

# Pik Group. Sustainability report



# Contents

3	CEO's statement
5	About the Report
10	Key performance results in 2018
13	Strategy and business model
22	Sustainability management
38	Construction process breakdown
41	Staff management
50	Health and safety
60	Procurement
68	What we do
73	Quality management
78	Customer engagement
84	Environmental protection
94	Social responsibility
103	GRI content index

# CEO's statement

## Dear colleagues,

We are proud to present the first sustainability report of PIK Group, the leading Russian real estate developer.

Since its inception, PIK has constructed more than 23 million sqm of residential real estate, or 370,000 apartments, providing housing to more than a million people. All along we have been committed to our vision of going beyond housing construction to help create a comfortable and accessible environment aligned with today's needs and featuring schools, kindergartens, health centres, roads, car-free spaces, and landscaped areas. This approach is fully in line with sustainable development principles. By taking care of communities and the environment, PIK is contributing to the UN Sustainable Development Goals.

The Report, which provides insights into PIK's performance for 2018 and outlines its sustainable development strategy, is a testament to the open and transparent approach in everything we do.

For any business, sustainable development is underpinned by a strong financial profile. To achieve that, in 2018 we focused on maintaining robust construction volumes while also improving margins for our projects. Our efforts have proved successful as revenue increased to RUB 245.8 billion for 2018, a hefty 40% growth above 2017. Net profit also delivered a strong rise, going up to RUB 21.3 billion compared to RUB 3.2 billion in 2017.

Our operating performance is perfectly in line with our previous projections. During the year, we rolled out 13 new projects, completed ten social infrastructure facilities for more than 5,000 people, and handed over new apartments to over 35,000 customers.

The Company and its operating assets prioritise environmental protection, energy efficiency, and health and safety. The Report covers all these aspects, describing PIK's commitment to providing comfortable and safe workplaces and to minimising the environmental footprint of its activities.

As part of our efforts to ensure ongoing improvements in product solutions across PIK's projects, we analyse global best practices and technologies in construction to make the most out of them in the Russian market. Aware of the crucial role played by digitalisation and automation, the Company is going digital. It has allowed us to accelerate and optimise our business processes across the board. Quality assurance and risk management have both received a boost in speed and expertise. Our vendor relations are constantly becoming more efficient, and so are customer communications thanks to our online platforms. By leveraging the latest IT solutions, AI, and neural networks, PIK is best positioned to lead the way into the future by going ahead with the smart home and smart city concepts.

Business growth and expansion need to be governed by ethical standards and deliver tangible value to the community. To this end, PIK monitors compliance with business conduct standards across the Company, its vendors and contractors, and introduces and enhances anti-corruption practices.

As part of our ambitious goals for 2019, we aim to further digitalise our operating processes, implement the latest agile approaches to staff management, innovate, create state-of-the-art social infrastructure, continue reducing our negative impact on the environment, keep enhancing occupational safety, and maintain robust levels of profit and housing completions.

With our commitment to sustainable development, I am confident PIK will thrive and make a real difference through fostering a comfortable urban environment across Russia.



# About the Report

# About the Report

## Approach to preparing the Report

This Sustainable Development Report (the Report) has been prepared by PJSC PIK Group (the Group, PIK Group) for the first time to inform a wide range of stakeholders about the Group's approaches and financial, environmental, and social performance in 2018.

As a construction and real estate company, the Group operates across a variety of businesses to deliver value to customers. In this Report, we aim to provide our business partners, investors and other stakeholders with direct insights into our industry and the strengths of our operating model.

The Report is a major milestone on our path towards greater transparency and more detailed disclosure about the Group's sustainable development for the benefit of all stakeholders. The Report was prepared in accordance with the GRI Sustainability Reporting Guidelines under the Core option. The table of standard disclosures for GRI reporting is shown in the Appendix.

The Report also outlines the Group's contribution to achieving the Sustainable Development Goals (SDG), developed and approved by the United Nations in 2015.

## Preparation and identification of material aspects

In order to identify aspects that are material in the Report's context, the Group analysed internal and external sources, taking into account the nature of its business and areas for growth.

## Approach to identifying material aspects

### Review of internal and external sources

- + Analysis of bylaws
- + Analysis of publicly available data about the Group
- + Comparison of material aspects disclosed by construction companies abroad and in Russia



### List of material aspects

- + Drafting a preliminary list based on the analysis to date
- + Coordination of the preliminary list with the Group's authorised officers
- + Approval of the final list of material aspects

Following the analysis, the Group developed a list of 13 material aspects in the economic, environmental, and social categories of the GRI reporting.

# List of material aspects

As part of the analysis, we also identified additional material aspects to include in the Report as a way to provide information about the Group's priority areas of business and further growth:

- + digitalisation of business processes;
- + partner relations with suppliers and contractors;
- + production quality management.

## Boundaries and methodologies

The Report includes information about the activities of PIK Group and its subsidiaries. Financial and operating results are presented on a consolidated basis using the Group's existing methodologies for data processing and collection, unless indicated otherwise. When collecting information, we used the Group's boundaries as per its IFRS financial reporting.

The Health and Safety and Environmental Protection sections are only for JSC PIK-Industry (PIK-Industry), the Group's key operating asset.

The Report covers PIK Group's activities for the period from 1 January to 31 December 2018. It also includes forward-looking statements about the Group's plans for 2019 and the medium term. To provide comparability, the Group's core performance indicators are shown for 2018 and also for preceding years.

## Assurance

Since this is the Group's first ever sustainable development report, we decided to opt out of external independent assurance at this time. However, recognising the importance of having an independent opinion about the reliability of non-financial disclosures for stakeholders, the Group intends to engage an independent auditor to review the Report in reporting periods going forward.

## Contact information

PIK Group welcomes any feedback from stakeholders as an opportunity to improve its approaches to non-financial disclosures.

Below you can find our contact details for any feedback or questions you may have about this Report.

### Investor Relations and Capital Markets

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E-version of the 2018 Report is available on the Group's website at **www.pik.ru**.

## List of material aspects

Category	Economic	Environmental	Social
Aspect	<ul style="list-style-type: none"> <li>+ 201 Economic performance</li> <li>+ 203 Indirect economic impacts</li> <li>+ 204 Procurement practices</li> <li>+ 205 Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>+ 302 Energy</li> <li>+ 303 Water</li> <li>+ 305 Emissions</li> <li>+ 306 Effluents and waste</li> </ul>	<ul style="list-style-type: none"> <li>+ 403 Occupational health and safety</li> <li>+ 404 Training and education</li> <li>+ 405 Diversity and equal opportunity</li> <li>+ 416 Customer health and safety</li> </ul>
Report section	<ul style="list-style-type: none"> <li>+ Key performance results</li> <li>+ Procurement</li> <li>+ Combating corruption</li> </ul>	Environmental protection	<ul style="list-style-type: none"> <li>+ Employee health and safety</li> <li>+ Staff management</li> <li>+ Staff management</li> <li>+ Customer engagement</li> </ul>



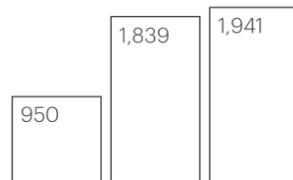
# Key performance results in 2018

# Highlights

## Operational

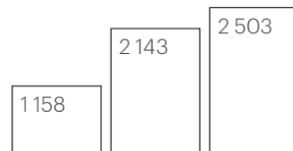
### New sales contracts

+ In 2018, new sales contracts to customers increased by 5.5% y-o-y to 1,941 th sqm.



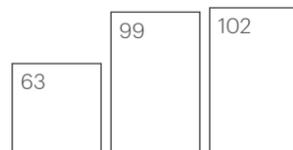
### New sellable area th sq m

+ The total area of buildings put on sale was 2,503 th sqm, a y-o-y rise of 16.8%.



### Number of buildings put on sale

+ In 2018, the number of buildings put on sale increased to 102.

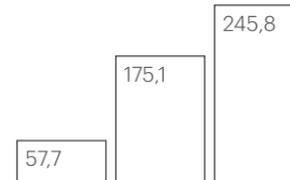


2016 2017 2018

## Financial

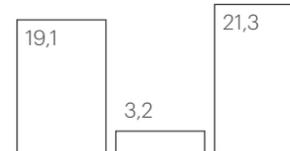
### Revenue RUB billion

+ In 2018, PIK Group revenue went up by 40.4% to RUB 245.8 billion.



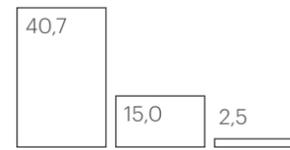
### Net income RUB billion

+ The Company's net profit increased 7x to RUB 21.3 billion vs RUB 3.2 billion in 2017.



### Net debt RUB billion

+ In 2018, the Group's net debt decreased 6x from RUB 15 billion to RUB 2.5 billion.



2016 2017 2018

## Sustainability indicators

# RUB 7.3 million

Investments in developing the health and safety management system and ensuring occupational safety

# 13,517 people

The Group's average headcount, an increase of 27% y-o-y

# 10

Social infrastructure facilities for more than 5,000 people on a total area of 82 th sqm completed in 2018



# Strategy and business model

# About the Group

PIK is the largest Russian developer specialising in the construction of modern and affordable housing complete with social and commercial infrastructure.

Since its founding in 1994, the Group has focused on residential housing development. In addition to construction, the Group is also engaged in investment activities, design and integrated project management, production of construction materials and structures.

The Group's core business is in Moscow and the Moscow Region, with its project portfolio also spanning such major cities as St Petersburg, Yekaterinburg, Tyumen, Rostov-on-Don, Novorossiysk, Yaroslavl, Perm, Kaluga and Obninsk.

The Group's project portfolio is well balanced in terms of implementation stage, housing class, location and design solutions, making it possible to offer a unique product that caters to the diverse needs of our customers.

The operational and financial strength of the Group stems from its key competitive advantages, including strong brand identity and leadership in the residential real estate market of Moscow and the Moscow Region. The Group's most valuable asset is customer loyalty, which has been earned through years of successful implementation of a diversified project portfolio.

**Strong brand recognition**

**Balanced and diversified project portfolio**

**Full development cycle**

**Own production and construction facilities**

**Large land bank**

**Technical and intellectual capacity**

# Business model

**PIK Group is an integrated company engaged in full-cycle real estate development from land acquisition and project design to apartment handover to customers. This approach helps ensure superior quality and timely project completion, avoid extra costs, improve business process efficiency, and foster customer loyalty.**

The Group has implemented a project management system that allows for real-time management of millions of square metres of housing. Every project is implemented in stages from the decision phase to the property's commissioning, with the Group Vice Presidents responsible for each specific development stage.

All approved development projects have their own permanent offices that set deadlines and oversee project implementation. We place special emphasis on complying with project schedule and make sure that each stage is completed strictly on time.

# Business model



# PIK Group development cycle

## **30-33** months

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9—12

months

Land acquisition

Design and planning

Obtaining a building permit

18

months

Production of construction materials  
and structures

Construction

Sales

3

months

Obtaining a statement of compliance, reg-  
istering property rights, handing over keys

# Strategy

As a strategic priority PIK Group seeks to maintain leadership in Russia's modern and affordable housing market and increase its value by evolving into a high-tech industrial company and optimising business processes.

To achieve this goal, the Group focuses on several key areas.

## PIK Group focus areas

Focus area	Priorities
<b>Improving operational efficiency</b>	<ul style="list-style-type: none"> <li>+ Ensure efficiency of development projects through application of project management tools</li> <li>+ Control costs at all stages of the value chain</li> <li>+ Improve IT planning, accounting and control solutions</li> <li>+ Streamline operational processes</li> <li>+ Develop and upgrade production and construction facilities</li> <li>+ Improve key risk analysis, control and management</li> <li>+ Attract and retain qualified professionals, create comfortable work environment</li> <li>+ Adhere to corporate ethics standards</li> </ul>
<b>Digitalisation and automation</b>	<ul style="list-style-type: none"> <li>+ Invest in IT infrastructure development</li> <li>+ Develop and introduce innovative IT solutions</li> <li>+ Automate production and other business processes</li> </ul>
<b>Increasing the supply of high-quality housing</b>	<ul style="list-style-type: none"> <li>+ Launch fundamentally new prefabricated and monolith concrete housing products featuring improved consumer and aesthetic characteristics</li> <li>+ Create a comfortable living environment within the integrated development areas</li> <li>+ Develop effective housing sales procedures through the corporate sales department</li> </ul>
<b>Maximising customer experience</b>	<ul style="list-style-type: none"> <li>+ Build online sales channels</li> <li>+ Implement self-service tools</li> <li>+ Continuously improve customer service</li> </ul>

# IT development and digitalisation

The Group invests in IT infrastructure and process automation at all levels.

In 2018, the Group undertook digital transformation of all business processes

The Group is actively using end-to-end analytics for demand and rapid response to emerging issues.

In 2018, we rolled out a proprietary IT project management system that allows for real-time management of 4 million sqm of properties under construction.

**Innovative IT solutions boost operational efficiency, service quality, and labour productivity, providing a significant competitive advantage in the real estate market.**

**launching the Digitalisation Strategy that will be reviewed every six months. In pursuing digitalisation, the Group seeks to transform the construction management processes by adopting digital technologies to boost performance in this area.**

**We have launched communication channels using chats, bots and instant messengers, enabling managers to monitor project implementation in real time. The Group has implemented an end-to-end production planning system that brings together suppliers and contractors.**

**The system makes it possible to divide processes, assign responsibilities for each stage and process, and break down items by timeline. This solution is undergoing continuous improvement, with contractors and suppliers joining in.**

**In the reporting period, the Group abandoned paperwork and switched to electronic media and cloud storage systems. Specifically, all approvals, report reviews, etc. are performed electronically.**

**In working with its customers, the Group also seeks to use state-of-the-art technology and digital tools.**

**Innovative IT solutions: «smart home»**

PIK Group includes Rubetek Limited, a company specialising in the development and production of the smart home system.

These smart home solutions enable users to remotely control lighting, climate and curtains in addition to intercoms in their residence using voice commands or via telephone. Rubetek has also developed advanced fire detectors and is working on a wide range of new solutions, including the ability to check water metre readings in a cloud system.

# In 2019



The Group plans to launch the development and implementation of the artificial intelligence technology and neural networks for its core business processes.



# Sustainability management

# Sustainability management approach

As one of the largest players in the Russian construction market, PIK Group is fully aware of the impact its activities have on the society and the environment. There are many serious risks inherent in the construction industry, making it necessary for the Group to take a highly responsible approach to ensuring operational development and strong senior management involvement in the key sustainability areas.

In pursuing its business objectives, PIK is guided by a set of ethical values (as set forth in the Company's Code of Ethics) that reflect the Group's priorities.

