the railway companies was assigned to interregional and regional coordination councils established to increase the efficiency of interaction between all participants of the transport market and regional authorities involved in freight transportation.

Such bodies help to solve many problems associated with freight transportation at a regional level, for example, the modernization and development of freight zones on non-public railway tracks, and the use of technology to create exit routes.

The councils also play an important role in explaining legislative initiatives of JSC "Russian Railways".

Priority tasks entrusted to heads of the railways as RCCG executives include:

- ▶ to implement RZD Holding Company's mission at the regional level and achieve its strategic goals on the basis of its unified corporate values and consolidated actions of structural units of functional branches and subsidiaries (affiliates) of JSC "Russian Railways";
- ▶ to strengthen the position of RZD Holding Company in promising transport and logistics market segments;
- ▶ to manage and monitor the implementation of RZD Holding Company's strategically important investment projects of at the regional level;
- ▶ to ensure efficient management and disposal of RZD Holding Company's real property at the regional level;
- ▶ to ensure information transparency of activities of structural units of functional branches and subsidiaries (affiliates) of JSC "Russian Railways" for the Company's management;
- ▶ to ensure uniform representation at the regional level and promote RZD Holding Company's corporate interests before state authorities of RF constituents, local authorities, public organizations and in the business community, including international associations;
- ▶ to create a positive image of RZD Holding Company and reduce its reputation risk;
- ▶ to ensure implementation of unified corporate standards and policies by structural units of functional branches and subsidiaries (affiliates) of JSC "Russian Railways" at the regional level;
- ▶ to organize the training system for top managers in the field of management and strategic planning of activities of structural units of functional branches and subsidiaries (affiliates) of JSC "Russian Railways" at the regional level;
- ▶ to implement the best practice of corporate management in structural units of functional branches and subsidiaries (affiliates) of JSC "Russian Railways" at the regional level;
- ▶ to ensure the implementation of measures aimed at improving the management system and increasing performance of structural units of functional branches and subsidiaries (affiliates) of JSC "Russian Railways" at the regional level.