The Group primarily focuses on six priority sustainability areas, in which it seeks to minimise its negative impact and enhance benefits for the environment, regions of operation and the wider society.

## Ethical values of PIK Group

### **Respect**

for personal rights and interests of our employees, requirements of customers, and cooperation terms offered by our business partners and the society

### **Honesty**

in relations and providing any information required for our work

### **Effectiveness**

as stable achievement of the best possible results in everything we do

### **Trust in our employees**

that allows us to delegate decision making and implementation powers

### **Care for our employees**

as demonstrated by our efforts to protect them from any harm or threat to their life and health

### **Courage**

to reject all unacceptable things and assume responsibility for the consequences of our decisions

# Key focus areas of PIK Group in the realm of sustainable development

## **PIK Group has adopted a variety of corporate bylaws covering different sustainability management topics.**

Those include:

- + Code of Ethics;
- + Corporate Governance Code;
- + Regulations on Personnel Recruitment;
- + Collective bargaining agreements between the Group and its employees;
- + The Group's Environmental Programme;
- + A five-year occupational safety action plan (PIK-Industry);
- + Anti-corruption Policy.

The Group's subsidiaries and business units have their own internal regulations fine-tuned to reflect the specific business context of every such subsidiary or business unit.

## Key focus areas of PIK Group in the realm of sustainable development

### 1. Care for employees

See the Staff Management section

- + Pay regular and competitive wages
- + Provide training and development opportunities for employees

### 2. Occupational safety

See the Health and Safety section

- + Comply with the applicable laws and regulations
- + Provide safe working conditions for employees and contractors
- + Assess occupational safety risks in a timely manner
- + Ensure compliance with safety regulations at the production and construction sites and promote safety culture

### 3. Focus on the environment

See the Environmental Protection section

- + Comply with the applicable laws and regulations
- + Manage the Group's environmental impact
- + Ensure rational use of natural resources
- + Enhance the energy efficiency of operating processes
- + Employ green building practices

### 4. Social responsibility

See the Social Responsibility section

- + Build cutting-edge social infrastructure facilities
- + Engage with local communities and analyse feedback

### 5. Quality management and customer engagement

See the Quality Management and Customer Engagement sections

- + Develop a quality management system
- + Harness cutting-edge technologies to improve the quality of the Group's projects
- + Analyse customer needs and maintain an ongoing dialogue with the customers

### 6. Combating corruption

See the Combating Corruption section

- + Analyse business processes to identify and minimise corruption risks
- + Set up appropriate corruption prevention controls and develop investigation tools
- + Provide feedback channels for a wide range of anti-corruption stakeholders

# Contribution to the UN Sustainable Development Goals

PIK Group recognises the importance of the Sustainable Development Goals adopted by the United Nations General Assembly in 2015 to tackle material global economic, social and environmental issues.

The Group seeks to make a contribution to the achievement of the global goals by implementing responsible business practices and working consistently to minimise its environmental impact, create a comfortable, safe and barrier-free urban environment, offer its employees safe and decent working conditions, and provide opportunities for high-quality education, healthy living and general well-being of the nation.



- + Ensure healthy lives and promote well-being for all at all ages
- + Enforce compliance with the health and safety requirements by employees of the Group's business units and contractors
- + Use safe and healthy materials for construction purposes, including natural building materials
- + Provide people of all ages with opportunities for healthy living
- + Give healthcare facilities in the Group's newly constructed residential projects access to cutting-edge medical equipment

See the Staff Management, Health and Safety, and Social Responsibility sections



- + Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- + Provide employees with training and professional growth opportunities
- + Lay the groundwork for affordable high-quality early childhood and school education as part of the construction projects
- + Promote hands-on training and support youth employment

See the Staff Management and Social Responsibility sections



- + Ensure availability and sustainable management of water and sanitation for all
- + Promote sustainable water consumption and use of water treatment technologies
- + Collect, analyse and disclose data on water consumption

See the Environmental Protection section

## Contribution to the UN Sustainable Development Goals



- + Ensure access to affordable, reliable, sustainable and modern energy for all
- + Enhance energy efficiency by pursuing energy saving initiatives
- + Collect, analyse and disclose data on energy consumption
- + Implement cutting-edge energy saving technologies

See the Environmental Protection section



- + Promote progressive, inclusive and sustainable economic growth, full and productive employment and decent work for all
- + Make sure to timely meet all the applicable tax obligations and other regulatory requirements, including those of the labour law
- + Enforce compliance with the regulatory requirements by the Group's services and works suppliers
- + Comply with the health and safety requirements
- + Enhance transparency of procurement and tender processes

See the Health and Safety and Procurement sections



- + Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- + Use advanced resource-, energy- and water-saving technologies in the new real estate projects
- + Embed digital technologies into the Group's operating processes

See the Quality Management and Environmental Protection sections



- + Make cities and human settlements inclusive, safe, resilient and sustainable
- + Mitigate the environmental impact by reducing per unit emissions of pollutants
- + Create a comfortable, safe and barrier-free urban environment

See the Environmental Protection and Social Responsibility sections



- + Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- + Put in place responsible business practices, stomp out corruption and fraud within the Group and promote anti-corruption practices when dealing with suppliers and contractors
- + Keep stakeholders updated on the Group's activities
- + Comply with the labour laws

See the Staff Management and Procurement sections



- + Strengthen the means of implementation and revitalise the global partnership for sustainable development
- + Maintain an open dialogue with stakeholders
- + Promote collection of non-financial information, including by publishing the first ever sustainable development report in conformity with the GRI standards

See the About the Report section

# Corporate governance framework

The Group's corporate governance framework encompasses the entire range of relations between the Company's shareholders, Board of Directors, Management Board and other stakeholders.

**In its ongoing operations the Group adheres to the highest corporate governance standards, with its governance framework based on the best global practices and fully aligned with the applicable Russian laws.**

The Board of Directors is viewed as the central element in the Group's corporate governance system and is charged with providing strategic guidance, identifying key risk management and internal control principles and approaches, overseeing the executive bodies, and performing a number of other key roles.

**Elected by the General Meeting of Shareholders, the Board of Directors is held accountable to the Group's shareholders.**

**The Management Board is responsible for managing the Group's ongoing operations, delivering on the selected strategy, and implementing the resolutions adopted by the shareholders and the Board of Directors.**

The Group's corporate governance framework also covers management processes related to sustainable development, with the Board of Directors

**Setting the strategic direction in the realm of sustainability, the CEO and members of the Management Board determining the key tasks and overseeing integration of sustainability topics into the Group's business processes, and management of the business units and subsidiaries delivering on the sustainability goals at the operational level.**

# Breakdown of the Group's sustainability governance

Board of Directors

CEO

Management Board

**1.**  
First Vice President  
COO

**2.**  
Vice President for  
the Development  
of Land Assets

**3.**  
Vice President  
for Legal Affairs

**4.**  
Vice President  
Director of Moscow Directorate

**5.**  
Vice President  
for Economics  
and Finance  
CFO

# Risk management

## Board of Directors and its Audit and Risk Committee

- + Review the external environment
- + Approve the strategy and identify strategic priorities
- + Take strategic decisions on key relevant policies
- + Assess the efficiency of the risk management system
- + Review risk reports

## Vice Presidents and Directors of Departments

- + Monitor key risk indicators
- + Assess the effectiveness of the risk management initiatives
- + Manage risks on an ongoing basis
- + Take staffing decisions

## Business units

- + Deliver on strategic goals
- + Identify, assess and monitor risks
- + Report on emerging risks
- + The Department of Economic Security is responsible for the entire range of corruption risk prevention, identification and management tasks

All the risks afflicting the Group can be broken down into three large categories – strategic, financial and operating.

### Strategic risks

Risks affecting the Group's long-term targets, including those having to do with capital availability, competition, political developments, regulatory changes, reputation and goodwill

### Financial risks

Risks related to liquidity, inflation, FX fluctuations, financing availability and interest rate changes

### Operating risks

Risks affecting the Group's ongoing operating activities, including those having to do with non-performance by suppliers and contractors, production costs, attrition of skilled employees, change of work deadlines, and low quality of purchased goods

A consistent approach to the management of risks and opportunities associated with the Group's strategic, operating and financial goals is an important element of the sustainable development framework.

The Group has a risk management system in place designed to improve operating efficiency, facilitate achievement of its goals and objectives, and create value for the stakeholders.

Risk identification, analysis, assessment and management are being enforced across the organisational structure as an essential part of the decision-making process, with the risk management procedures set out in the following documents:

- + Internal Control and Risk Management Policy of PIK Group;
- + Risk Management Concept of PIK Group;
- + principles and requirements of the applicable Russian laws;
- + the Corporate Governance Code recommended by the Bank of Russia;
- + international risk management standards, including ISO 31000:2018 and COSO ERM:2017.

The Group's management seeks to lead by example, getting heavily involved in the fine-tuning of the risk management system and processes.

The Board of Directors is responsible for shaping the risk management approach and identifying the Group's operating priorities based on the risk analysis. On top of that, the Board of Directors has an Audit and Risk Committee, which oversees reliability of the risk management system and regularly assesses the efficiency of the risk management procedures.

# Combating corruption

Commitment to ethical conduct lies at the heart of PIK Group's corporate culture. Driven by its desire to live up to the stakeholder expectations and comply with the regulatory requirements, the Group runs a wide range of initiatives designed to identify and prevent abuse of power by its employees. Zero tolerance towards all forms and manifestations of corruption is one of the Group's key values.

Corruption is identified, prevented and combatted on an ongoing basis, with the Group striving to comply with the applicable laws and promote principles of ethical conduct among its employees. The main anti-corruption methods employed by the Company include preventive awareness-raising, training in corruption deterrence and monitoring, ongoing vetting of counterparties and job applicants, tender procedure controls, and use of lie detector tests on a voluntary basis.

The Group has enacted a Code of Ethics, which sets out the expected standards of behaviour that apply to all of the Group's employees. The Code was made available to the staff on the Group's intranet corporate portal. The employees are obliged to abide by the Code, with violations leading to a disciplinary action.

In 2018, all of the Company's employees were, in one form or another, briefed on the existing anti-corruption policies and initiatives, while also being offered training in corruption prevention.

In addition to the rank-and-file staff, 15 senior managers also did anti-corruption training in the reporting period.

PIK Group's organisational structure helps counter corruption by clearly separating the decision-making and decision implementation processes, promoting transparency, and offering a fully established reporting system designed to record all transfers and receipts of documents. As a high-level body playing a crucial role in fighting corruption, the Audit and Risk Committee of the Group's Board of Directors is responsible for ensuring the reliability of procedures for combating fraudulent behaviour, abuses and corruption.

Identification and assessment of corruption and fraud risks are embedded in all of the Group's core business processes, with the management paying close and constant attention to this group of risks. In 2018, 40% of the Company's business units underwent assessment of relevant corruption risks.

The Group also seeks to manage corruption-related counterparty risks, with its standard agreements stipulating that counterparties should take steps to counter corruption.

A dedicated hotline (confidential calls and e-mails at ethics@pik.ru) has been put in place to keep the Group's management informed about incidents that run contrary to the corporate ethical principles. The Ethics Officer (the Group's Corporate Secretary) is responsible for handling the incoming complaints, while the Security Service takes on corruption investigation tasks.

In 2018, the hotline registered a total of 149 complaints, including 40 reports on corruption. The ensuing investigation confirmed 13 corruption reports to be true (a two-fold increase vs six confirmed incidents of corruption in 2017).

## Confirmed incidents of corruption in 2018

# 24

Total number of confirmed incidents of corruption

# 24

Total number of confirmed dismissals or other anti-corruption sanctions applied to employees

# 122

Total number of confirmed incidents of corruption-related non-extension or termination of contracts with business partners

# Stakeholder engagement

**The Group's key stakeholders are the individuals and legal entities whose interests, health and safety may be affected as a result of their interactions with the Group or which can exert direct influence on the Group's operations.**

The Group has a wide range of stakeholders. The key ones include customers, employees, contractors and suppliers, shareholders, investors, state regulators, industry-specific organisations, local communities and the media.

## PIK Group

- + Customers
- + Employees
- + Contractors and suppliers
- + Shareholders and investors
- + State regulators
- + Industry-specific organisations
- + Local communities
- + Media

The Group employs a broad array of internal and external communication channels to stay on the same page with its stakeholders and meet their expectations, while also going to great lengths to constantly upgrade said channels and maintain an open dialogue.

# PIK Group's stakeholder engagement forms and tools

Stakeholder groups	Stakeholder expectations	Tools	Learn more
<b>Customers</b>	<ul style="list-style-type: none"> <li>+ Fair pricing of the Group's projects</li> <li>+ High quality of the purchased housing</li> <li>+ Safety and reliability of settlements</li> </ul>	<ul style="list-style-type: none"> <li>+ Posting of customer feedback on the Group's website</li> <li>+ Customer dialogue through chatboxes</li> <li>+ Customer dialogue through a messenger channel</li> <li>+ Introduction of escrow accounts</li> </ul>	See the Customer Engagement section
<b>Employees</b>	<ul style="list-style-type: none"> <li>+ Safe and favourable working conditions</li> <li>+ Competitive wages and benefits</li> <li>+ Career opportunities</li> <li>+ Training and professional development programmes</li> </ul>	<ul style="list-style-type: none"> <li>+ Effective employee communication through managers and heads of departments</li> <li>+ Intranet corporate portal</li> <li>+ Electronic newsletters distributed through e-mail and messengers</li> <li>+ Assessment of personnel engagement</li> <li>+ Workplace safety</li> <li>+ Loyalty system</li> <li>+ Healthcare services</li> <li>+ Corporate cell phone and fitness discounts</li> <li>+ Educational programmes</li> <li>+ Sports events</li> </ul>	See the Staff Management section
<b>Contractors and suppliers</b>	<ul style="list-style-type: none"> <li>+ Transparent contractor selection process</li> <li>+ Compliance with contractual obligations</li> <li>+ Ensuring high product quality and meeting deadlines</li> <li>+ Adherence to the principles of business ethics and zero tolerance towards corruption</li> </ul>	<ul style="list-style-type: none"> <li>+ Competitive procurement process</li> <li>+ Contracts signed with contractors and suppliers</li> <li>+ Long-term partnerships with reliable suppliers and contractors</li> <li>+ Hotline for reporting corruption</li> </ul>	See the Procurement and Contractor Relations section

## PIK Group's stakeholder engagement forms and tools

Stakeholder groups	Stakeholder expectations	Tools	Learn more
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>+ Boosting the Group value</li> <li>+ Stable financial and operating results</li> <li>+ Timely operating updates</li> </ul>	<ul style="list-style-type: none"> <li>+ Annual Meeting of Shareholders</li> <li>+ Disclosure of financial and non-financial results</li> <li>+ News feed on the Group's website</li> <li>+ Participation in investor events and conferences</li> <li>+ Investor Days</li> </ul>	<p>See the Sustainability Management section</p> <p>and the Group's website (<a href="http://www.pik.ru">www.pik.ru</a>)</p>
<b>State regulators</b>	<ul style="list-style-type: none"> <li>+ Compliance with the Russian laws</li> <li>+ Timely tax compliance</li> <li>+ Social and economic development in the regions of operation</li> </ul>	<ul style="list-style-type: none"> <li>+ Disclosure of financial and non-financial results</li> <li>+ Construction of social infrastructure facilities, most of which will be subsequently transferred to the government authorities</li> <li>+ Audits by government authorities</li> <li>+ Remedial actions taken in response to improvement and penalty notices</li> </ul>	
<b>Industry-specific organisations</b>	<ul style="list-style-type: none"> <li>+ Fruitful cooperation and contribution to joint initiatives</li> </ul>	<ul style="list-style-type: none"> <li>+ Joint projects</li> <li>+ Participation in conferences and industry-specific events</li> <li>+ Development of industry-wide oversight regulations and standards</li> </ul>	<p>See the Sustainability Management section</p>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>+ Infrastructure development</li> <li>+ Employment opportunities</li> <li>+ Minimisation of the Group's impact</li> </ul>	<ul style="list-style-type: none"> <li>+ Direct dialogue with local communities</li> <li>+ Thoughtful consideration of opinions expressed by local communities</li> <li>+ Construction of social infrastructure facilities</li> </ul>	<b>See the Staff Management section</b>
<b>Media</b>	<ul style="list-style-type: none"> <li>+ Matters affecting the entire range of stakeholders</li> <li>+ Ongoing dialogue</li> <li>+ Information openness and transparency</li> </ul>	<ul style="list-style-type: none"> <li>+ Press releases and briefings</li> <li>+ Interviews</li> </ul>	<p><b>See the News and Reports section on the Group's website at</b></p> <p><a href="https://www.pik.ru/">https://www.pik.ru/</a></p>

# Investor and shareholder relations

Investors and stakeholders belong to one of the key stakeholder groups, as they exert significant influence on the Group's operations and long-term stability. The Group seeks to build and maintain trustful relations with all of its investors and shareholders, with close attention paid to the transparency and efficiency of investor, shareholder and ESG analyst communication channels.

The Group has a dedicated Department for Investor Relations and Capital Markets charged with handling requests coming from the existing and potential investors, analysts, participants of the securities market and ESG analysis professionals interested in sustainability disclosures.

**In 2018, the Group placed main emphasis on increasing information transparency in its investor and shareholder relations:**

- + non-deal roadshow completed in a number of European cities;
- + quarterly operating results conference calls held;
- + several investment conferences attended by the Group, including RUSSIA CALLING!, a VTB Capital-sponsored investment forum, ATON's Investor Day, and the New York session of the Moscow Exchange Forum.

**Going forward, the Group plans to develop and enhance its shareholder and investor relations capabilities and tools. The following initiatives are expected to be completed in 2019:**

- + upgrade of the corporate website's sections intended for Russian and international investors, including improvements in information accessibility and comprehensibility;
- + review of the Company's information policy, corporate information handling rules, and the investor and shareholder relations sections of the Group's strategy;
- + participation in the key investor events;
- + non-deal roadshow;
- + non-financial disclosures for ESG analysts and investors.

# Contribution to external initiatives

PIK Group recognises the importance of cooperation with construction and related companies for championing the cause of the real estate development industry. The Group is a member of several industry-specific associations and communities that seek to boost the construction sector, improve applicable legislation, uphold self-regulation in the market, and shore up the investment climate in Russia.

In 2018, the Group was a member of the following organisations:

- + Builders Association of Russia (since 2005);
- + Moscow Construction Union, a self-regulating non-profit partnership (since 2001);
- + Russian Chamber of Commerce and Industry (since 2008);
- + Moscow Region Developers Association (since 2015).
- + Moscow Construction Union

PIK Group is a co-founder, member and partner of the Moscow Construction Union, a self-regulating non-profit partnership.

The Union was established in Russia with a view to improving the management of its participants' professional activities, preventing third-party life, health and property damages arising from construction defects, and championing relaxation of the government control over the real estate development industry.

The organisation primarily seeks to:

- + prevent third-party damages arising from flawed performance by members of self-regulated organisations that may affect the safety of permanent structures under construction;
- + improve the quality of construction, refurbishment and overhaul works.
- + Since its inception, the Moscow Construction Union has developed and approved a wide range of control procedures, standards and self-regulation rules designed to ensure a high quality of construction and installation works performed by its members.



# Construction

## process

## breakdown

# Construction process

## 1.

### Land acquisition

PIK Group undertakes to carry out a comprehensive assessment of each land plot selected for the purpose of construction. To that end, the Group has established a development committee charged with preview and comprehensive assessment of prospective projects, analysis of associated risks, and determination of estimated project completion dates.

Once the preliminary approval has been issued by the development committee, the land acquisition resolution is submitted for review by the investment committee, which evaluates the project's financial feasibility and takes the final decision.

All standard-compliant future project parameters are first reflected in 3D models and then transferred to the Design Department (part of PIK-Project) for it to start working on their technical implementation. Detailed production and construction documents are also developed based on the applicable standards.

## 2.

### Design and planning

PIK Group works tirelessly to create new prefabricated and monolithic concrete housing products best suited to meet the needs and expectations of modern metropolitan dwellers, with special attention paid not only to consumer properties and quality of the product, but also to its aesthetic characteristics.

The Group has a dedicated business unit responsible for the development, marketing and fine-tuning of new products – Product Department (part of PIK-Project).

PIK products include master planning (site design and planning), residential and community buildings, land improvements and social infrastructure (kindergartens and schools, parking areas and other facilities).

The Product Department is in charge of the following business lines:

- + standardisation of residential and community buildings;
- + R&D (search for new solutions, analysis and adaptation of best global practices);
- + site design and planning (master planning);
- + standardisation of finishing works for residential and community buildings;
- + residential area improvements.
- + All of the Group's projects comply with PIK-Standard, a set of internally developed principles, regulations and requirements.
- + There are separate product lines for the Group's monolithic concrete and prefabricated panel housing, with two series – PIK-1 and PIK-2 – rolled out over the past five years. The launch of PIK-3, a new panel housing series, came as an important milestone of 2018. Compared to the previous two series, PIK-3 benefits from improved technological solutions which shorten project implementation times and enhance housing quality.

The Group places particular emphasis on the analysis and implementation of IT innovations in the realm of design. Along with investing in 3D modelling and BIM technologies available in the market, the Company develops its own design and modelling solutions.

The Group also leverages a remote design technology, which gives it an opportunity to engage best-in-class professionals irrespective of where they live.



# Staff management

# Approach to managing our staff

## The Group has robust standards of recruiting, onboarding, and motivating its employees both financially and non-financially.

### We continue improving our HR policy on an ongoing basis.

This way we are capable of hiring and retaining highly skilled professionals to ensure quality, safety and efficiency of our operations.

The Group's staff management is decentralised by segment, i.e. construction services, real estate development, and maintenance. Personnel-related targets are set by the management of each segment. Human resources and social policies are governed by the following bylaws:

- + Code of Ethics;
- + collective bargaining agreement;
- + Internal Labour Rules;
- + Regulations on Personnel Recruitment;
- + Bylaw on Employee Pay;
- + bylaws on HR Policy;
- + job descriptions, operating instructions, regulations, procedures, internal decrees and guidelines.

The Group is working on a single corporate strategy to regulate all aspects of staff management. The document was initiated in 2018 and is expected to be ready in 2019.

In 2018, the collective bargaining agreement covered 68% of the Group's employees.

The Group's employees covered by the collective bargaining agreement, %

42,6%      42,2%

2016

2017

67,9%

2018

**To represent and protect their interests, employees have the right to set up trade unions. PIK-Industry has Russia's largest trade union organisation: created as early as Soviet times, it covers 95% of employees.** The trade union initiates activities to enhance team spirit, including celebrations, construction contests and sports competitions among business units. Also in place is the Industry Agreement between the Government of Moscow, Construction Employers of Moscow, and the Territorial Trade Union of the Construction and Construction Materials Industries for 2019-2021.

For smooth interaction between employees and functions, the Group is enhancing a corporate communications framework, with corporate email viewed as the key channel of communications this year. In a mobile messaging app, we have a dedicated channel for the Group's news and a sales function channel.

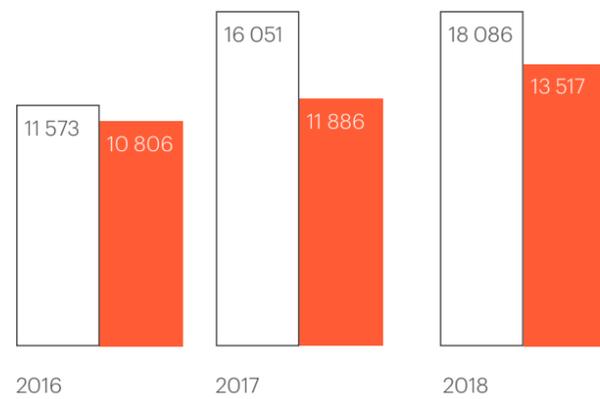
## Employee self-service portal

**In 2018, we launched a web-based self-service portal, where employees can skip unnecessary paperwork and obtain official documents and confirmations, request vacations, apply for open vacancies, or refer other people via our employee referral programme. For their proactivity, employees are awarded PIK-coins, an internal currency accepted by PIK's store of branded products.**

In 2018, the programme was pilot tested in two functions. The e-portal is expected to simplify the document flow and will be the first step towards digitalising our HR processes

# Personnel structure

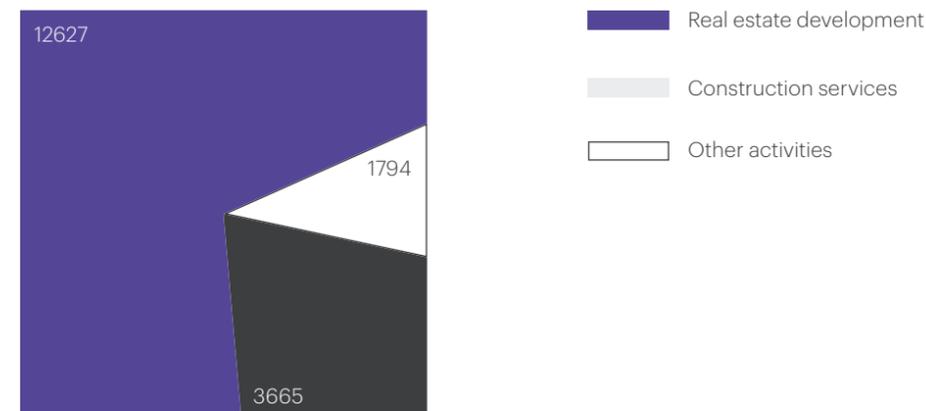
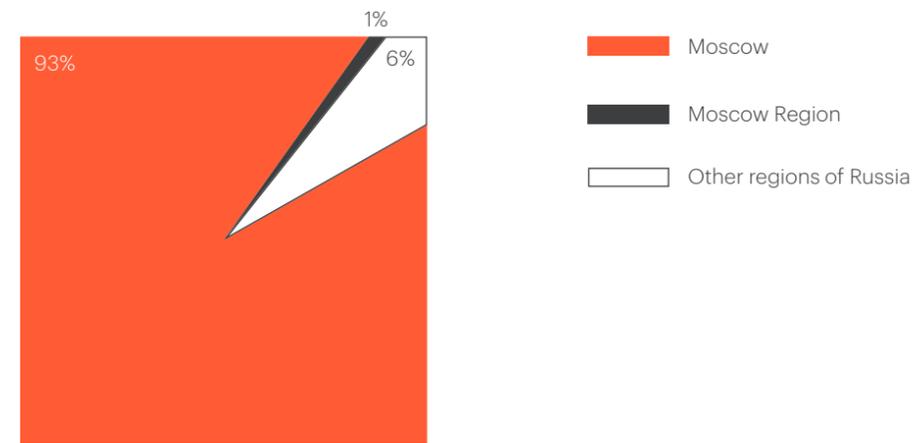
In the reporting period, the Group had a headcount of 18,086 people, which represented a 12% increase compared to the 2017 level.



Headcount as at 31 December

Average headcount for the year

The Group's headcount by region and segment, 2018



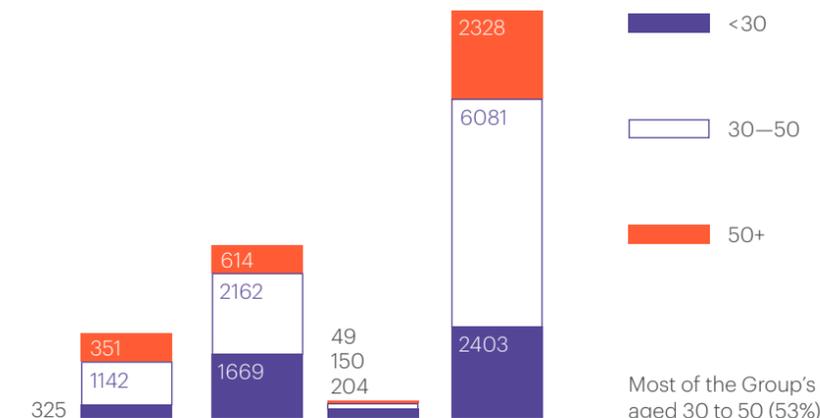
The increase in the Group's headcount in 2018 was due to expansion in production volumes and merger of standalone functions into PIK-Industry (Naro-Fominsk, Aleksin, and Kaluga plants).

The Group's headcount by gender and category, 2018



Due to the nature of the Group's business, most of its employees in the construction services segment are male. In 2018, they accounted for 88% of the total number of production staff. Among the administrative and managerial personnel, women make up 52%.

The Group's headcount by age and category, 2018



Most of the Group's personnel are aged 30 to 50 (53%).

# How we recruit

As the largest construction company in Russia and, consequently, the industry's key employer, PIK Group faces a variety of challenges in discovering and recruiting new talent.

The core difficulties here include:

- + shortage of professionals with the full breadth of expertise as a result of the lack of comparable peers in the market;
- + nature of our work: some construction jobs are unique to the Group's subsidiaries;
- + decline in professional competencies across the industry;
- + shortage of skilled blue-collar workers in Moscow and the Moscow Region (our key areas of operation);
- + inflated salary expectations of the industry's highly qualified professionals.
- + The Group places a strong and consistent focus on dealing with the staff shortage, which is widespread across the industry. We address the challenges of searching for and recruiting personnel by leveraging a multitude of tools and channels, including:
  - + advertising on TV, radio, and in the metro;
  - + online promotion of employment opportunities;
  - + stronger ties with the industry's colleges and universities;
  - + targeted efforts aimed at the labour market's major players (Avito and HeadHunter).

## New employees across the Group

	2016	2017	2018
<b>Total across PIK Group, including:</b>	<b>5 870</b>	<b>8 973</b>	<b>11 152</b>
<b>New employees with disabilities</b>	<b>16</b>	<b>26</b>	<b>13</b>

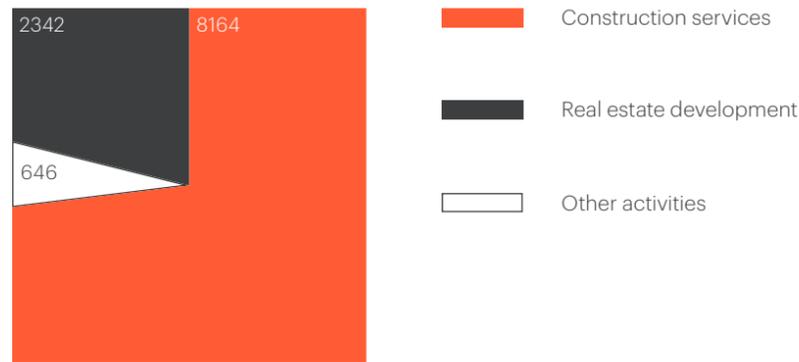
## How we work with recruitment agencies



In 2018, we hired more than 11,000 people, up 24% y-o-y. The Group prioritises creating jobs for the local communities. Last year, 81% of people were hired in the same region where they lived.

In the reporting year, most of the new employees were hired by the construction services segment.

### The Group's new employees by segment, 2018



In 2018, the employee turnover rate for the Group stood at 12%, which remains below the market average of 25%.

2016	2017	2018
15,57	17,36	12,28

#### Employee engagement survey

In 2018, the Group held an employee engagement survey, which covered 75% of personnel at the Management Company.

The survey showed that our people are generally satisfied with their employment. The key areas for improvement going forward are management and training. Employees would also welcome enhancements to the benefits package and more non-financial incentives.

### University partnership programme

PIK-Industry has a joint programme with the Moscow State National Research of Civil Engineering (MGSU).

During summer, students are offered internships in various positions, from economists to bricklayers. Following the internships, up to ten students receive job offers from the Group each year.

PIK-Industry is a regular participant of the university's career fairs, where we provide more information about internships and employment opportunities, update our database of potential employees, and describe the advantages of working at PIK.

# Employee remuneration and motivation

## Male-to-female base salary ratio by personnel category, 2018

Average base salary\*, RUB '000

Managers			Workers		
Male	Female	Ratio	Male	Female	Ratio
98,5	87,4	1,13	32,9	31,3	1,05

\* Average base salary based on the following regions of operation: Moscow, Moscow Region, and Other.

## Employee remuneration and motivation

The Group has a performance-based financial motivation framework for employees designed to provide competitive and fair compensation in line with industry peers. We make sure our people always get paid on time.

For blue-collar workers, we have a piece-rate plus bonus pay system, which is directly linked to individual performance. For administrative and managerial staff, we rely on a two-tier remuneration framework, comprising permanent (base salary) and variable (bonus) components. The variable component is linked to the achievement by the Group of the following KPI during the reporting period:

- + EBITDA;
- + cash collections;
- + completions (receiving permit documents and customers starting to move in)
- + cost of sales;
- + labour productivity;
- + turnover (days);
- + objectives and annual targets;
- + liabilities coverage ratio.

As part of non-financial motivation, the Group provides employees with corporate discounts on mobile phone services and gym memberships.

## Employee engagement survey

**In 2018, the Group held an employee engagement survey, which covered 75% of personnel at the Management Company.**

The survey showed that our people are generally satisfied with their employment. The key areas for improvement going forward are management and training. Employees would also welcome enhancements to the benefits package and more non-financial incentives.

# Training and professional development

PIK Group has a decentralised training framework, with each function responsible for training its staff depending on the needs of specific employees. Going forward we intend to roll out a single training portal with programmes for all our employees.

**In 2018, we invested a total of RUB 2.5 million in employee training, making over 1,800 hours of programmes available to 722 employees.**

PIK-Industry has an operational onboarding function to welcome new hires and provide them with theory and practical skills they need in their positions.

New employees of operating units complete five-day internships followed by a productivity test required to start working independently.

PIK-Industry's assessment and development function aims to prevent occupational burnout, including emotional exhaustion, mainly among middle-level management, where stress levels are the highest. Psychology professionals and trainers are available on site to discuss motivation, conduct stress interviews, and run a variety of tests as needed. The information they obtain is subject to thorough analysis by a commission comprising the function's manager, heads of production sites, and psychology professionals. This helps identify ways to address any problems.

# Ambitions for 2019



**The Group intends to engage in a major overhaul of its human resources processes in order to bring the corporate system to a whole new level and better manage any issues and risks involved.**

In 2019, the Group plans to focus on the following:

Centralise and automate HR processes

Update standard templates for internal bylaws

Introduce voluntary health insurance for employees

Build a succession pool

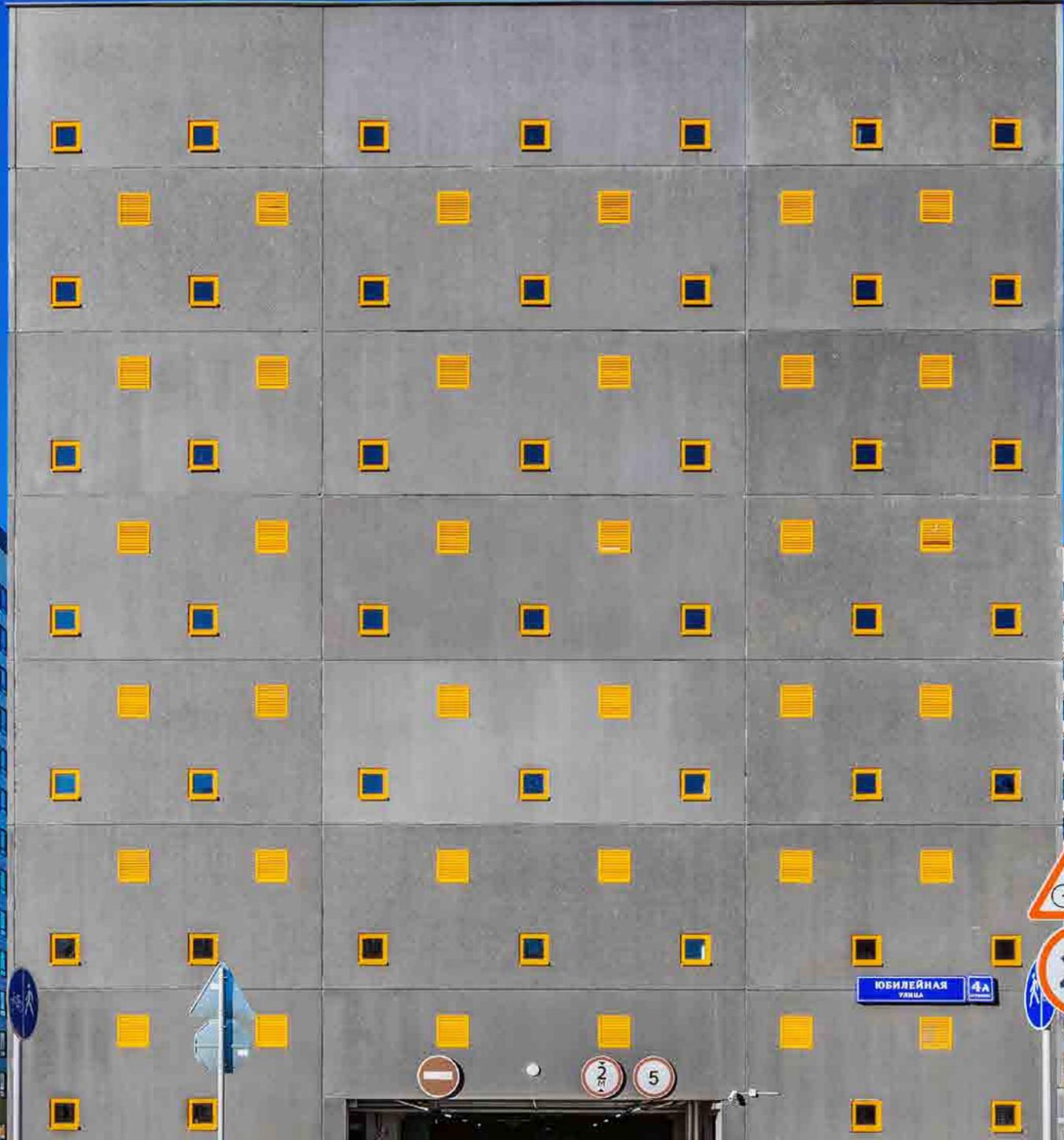
Develop unified principles of employee pay

Create a training framework, including corporate e-portal

Improve internal communications

Compile a road map of corporate values

Develop an end-to-end employee motivation system



# Health and safety

# Our approach to managing health and safety

Health and safety matters are managed predominantly by our construction services segment represented by PIK-Industry.

PIK-Industry aims to provide a safe working environment fully in line with the statutory requirements. At our production facilities, we have safety measures in place to prevent injuries, ensure proper workplace sanitation and hygiene, and prevent occupational diseases. PIK-Industry's health and safety management system is OHSAS:18001 certified.

PIK-Industry also has a dedicated function for occupational health, safety and fire protection. Each unit has an engineer responsible for occupational health.

We engage in occupational health activities in six areas outlined by the Plan for Better Working Conditions for 2015–2020:

- + Improvements in methodology and organisational support in health and safety and regulations governing the same.
- + Measures to prevent workplace injuries and occupational diseases caused by exposure to dangers and hazards typical of construction sites and industrial plants.
- + Provision of protective equipment to employees as a way to minimise associated dangers and hazards.
- + Improvement of personnel-focused activities, including training for error-free practices in stressful and dangerous conditions.
- + Provision of software solutions to protect the lives and health of employees.
- + Contractor relations.

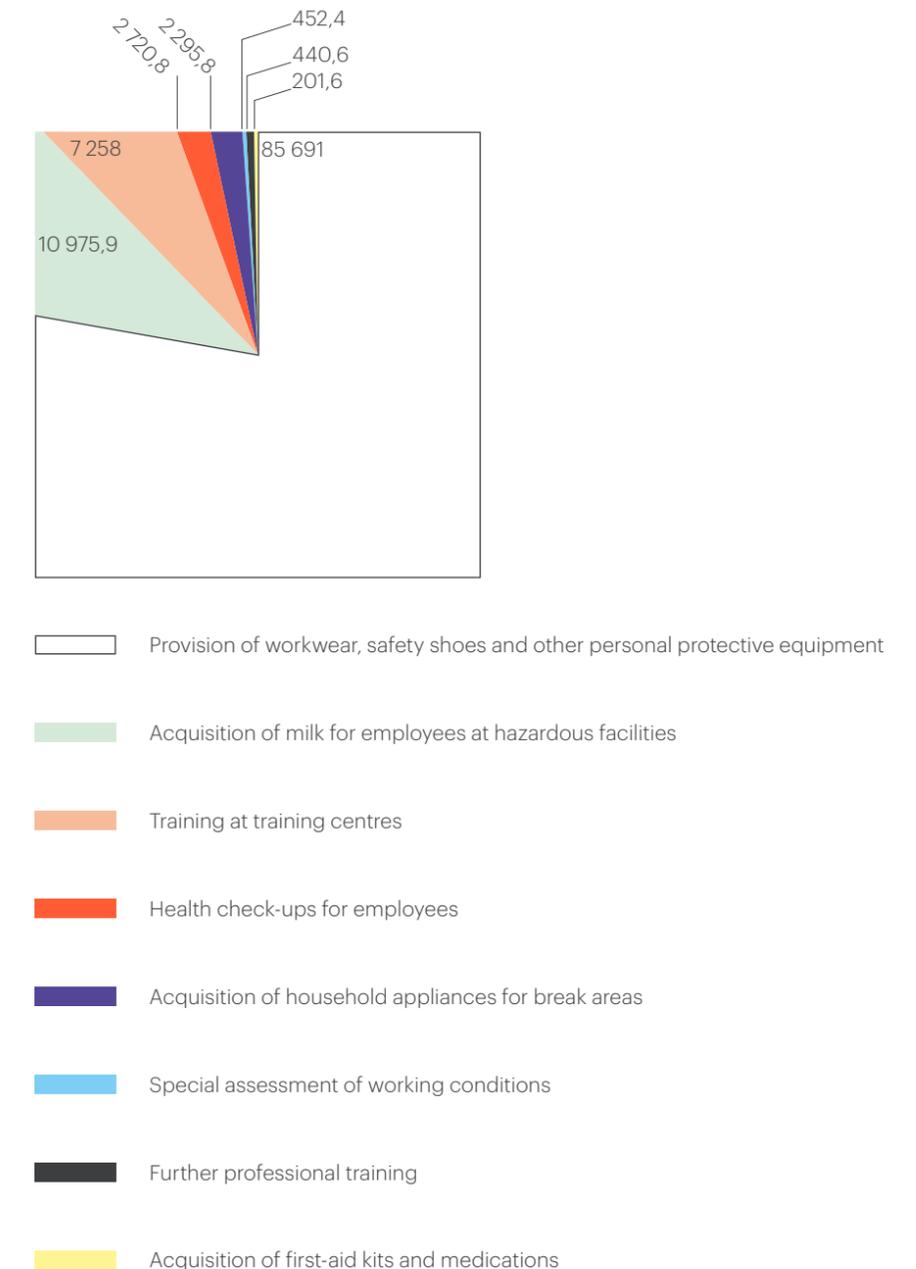
We do the budgeting exercise annually based on the five-year plan and present an annual performance report at the end of each year.

All blue-collar jobs at PIK-Industry's facilities are classified as physically demanding, dangerous or complex, which makes health and safety compliance essential. At PIK-Industry, the special assessment of working conditions is reviewed on a regular basis. Special assessment results are incorporated in employment contracts, which cover 100% of our employees.

In line with statutory requirements and internal regulations, PIK-Industry undertakes to pursue the following health and safety goals:

- + repair workplace areas at facilities;
- + purchase and install carbonators with filters for additional water treatment;
- + provide personnel at hazardous facilities with free healthy and dietary meals and milk;
- + provide employees with certified workwear and safety shoes, detergents and disinfectants;
- + provide employees involved in physically demanding and hazardous jobs with additional 6 to 8 vacation days;
- + pay an additional 4–12% of salary to employees involved in physically demanding and hazardous jobs.

In 2018, PIK-Industry's total expenses on measures to ensure workplace safety and improved working conditions stood at RUB 110 million.



# Statutory compliance monitoring

**PIK-Industry takes compliance with laws and regulations on health and safety very seriously. Our occupational health performance is monitored by health and safety officers (two to four employees at each facility) on a weekly basis in line with internal rules. The results are escalated to the management of the facility.**

**1.**  
Health and safety officers develop a weekly monitoring schedule

**2.**  
In line with the schedule, health and safety checklists for each function are assessed and filled out

**3.**  
Every week, work teams at production sites are ranked depending on their compliance level

**5.**  
Results are escalated to the weekly council attended by plant directors

**4.**  
Decisions are formalised as meeting minutes and communicated to heads of units

Checklists (construction facility inspection reports) contain assessment criteria in the following areas:

- + compliance with health and safety regulations when using machinery and equipment;
- + use of workwear, safety shoes and personal protective equipment by employees;
- + occupational health and fire safety briefings at workplaces;
- + work authorisation for employees who have completed training in health and safety;
- + safety fencing to barricade off areas of exposure to industrial hazards;
- + putting in place a construction camp;
- + compliance with fire safety regulations on fire escapes and emergency exits, and availability of emergency firefighting equipment at buildings and structures as per clause 6.5 of SNiP 12-03-2001;
- + compliance with rules on entrance design and materials storage;
- + compliance with electrical installation rules, use of non-faulty equipment according to its designated purpose;
- + keeping health and safety log books: work permits, shift briefings, inspections of loose lifting gear and packaging, etc.

If any health and safety violations occur, employees (workers and managers alike) may be disqualified from bonuses. Should the violation persist, head of the unit may receive a reprimand.

# Training and awareness raising

**All PIK-Industry employees undergo mandatory training in occupational health and safety as provided for by applicable laws and regulations. Training is provided in the form of primary (as part of the recruitment process), induction (when accessing the workplace), refresher, targeted, and shift briefings.**

Heads of units undergo training in occupational health and fire safety in line with the annual employee training schedule. Engineering professionals and workers in key positions complete programmes at training centres.

On an annual basis, employees get tested for their health and safety skills (tests vary depending on profession and type of work). The results are formalised in an inspection protocol.

All our facilities have information boards and displays showing videos that promote workplace safety.

# Health check-ups

**To minimise occupational disease risks, PIK-Industry has put in place centralised health check-ups for all new hires. Employees get tested for drugs and alcohol and screened for any pre-existing conditions and mental health problems.**

Each plant at PIK-Industry has a permanent first-aid post with all the necessary medications as required by the applicable laws. The post is serviced by nurses, professionally trained healthcare professionals capable of providing first aid in emergencies.

Drivers of PIK-Industry's vehicles undergo everyday check-ups. All facilities with proprietary car fleet have a first-aid post and a healthcare professional. Before the trip, each driver is tested for alcohol content in blood.

100% of employees are covered by mandatory annual health check-ups using mobile posts put in place at each facility. If any occupational diseases are identified, the employee is provided with treatment and/or posted to another unit within the company with better working conditions.

# Emergency response and fire safety

**In 2018, PIK-Industry recorded no fire accidents at its production facilities.**

**Each of the facilities has fire safety officers and volunteer fire brigades.**

**All the facilities have fire safety equipment and a public warning system on premises designated for people.**

**PIK-Industry also has a maintenance contract for its fire alarm system.**

To address matters of civil defence, the Company has commissions on:

- + emergencies and fire safety;
- + facility robustness improvements;
- + combatting terrorism and extremism.

Under the plan of key activities, every year we carry out two staff training and one command-and-staff training exercises attended by representatives of the Main Directorate of the Emergencies Ministry. Once every three years, the Directorate's training centres in Moscow provide us with free training for the heads of civil defence commissions and brigades.

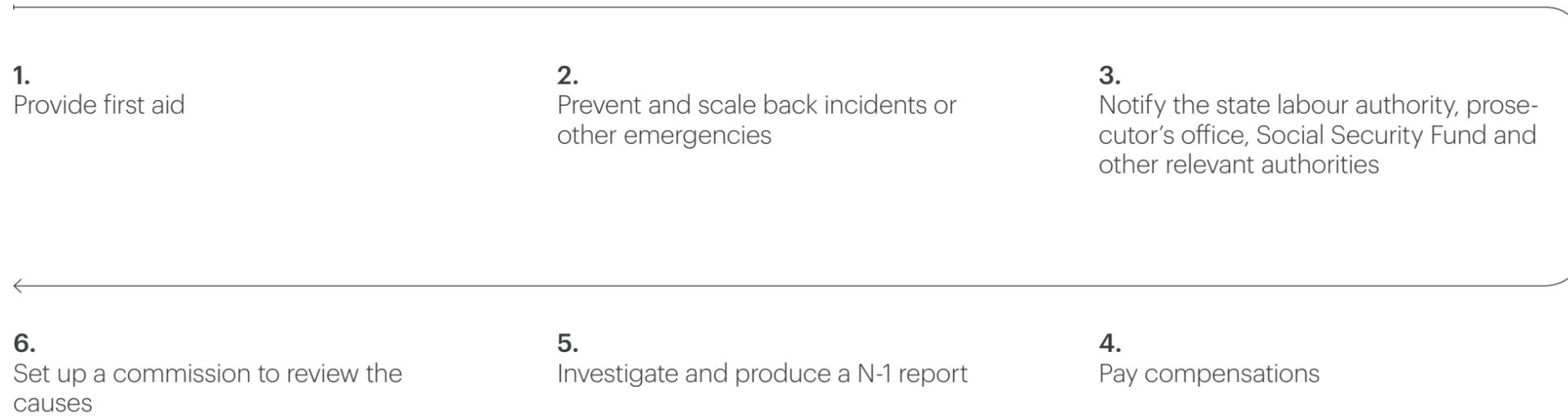
# Workplace injuries

**Human factors remain the key cause of work-related injuries and fatalities, and include a failure to comply with safety rules and employees' lack of care at work.**

Each accident is registered and reviewed by a dedicated commission, with a notification sent to the labour authority. The commission develops measures to prevent similar accidents, provides ad hoc briefings to analyse accidents, and makes sure to mitigate accident risks going forward. All workplace fatalities are investigated by the prosecutor's office.

The Company provides compensation to all those affected by workplace accidents. The compensation amounts are determined based on the requirements of the Union of Builders and the Moscow Construction Union, where the Company has a membership.

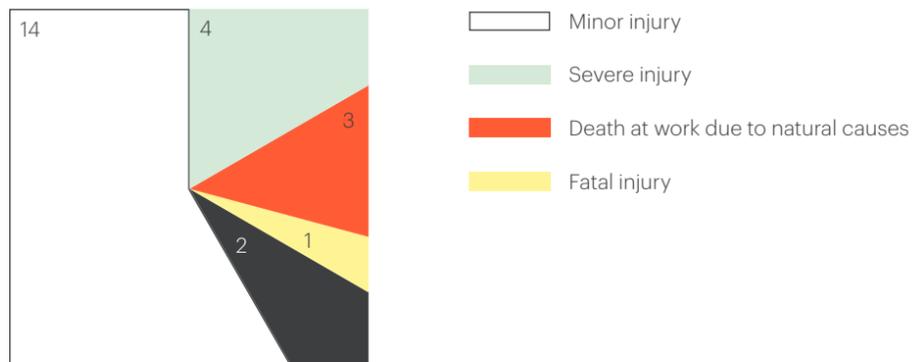
# Procedure to respond to workplace injuries



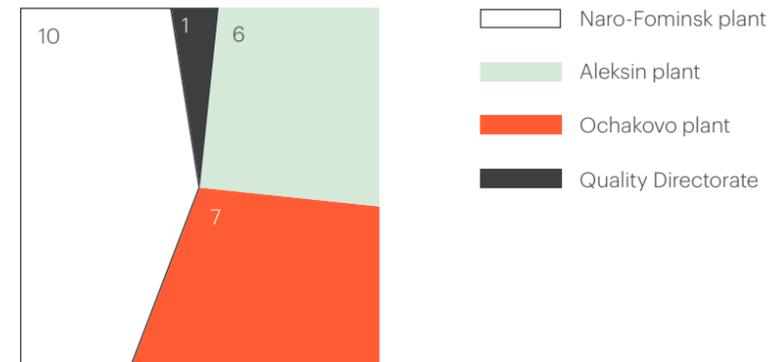
PIK-Industry's incident map for 2018 shows 24 injuries, of which 62.5% were classified as work-related injuries. Most of the injuries (58.3%) are minor.

## PIK-Industry's incidents breakdown, 2018

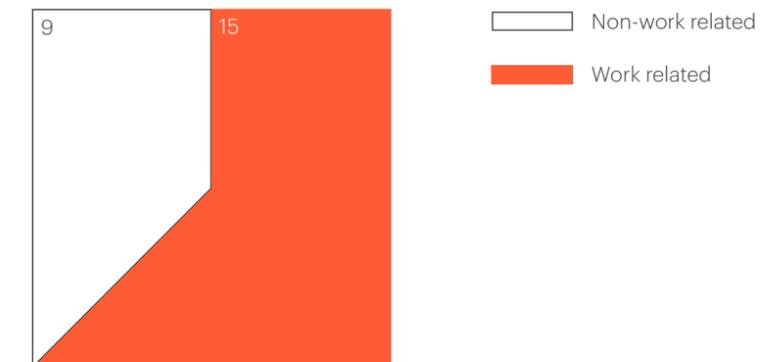
By severity



By business unit



Type of injuries



# Ambitions for 2019



**We intend to implement a wide range of initiatives to upgrade and improve our fire safety and emergency equipment.**

Among other things, we are planning to reconstruct our ventilation and smoke extraction systems and enhance the fire alarm that we use.

Our action plan to reduce risks and workplace injuries in 2019 comprises 25 items that cover the entire range of potential health and safety measures.

In the medium-term, we aim to complete transition to electronic digital signatures as a way for employees to confirm that they have read and understood work safety rules and regulations.



# Procurement

# Our approach to procurement

**The objective of procurement is to support the Group's operations by providing it with high-quality products sourced from reliable suppliers in due time and on the most favourable terms possible.**

The selection of suppliers and the efficiency of supplier relations have a direct impact on production stability, and the quality and reliability of the homes that we build.

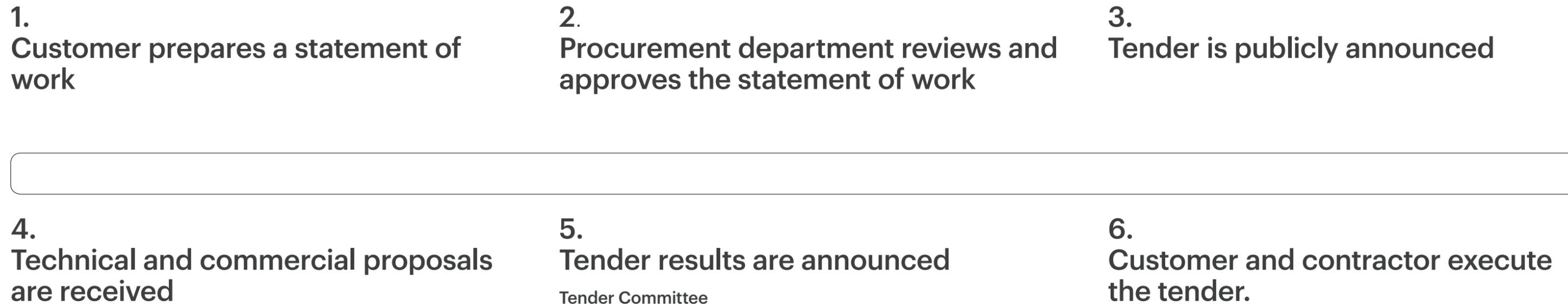
**The key principles underpinning our procurement practices are efficiency, competitiveness, transparency and fairness.**

To ensure an open and transparent procurement process, we have put in place the following bylaws and regulations describing the procurement management process and relations with suppliers and contractors:

- + Supplier code of conduct;
- + Procurement regulations;
- + Annual procurement plan;
- + Category strategies;
- + Framework cooperation agreements

When working with contractors, the Group leverages cutting-edge IT solutions and systems to ensure effective oversight over procurement processes, including at a tender stage.

# How tender-based procurement is organised



All purchases over RUB 1 million are made in a centralised manner through the Procurement Department of the Group's head office. Purchases below RUB 1 million are made by business divisions in accordance with the Procurement Regulations. Certain categories of goods are required to be purchased at the Procurement Department level regardless of their value.

In 2018, the Group launched a process to roll out uniform procurement procedures as a way to enhance procurement efficiency and to build and amplify awareness of the Group's brand as a result of flawless project delivery. Purchases for regional projects migrate to the solutions already implemented in the Moscow area. The migration process is expected to end in 2019.

In addition, the reporting year saw the Group introduce an Annual Procurement Plan as a way to help keep track of procurement expenses and forecast procurement for the year to come.

## Procurement automation

In the reporting year, the Group undertook a system-wide transition to B2B, an independent e-commerce platform to hold tenders. The platform allows vendors to use digital signatures for accreditation and sends invitations to bid and tender award notices in an online mode. The exchange of documents during tenders between the Group's companies and their vendors has been made fully electronic. The automation and digitalisation processes are being scaled up and the Group plans to extend them to regional divisions.

# Procurement structure

**In 2018, the procurement volume exceeded RUB 146 billion, with services accounting for the majority (68%) of the purchased items, the rest being goods. The overall volume of goods and services purchased grew by more than 20% against the previous year.**

## Procurement volumes — goods and services



The Group purchases goods primarily in a centralised manner (72% in 2018), while contractor services are purchased mostly locally (83% in 2018).

## Supply chain overview and procurement volume in 2018

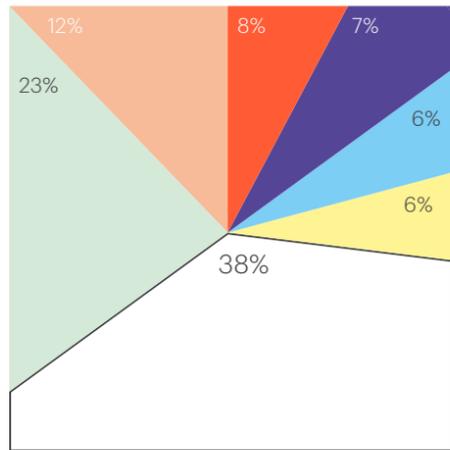
	Purchase of goods, RUB m	Purchase of services, RUB m	Total number of suppliers and contractors	Total purchases of goods and services, RUB m
Centralised purchases	25 615,7	18 511,9	484,0	44 127,7
Local purchases	9 921,4	92 745,1	1 312,00	102 666,5
<b>Total:</b>	<b>35 537,1</b>	<b>111 257,0</b>	<b>1 796,0</b>	<b>146 794,1</b>

- + The bulk of the purchased goods (equipment and materials) are manufactured by Russian companies. The key categories of goods purchased are reinforcing bars and concrete.
- + Certain categories of goods are purchased abroad (from Italy, Turkey, China).
- + The key services purchased include General Contractor services, as well as general construction and construction and installation works.

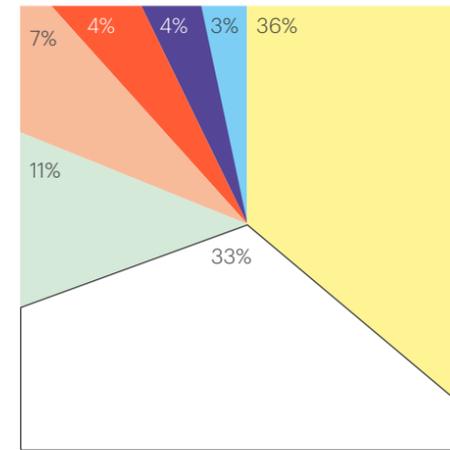
## Supply chain geography

Vendor's country	Total number of suppliers and contractors	Total purchases of goods and services RUB m
Russia	1 571,0	146 631,0
Foreign countries	17,0	163,1
<b>Total:</b>	<b>1 588,0</b>	<b>146 794,1</b>

Key categories of goods and services purchased by the Group in 2018



- Rolled metal
- Ready-mixed concrete, concrete fluid
- Concrete products
- Non-metallic minerals
- Cement
- Finishing materials
- Waterproofing



- General contractor selection
- General construction, C&I
- Engineering systems (internal and external)
- Streetscape improvements
- Finishing work, incl. plastering
- External power grids
- Facade and roofing works

Since 2017, the Group has been using category management to make sure work is organised by key categories in accordance with an in-house methodology. For each category of purchased goods, a category strategy is developed covering:

- + research of the market, suppliers, manufacturers, the Group's market share;
- + procurement scheme (in-person tender, e-commerce platform, etc.);
- + key terms and conditions (minimum supply volume, tender frequency, etc.);

Category strategies help find long-term partners that provide the Group with proper quality products in due time and at acceptable prices. This scheme enabled the Group to stop using warehouses in 2017: goods are no longer stored but rather are supplied on an as needed basis.

# 2019 and mid-term plans



## **Next year, the Group plans to take part in an international procurement competition.**

The contestants will be appraised for compliance with transparency requirements and use of advanced procurement tools matching those employed by global construction companies.

In mid-term, the Group plans to fully integrate electronic document flow for vendors.



# What we do

# Production and construction

## **In-house production and construction capacities enable a full development cycle offering a strong competitive advantage to PIK Group.**

PIK-Industry takes active steps to expand the range of its product categories.

The Group manufactures window units, has two production sites for prefabricated bathroom units, production facilities for tiles and kerbs, Acotec panels, hardscape elements, and street furniture. There are also plans to manufacture elevators designed by the Group, along with switchboard equipment.

PIK-Industry is the Group's largest production site and the main link of the residential and non-residential buildings construction process.

It operates four plants located in Moscow and the Moscow, Tula and Kaluga regions.

In addition to production, PIK-Industry is engaged in construction and installation of residential and non-residential buildings and integration of engineering systems at the Group's projects (their greater part).

One more plant operates as a separate legal entity and manufactures reinforced concrete structures used for building high-rise large panel system dwelling blocks and pre-fabricated housing.

PIK Group also has auxiliary (sideline) businesses, such as construction of grids operated by the Group itself.

The success of all these entities has been driven by the expansion of the Group's operations.

# PIK-Industry

## Production

- + production of concrete and reinforced concrete structures
- + production of reinforcement mesh and cages
- + casting reinforced concrete slabs
- + production of small piece materials: paving blocks, kerbs, Aco-tec panels

## Construction

- + construction of residential and non-residential buildings (installation and erection)
- + engineering works, including sanitary engineering, electrical, ventilation, roofing, facade and general construction works
- + mechanical, electrical and plumbing systems

## Capturing innovation: prefabricate

The Group keeps abreast of the latest developments in the prefabricate technology (prefabricated houses) that helps assemble houses as a construction set: room modules are manufactured at a plant and then delivered and installed at the construction site. The Group started to roll out this technology by launching a conveyor line assembling prefab bathroom units. The technology is also used to assemble pipes.

Using prefabricated solutions reduces the need to engage people, which has a positive effect of accelerating and standardising the operations as well as ensuring occupational safety.

At the production and construction stages, the Group engages a wide range of suppliers and contractors. The quality and timeliness of development projects largely depends on procurement efficiency. To this end, the Group makes a strong emphasis on selecting and building long-term win-win relationships with reliable suppliers.

Discover more in the Procurement section.

# Sales

**PIK Group takes consistent steps to develop sales channels, improve the efficiency of each separate stage of the customer journey, and focuses on improving customer experience.**

The Group's customer philosophy is underpinned by the following principles: maximum comfort and service, active and transparent communication, fast and high-quality services, and support throughout the entire customer journey.

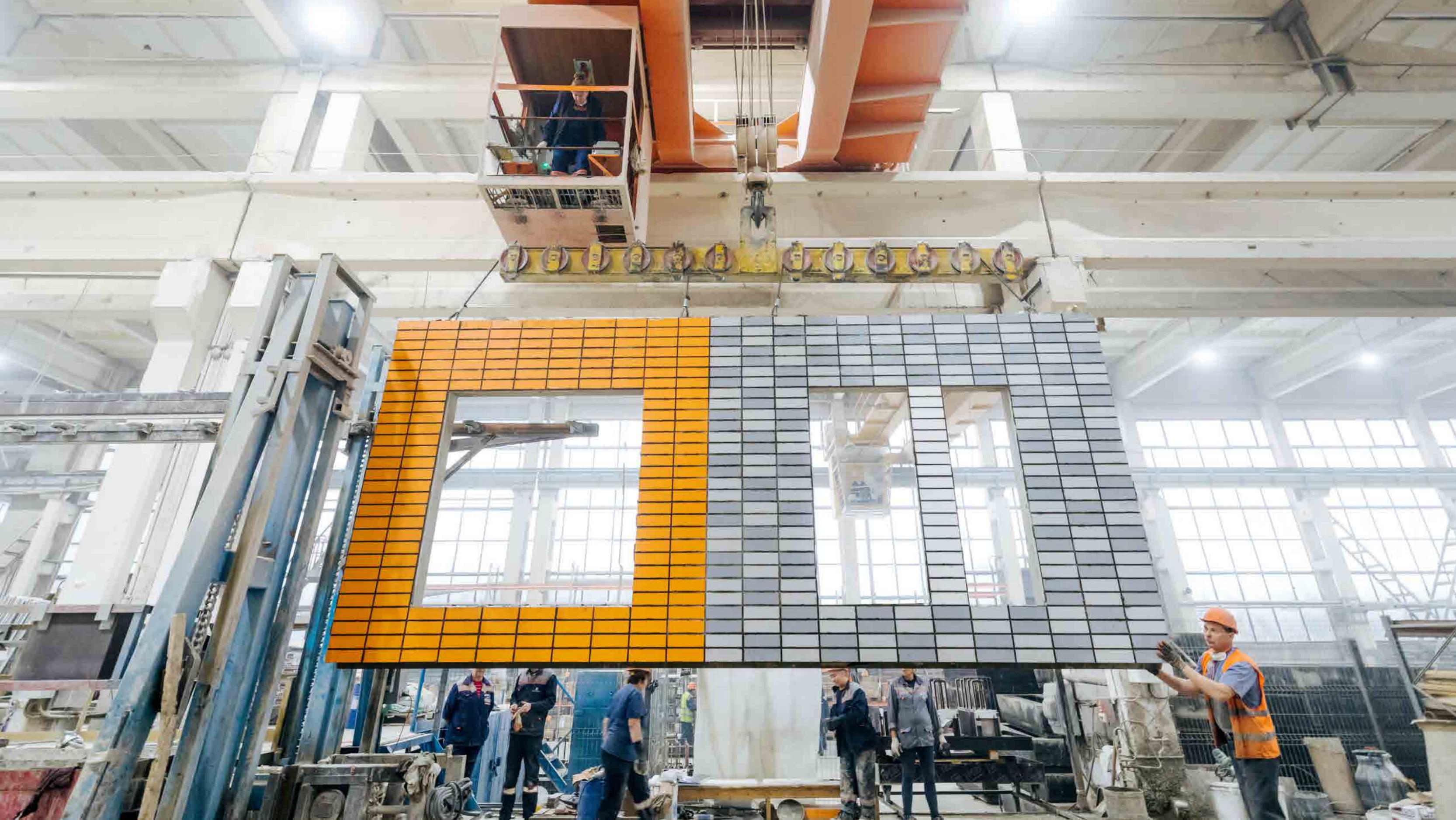
The Group has a Sales Department made up of the front and back-end functions. The front-end is represented by the business divisions of the Moscow area and regional projects.

They face customers directly when selling properties and supporting customers as they move to and live in their new homes.

The back-end serves to support the main sales processes and is responsible among other things for the following:

- + advertising and marketing, development of online and offline sales channels;
- + support of mortgage and customer programmes and mortgage-related bank relations;
- + Sales Department personnel development: recruitment, training, internal mobility programmes, as well as support of the emotional and psychological wellness in the workplace;
- + customer service support: drafting and checking sales contracts, submitting documents for e-registration via an internal platform, receiving payments from customers and delivering documents;
- + pre-sales project arrangements, pricing, CRM system management and IT projects;
- + project planning and coordination, standard compliance control, showroom and mock-up (architectural model) coordination.

Discover more in the Customer Engagement section.



# Quality management

# Approach to managing quality

## **We at PIK Group view quality management as an essential part of customer satisfaction.**

The Group has a strong focus on measures aimed at improving the quality of housing under construction and the services we provide. We rely on the latest technologies and IT innovations to enhance efficiency, strive to introduce new environmental standards, and ensure comprehensive quality control across all our construction sites in line with best practices.

The Group has internal quality standards that apply to any product we offer.

## **PIK-Standard Knowledge Base**

Our key milestone in 2018 was the launch of the PIK-Standard Knowledge Base, a system that contains information about standardised product development solutions. With the knowledge base, we benefit from a unified approach across the supply and production chain within the Group.

All standards available at PIK-Standard apply to regional projects and cover the entire perimeter of PIK Group. In 2019, we aim to continue rolling out the database across all our functions while also making sure some of its parts are accessible by our contractors.

The Group also has an internal R&D function to monitor production sites, study materials, develop the latest technologies and materials, and attend industry conferences. The R&D mission is to create and adopt technologies within the Group and achieve labour productivity gains.

# Ensuring quality in our production

PIK-Industry is committed to delivering strong quality of production and construction activities. The Group has a quality assurance policy and an ISO 9001 certified quality management system.

We control quality across all stages of production. If any errors or defects are identified, these are recorded and investigated, with remedial actions put in place.

In 2018, we introduced CCTV recording (photo and video footage) of the production process. In addition, we launched a double acceptance procedure, which involves a dedicated controlling officer responsible for double-checking the quality and status of the end products.

## Focus on quality

The quality of construction materials and structures manufactured by PIK-Industry is our absolute priority. Each operating line is subject to rigorous quality control, with specific tools varying by operation, process unit and control points. Each operation is controlled via photos and measurements stored in a corporate database. In addition, video surveillance is always used.

All the data are processed using the latest IT solutions. We make sure all values we obtain are automatically benchmarked against the standard, with any deviations immediately brought to our attention.

The Company holds weekly meetings to discuss key defects identified following the IT-based oversight.

# Ambitions for 2019



This year, we aim to continue with efforts to improve our quality management framework.



# Customer engagement

# Our approach to engaging with customers

The Group's customer philosophy is underpinned by the following principles:

- + maximum comfort and service;
- + active and transparent communication;
- + fast and high-quality services;
- + support throughout the entire customer journey.
- + The Group's Sales Department is responsible for liaising with customers.

Customer management is based on a corporate CRM system, which helps us to classify customers, regulate business processes, and enter into transactions under pre-agreed terms.

## Building online channels

A strategic goal for the Group is to complete transition to online customer interaction and introduce self-service components. With this approach, we help customers save time by reducing foot traffic and queues in our brick-and-mortar sales locations while also cutting down on the Group's costs.

In line with that, we launched PIK-Point, a programme for customers to request their documents online via their personal account or receive them by courier or using parcel lockers.

In 2018, we made some considerable progress towards our online interaction goals by launching online sales of parking lots, accepting requests on our website and offering online registration of shared construction agreements (up to 95% share). The Group's future plans include going online-only in all our customer transactions (from online purchase at a showroom to keys handover at the property settlement office), online booking of apartments, and ongoing transition of services to customers' online accounts.

## Our approach to engaging with customers

### **The Group prioritises collection and review of customer feedback. To do this, we carry out regular surveys and gauge customer satisfaction.**

The Group carefully studies any queries and comments we receive from customers. All requests posted through our website are notified to 30 employees. Requests are handled by the support team, with a responsible officer assigned to each of them. When needed, a task group is formed to discuss customer situation and proposed solution before reverting the matter back to the contact centre operator and then to the customer.

In 2018, we received more than 1 million requests and comments from customers across all communication channels. Complaints made up 3% of the total queries.

Through our contact centre, the Group also handles calls we receive following advertising and marketing campaigns.

In December 2016, we launched the Moy Dom (My Home) property settlement offices to provide after-sales services and support to customers. As their key functions, the offices:

- + hand over keys to customers;
- + carry out inspections of apartments;
- + provide online services of engineering supervision;
- + present our products to customers before handing over the keys.

## PIK-Kiosk

+ In 2018, we launched PIK-Kiosk, a new and convenient way of servicing our customers. Designed as an exhibition stand, this is a one-stop-shop to provide advice and sign documents for any residential facilities offered by the Group.

## Innovating with IT: PIK-Data

+ The Group uses the PIK-Data software to select the best advertising and marketing tools based on conversion rates and efficiency of specific online and offline sales channels.

# Customer satisfaction surveys

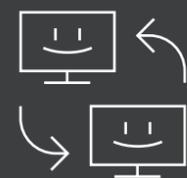
The Group analyses the satisfaction and loyalty of its customers on a regular basis. To do that, we use the CSI Customer Satisfaction Index and NPS Net Promoter Score metrics. In 2018, we delivered an NPS of 63.

Customer Satisfaction Index) and NPS (Net Promoter Score) metrics. In 2018, we delivered an NPS of 63. The assessment covers the following aspects:

- + politeness of the customer service representative;
- + personnel's willingness to help;
- + speed and quality of service;
- + Group's reputation;
- + price of products and services;
- + location and convenience;
- + cleanliness of the sales office premises;
- + fast and smooth paperwork.

The Group has been using these tools since 2018 to address customers via triggered emails. Every customer who visited our office receives an email with a link to our survey.

# Ambitions for 2019



In 2019, the Group continues its digitalisation drive and transition to a fully on-line customer experience.



# Environmental protection

# Our approach to protecting the environment

PIK-Industry, the Group's construction and industrial services company, is responsible for most of the Group's environmental impact and its management. Within the disclosure boundaries for 2016–2017, this report covers two precast concrete plants in Ochakovo (Moscow) and Aleksin (Tula Region), as well as similar plants in Naro-Fominsk (Moscow Region) and the Kaluga Region within the 2018 disclosure boundaries. To clearly demonstrate the changes in environmental indicators, the 2016–2017 disclosure includes data for all plants.

In 2016, PIK-Industry's environmental management system was certified for compliance with ISO 14001:2015.

PIK-Industry's environmental impact management seeks to address the following major issues:

air pollutant emissions;

management of production and consumption waste;

wastewater management.

The Company's annual Environmental Programme is the main internal document governing the management of its environmental footprint. It outlines the regulatory requirements, key goals, objectives and activities, sets deadlines, costs and responsibilities.

Minimising environmental impact is the key priority of the Company's environmental policy. The occupational health and safety function is responsible for implementing the objectives set out in the Environmental Programme.

In 2018, the Company focused on the following environmental protection activities:

compliance with environmental laws and regulations, timely provision and compliance of environmental documentation with legislative requirements and standards, obtaining the nec-

essary permits;

introduction of energy and resource efficient technologies, upgrading production processes to minimise industrial waste, use of recycled materials;

continuous environmental monitoring and provision of timely disclosures to regulatory agencies;

environmental trainings and workshops for employees.

The 2018 targets set out in the Environmental Programme were successfully implemented.

APCP – Aleksin precast concrete plant (Tula Region)

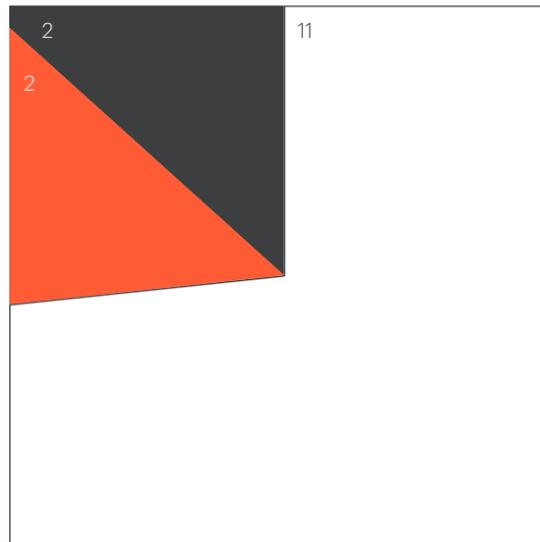
KPCP – Kaluga precast concrete plant (Kaluga Region)

NPCP – Naro-Fominsk precast concrete plant (Kaluga Region)

OPCP – Ochakovo precast concrete plant (Moscow)

## Our approach to protecting the environment

Results of PIK-Industry's Environmental Programme for 2018, number of activities



- Completed in line with schedule
- Completed ahead of schedule
- Postponed to 2019

# 424 000 RUB

expenditures on environmental protection measures totalled in 2018

Environmental protection expenses in 2018, RUB '000



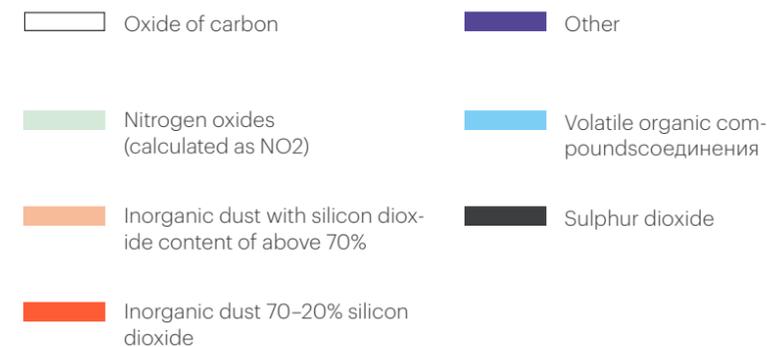
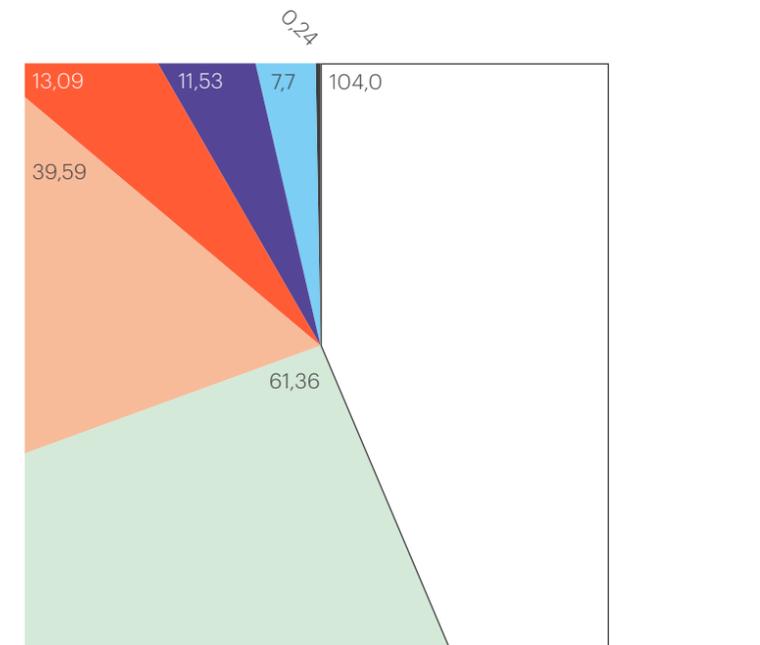
- 1 Analysis of industrial emissions into the atmosphere
- 2 Environmental impact fees
- 3 Repairs of treatment facilities
- 4 Activities to maintain hydraulic fill storage
- 5 Testing wastewater and artesian aquifers, monitoring water reservoirs and their protection zones

# Air protection

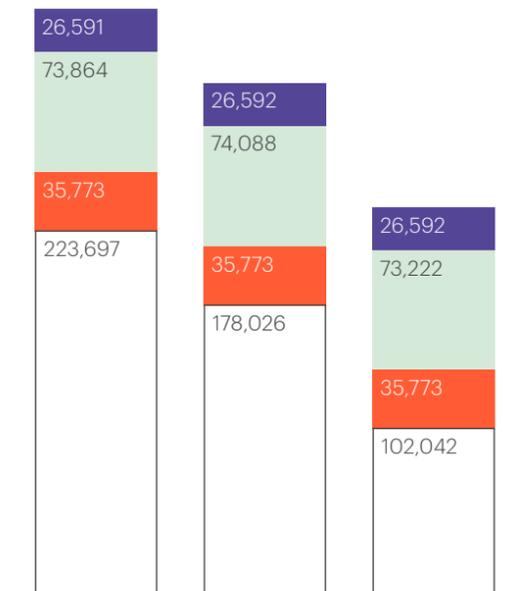
**A major contributor to air pollution by PIK-Industry facilities is microdust produced during the unloading of cement and processing of precast products.**

Other pollutants emitted by the Company's facilities include the oxide of carbon and nitrogen oxides. The production process does not involve emissions of any ozone-depleting substances.

Major pollutant emissions by type of substance in 2018, tonnes



Air pollutant emissions by PIK-Industry facilities in 2016–2018, tonnes



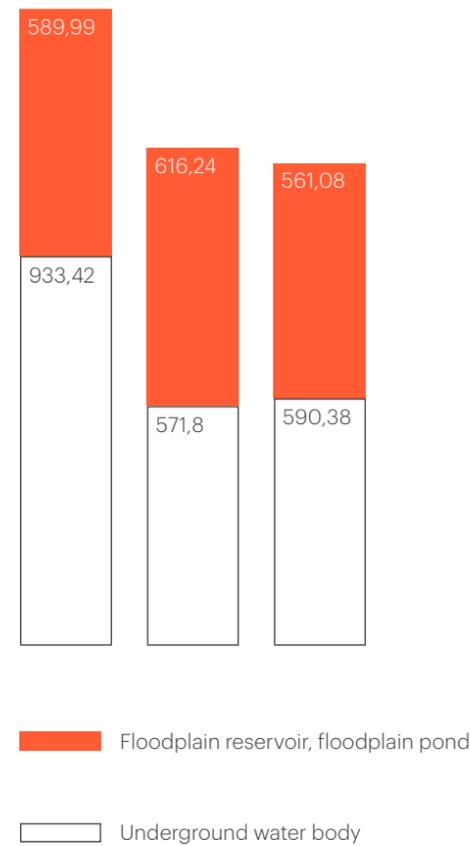
Note: Data provided for four plants: ACP, KCP, NPCP, OSCP

# Water resources management

**PIK-Industry exercises care in using water resources in its production process and utilities. The Company uses water from reservoirs, ponds, and underground sources.**

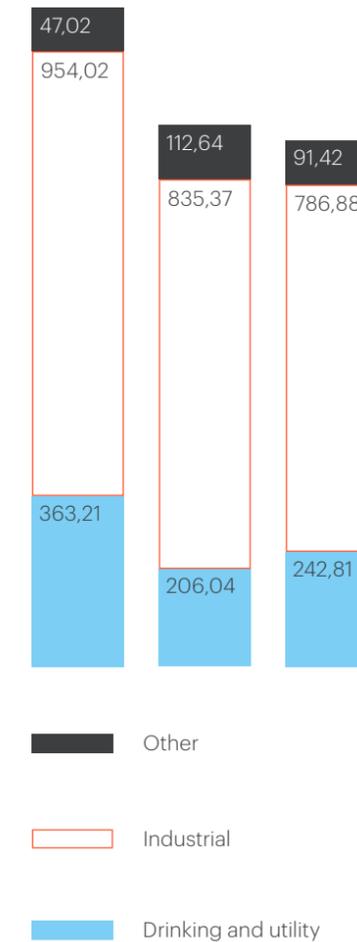
Water is discharged through treatment facilities in place at all our plants. In the reporting period, PIK-Industry repaired sewage and surface water drains at its facilities to prevent large contaminants from entering the drain network.

Water usage by source in 2016–2018, '000 cu m



Note: Data provided for three plants: APCP, KPCP, OPCP

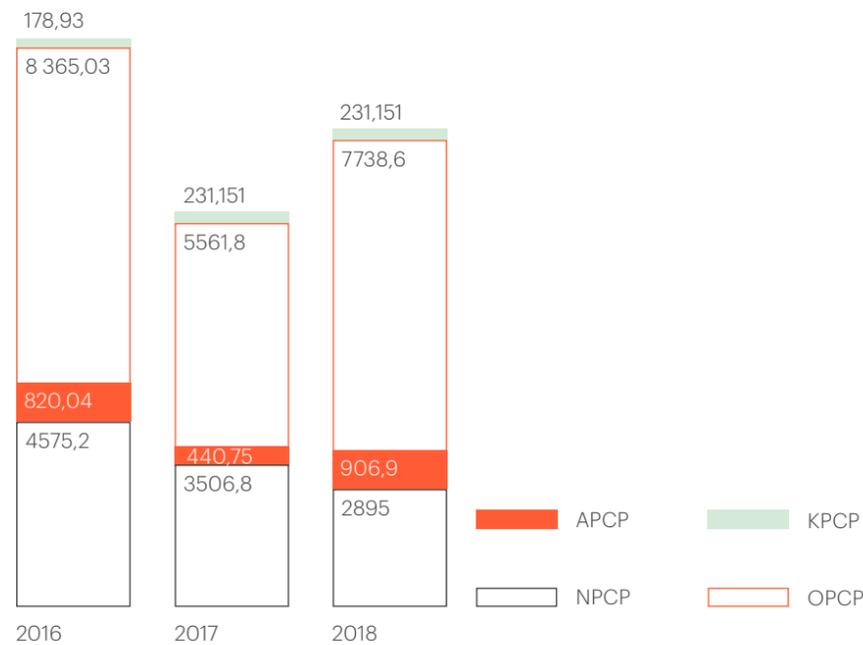
Water usage by type of use in 2016–2018, '000 cu m



Note: Data provided for three plants: APCP, KPCP, OPCP

# Effective management of production and consumption waste

PIK-Industry's waste generation by facility in 2016–2018, tonnes



**In the area of waste management, PIK-Industry makes certain to comply with all relevant statutory rules and regulations.**

In line with changes in the regulatory framework governing production and consumption waste, in 2018 the Company signed agreements with regional operators in all regions of operation which had adopted a territorial waste management schemes.

Despite the wide range of waste, most types are present in small volumes. The waste produced by PIK-Industry facilities primarily includes precast scrap, expandable polystyrene, wood, metal, and mercury-containing lamps.

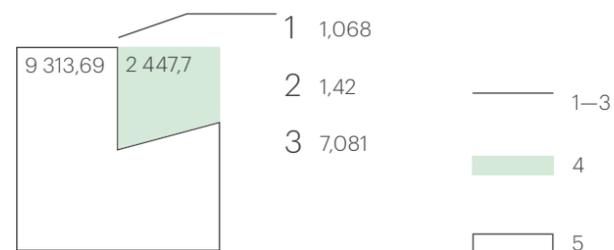
Most of the Company's waste (79.1%) is classified as hazard class 5 which has the lowest environmental impact.

**The waste subject to landfilling is disposed of at authorised landfills. PIK-Industry has a programme to minimise waste disposal by landfilling.**

To this end, packaging waste and some production waste is recycled. Apart from reducing environmental impact, recycling contributes to economic efficiency. In 2018, the Company doubled its waste recycling compared with 2017.

On top of that, the Company employs other sustainable practices of production and consumption waste management.

PIK-Industry's waste by hazard class in 2018, tonnes



Note: Data provided for four plants: APCP, KPCP, NPCP, OPCPm

## Sustainable concrete waste management

Concrete goods are the core products for PIK-Industry and are widely used in real property construction by the Group. In 2018, concrete waste recycling reached a record 98%. In line with sustainable waste management approach, special steel moulds have been installed at the moulding posts where concrete waste is generated to create foundation wall blocks. These blocks can be used as protective structures at the construction sites or offered for sale.

## Hazardous waste reduction

In the area of waste management, waste prevention is globally recognised as the most efficient practice. In line with this approach, PIK-Industry is working to replace mercury-containing lamps with LED ones.

In 2018, as prescribed by the Company's Environmental Programme, lamps were replaced at the major production facilities and in street lighting. In 2019, the Company plans to fully replace mercury-containing lamps with LED lamps.

In addition, some of the wood waste (packaging and woodworking waste) is recycled and reused in warehousing or given to workers and the local population to avoid landfilling.

# Energy conservation and efficiency

PIK-Industry seeks to promote energy conservation and efficiency. To this end, production facilities prepare and implement annual energy efficiency programmes that contain specific measures based on feasibility studies.

To monitor the efficiency of these measures, construction and plant engineers take account of all types of energy consumption, including specific consumption (per unit of output), and compile a quarterly report on the planned and actual consumption with comments on the reasons of changes in energy consumption. Thorough monitoring provides for effective management of the energy system.

Production facilities primarily consume gas as their main energy source that is mostly used to heat water, while the construction sector largely relies on electricity.

## Energy consumption by PIK-Industry in 2016–2018

Energy source	Measurement units	2016	2017	2018
Gas	cu m	21 392 321	19 939 557	20 158 053
Electric power	kWh	30 071 861	30 215 683	30 821 658
Water	cu m	816 420,996	739 895,417	760 184
Steam	tonne	195 020	178 106	152 291
Compressed air	cu m	44 570 803	39 244 780	45 464 331
Heat power	Gcal	6 047,9	11 064,6	5 106,565

<sup>1</sup> Note: Data provided for three plants: KPCP, OPCP, NPCP

<sup>2</sup> Note: The indicators are calculated as the average value for OPCP and NPCP. No specific energy consumption data were provided for KPCP.

## Use of energy efficient technologies

To reduce the consumption of natural gas at PIK-Industry's facilities, large-scale work was carried out in 2018 to replace boilers with steam generators. The latter will be launched in 2019 and will use gas to produce steam only when it is required in the production process. In addition to saving funds and resources, this new technology will help reduce environmental impact from constantly operating boilers and cut greenhouse gas emissions contributing to climate change.

# Ambitions for 2019



**PIK-Industry's Environmental Programme for 2019 is focused on minimising waste, including polyurethane and expandable polystyrene waste, in part by recycling.**

It also deals with reducing waste from oil products and concrete, as well as provides for replacement of mercury-containing lamps with LED lamps. In addition, the Company plans to continue its water resource management efforts by minimising wastewater discharges.

PIK-Industry will work continuously to promote energy efficiency by eliminating losses in household energy consumption and improving the efficiency of equipment used for energy consumption.



# Social responsibility

# Approach to social responsibility

**PIK Group leads the way in social responsibility among Russian real estate developers, holding top positions in the Social Responsibility Ranking of the Moscow Region Developers published by the Agency for Political and Economic Communications.**

The Group's social responsibility activities are in many ways specific to the industry. As Russia's largest developer, the Group seeks to create a robust and comfortable urban environment for its customers by:

- + designing and building state-of-the-art social infrastructure facilities such as kindergartens, schools, playgrounds and public spaces;
- + using long-lasting and environmentally safe construction materials;
- + paying attention to the residents' mental and physical health and overall well-being, including by creating barrier-free and safe environments;
- + engaging with the local communities and taking into account residents' opinions.

# Care for residents' mental and physical health and overall well-being

## Propping up public health is one of the prerequisites for a comfortable urban environment.

The Group's projects include construction of sports grounds and skate parks, creating better conditions for healthy living and providing leisure opportunities for teenagers. Zoning is the key tool employed by designers of recreation areas, as it allows them to separate and set aside facilities with different uses, such as sports premises and spaces for relaxation, or pedestrian areas and playgrounds for kids.

The Group's projects also seek to foster a barrier-free and safe living environment:

- + ground level entrances allow easy access for all residents, including mothers with strollers, cyclists, and people with disabilities and mobility impairments;
- + common facilities make good use of daylighting and are highly secure thanks to advanced surveillance systems;
- + all ground halls of the Group's residential buildings have two access ways, which makes it possible to keep cars away from the inner courtyard. This is especially important for the safety of children's facilities located on the adjoining inner territory within a walking distance from the housing blocks.

## On top of that, many of the Group's housing complexes have cycling infrastructure in place, including bicycle parking lots near the ground level entrances and bicycle lanes.

The Group also places a strong emphasis on the mental health of its residents by offering them building façades rendered in natural colours, oases of greenery in courtyards, and enhanced lighting solutions leveraging variations in building heights.

As part of the courtyard park concept, special attention is paid to the planting of greenery in residential areas. To that end, the Group actively uses grown forest trees and artificial landscapes. Each project has a unique greening concept, with landscaping exercises in many of them seeking to create a special microclimate in courtyard parks, use trees and bushes for building natural hedges, and mix flowers for ensuring uninterrupted blooming through different seasons.

# Social infrastructure

**The Group aims to go beyond the minimum legal requirements and harnesses global best practices in design and construction, cutting-edge technologies, and environmentally safe materials to create state-of-the-art social infrastructure.**

Some 50% of the Group's clients are families with children needing modern kindergartens, schools, playgrounds and other facilities. The Group fits out all children's infrastructure facilities independently, providing all the necessary materials and equipment and setting the stage for kids' unrestrained development, education and recreation.

**In 2018, we completed ten social infrastructure facilities with a total area of 82,000 sqm designed for over 5,000 users.**

## Social infrastructure

Type	Residential project	Region	Number of users	Area, sqm
School extension	Odintsovo-1	Moscow Region		669
School	1 May	Moscow Region	550	8 639
School	Yaroslavsky	Moscow Region	1,050	19 000
School	Levoberezhny	Moscow Region	1,100	12 791
School	Novokurkino	Moscow Region	1,100	12 791
Clinic	Novokurkino	Moscow Region	400	4 554
Kindergarten	East Butovo	Moscow Region	340	7 532
School	Lefortovo Park	Moscow	200	3 629
School	Buninskie Luga	Moscow	200	2 923
Clinic	Solntsevo Park	Moscow	310	9 096
			5,250	81 624

## Kindergartens

In 2018, three kindergartens for a total of 530 children were opened as part of the Group's real estate development projects. Every kindergarten is fitted with everything necessary for the balanced and all-round development of children, including gyms, computer classrooms, and music, dance and painting studios. Some of the new kindergartens also feature swimming pools and psychomotor rooms.

## Kindergarten at 141 Varshavskoye Highway

One of the Group's most notable projects is a round-shaped kindergarten at 141 Varshavskoye Highway, which snapped up an award from Moscow's Department of Urban Planning Policy as the Best Completed Construction Project. In 2017, the Architectural Council of Moscow named the kindergarten a winner in the nomination for the Best Architectural/Urban Development Solution for Healthcare and Education Facilities.

The building was designed in such a way as to offer the best possible conditions for children, with special attention paid to daylighting, a terrace for outdoor classes, and heat-insulated floors. The Group is the one responsible for administering the kindergarten and landscaping at 141 Varshavskoye Highway, offering its customers prices at half the market rate. By decreasing the kindergarten fees and landscaping costs incurred by the clients, the Group provides support to families with children and demonstrates its commitment to social responsibility.

## PLAY-HUB playgrounds

Jointly with AFA, a Moscow-based landscaping bureau, the Group designed a multi-level Origami playground for its Salaryevo Park project. Similarly to the Group's other innovative playgrounds, this one is zoned for different age groups and offers a wide variety of opportunities for playing. The designers relied on the recommendations of professional psychologists to build the right environment for developing children by stimulating their creativity, curiosity and playfulness. All of the Group's playgrounds are built using environmentally safe materials.

## Sound systems

PIK Group leads the way in the use of new technologies for designing and building social infrastructure facilities in Russia. For example, for its schools, the Group leverages innovative sound systems to ensure high-quality sound distribution, reduce reverberations, and bring down the overall noise levels.

## Schools

On September 01, 2018, two schools for 1,100 children each opened in PIK Group's residential projects. The schools are perfectly suited for productive studying, offering their students modern classrooms, gyms, acrobatics and dance studios, as well as libraries, media centres, an amphitheatre, and computer classrooms with new laptops.

## Clinic

In 2018, a new clinic for 600 visitors was opened in Khimki as part of the Levoberezhny real estate project. Located within a walking distance from the residential buildings, the new facility with adult and children healthcare departments boasts state-of-the-art medical equipment and infrastructure for patients with mobility impairments.

## Pedestrian areas

Inner courtyards in residential neighbourhoods are perfectly suited for leisurely walking – the adjoining streets are fitted with traffic calming devices to bring down the car speed to 20–40 km/h, with no cars allowed into the public areas inside the courtyards.

In 2018, a pedestrian area consisting of two inter-crossing boulevards was partially opened in East Butovo. The space offers a wide range of recreational amenities for all age groups.

# Consideration of opinions expressed by local communities

**The Group works closely with the local communities and maintains an ongoing dialogue with the key stakeholders, using resident feedback to make adjustments to the Group's projects.**

The tools used to this end rely on modern technologies, including separate chat rooms for each and every building and project. The Company has also set up a free hotline, with its employees processing every incoming message and providing feedback.

# Ambitions for 2019



**In 2019, the Group plans to keep replicating successful design solutions for public spaces and social infrastructure in its other projects, including during completion of the pedestrian area in East Butovo. In 2019, the Group is expected to complete over 20 social, cultural and administrative facilities with a total floor area of over 150,000 sqm.**

## PIK 2.0. Everything matters!

Under this Programme, the Group partnered with the 50+ project, elderly people support group, to design inner courtyards and common use areas in such a way as to enable all residents (including senior dwellers) to benefit from comfortable and convenient housing facilities, upgraded amenities, and accessible social and commercial infrastructure.

By undertaking to develop all the surrounding infrastructure, the Group offers its clients spacious recreation areas with limited car access, ensuring their safety and comfort. PIK also puts in place a large number of benches, walkways, family recreation areas, ramps, rails, and additional lighting facilities, while also making sure that the residents have household and food stores nearby.

# GRI content index

Disclosure	Section	Subsection / Notes	Page
<b>General Disclosures</b>			
<b>Organisational profile</b>			
GRI 102-1 Name of the organisation	About the Report		5
GRI 102-2 Activities, brands, products, and services	Strategy and Business Model	About the Group	13
GRI 102-3 Location of headquarters	About the Report	Contact Information	5
GRI 102-4 Location of operations	Strategy and Business Model	About the Group	13
GRI 102-5 Ownership and legal form	About the Report		5
GRI 102-6 Markets served	Strategy and Business Model	About the Group	13
GRI 102-7 Scale of the organisation	Key Performance Results in 2018		10
GRI 102-8 Information on employees and other workers	Staff Management		41
GRI 102-9 Supply chain	Procurement		60
GRI 102-10 Significant changes to the organisation and its supply chain	About the Report	First report	-
GRI 102-11 Precautionary principle or approach	Sustainability Management	Risk Management	18
GRI 102-12 External initiatives		Contribution to External Initiatives	24
GRI 102-13 Membership of associations			

Disclosure	Section	Subsection / Notes	Page
<b>General Disclosures</b>			
<b>Strategy</b>			
GRI 102-14 Statement from senior decision-maker	CEO's Introduction		3
GRI 102-15 Key impacts, risks, and opportunities	Sustainability Management	Sustainability Management Approach	22
<b>Ethics and integrity</b>			
GR 102-16 Values, principles, standards, and norms of behaviour	Sustainability Management	Sustainability Management Approach	23
GRI 102-17 Mechanisms for advice and concerns about ethics		Combating Corruption	31
<b>Governance</b>			
GRI 102-18 Governance structure	Sustainability Management	Corporate Governance Framework	28
<b>Stakeholder engagement</b>			
GRI 102-40 List of stakeholder groups	Sustainability Management	Stakeholder Engagement	32
GRI 102-41 Collective bargaining agreements	Staff Management	Approach to Managing our Staff	42
GRI 102-42 Identifying and selecting stakeholders	Sustainability Management	Stakeholder Engagement	33
GRI 102-43 Approach to stakeholder engagement			
GRI 102-44 Key topics and concerns raised			

Disclosure	Section	Subsection / Notes	Page
<b>General Disclosures</b>			
<b>Reporting practice</b>			
GRI 102-45 Entities included in the consolidated financial statements	Об Отчете	Boundaries and Methodologies	6
GRI 102-46 Defining report content and topic boundaries		Preparation and Identification of Material Aspects	6
GRI 102-47 List of material topics			7
GRI 102-48 Restatements of information		First report	-
GRI 102-49 Changes in reporting			-
GRI 102-50 Reporting period		Boundaries and Methodologies	7
GRI 102-51 Date of most recent report		First report	-
GRI 102-52 Reporting cycle			-
GRI 102-53 Contact point for questions regarding the report		Contact Information	7
GRI 102-54 Claims of reporting in accordance with the GRI Standards		Approach to Preparing the Report	6
GRI 102-55 GRI content index	GRI Content Index		103
GRI 102-56 External assurance	About the Report	Assurance	7

Disclosure	Section	Subsection / Notes	Page
<b>General Disclosures</b>			
<b>Economic series</b>			
201 Economic performance			
<b>GRI 103 Management approach</b>	Strategy and Business Model		14
<b>GRI 201-1 Direct economic value generated and distributed</b>	Key Performance Results		11
203 Indirect economic impacts			
<b>GRI 103 Management approach</b>	Social Responsibility	Approach to Social Responsibility	94
<b>GRI 203-1 Infrastructure investments and services supported</b>	Key Performance Results	Sustainable Growth Indicators	11
	Social Responsibility		94
204 Procurement practices			
<b>GRI 103 Management approach</b>	Procurement	Our Approach to Procurement	61
<b>GRI 204-1 Proportion of spending on local suppliers</b>		Procurement Structure	64

Disclosure	Section	Subsection / Notes	Page
<b>General Disclosures</b>			
<b>Economic series</b>			
205 Anti-corruption			
<b>GRI 103 Management approach</b>	Sustainability Management	Combating Corruption	23
<b>GRI 205-1 Operations assessed for risks related to corruption</b>			
<b>GRI 205-2 Communication and training about anti-corruption policies and procedures</b>			
<b>GRI 205-3 Confirmed incidents of corruption and actions taken</b>			
			31
<b>Environmental series</b>			
302 Energy			
<b>GRI 103 Management approach</b>	Environmental Protection	Energy Conservation and Efficiency	54
<b>GRI 302-1 Energy consumption within the organisation</b>			
			-
<b>GRI 302-3 Energy intensity</b>			
			55
303 Water and effluents			
<b>GRI 103 Management approach</b>	Environmental Protection	Water Resources Management	87
<b>GRI 303-1 Interactions with water as a shared resource</b>			
<b>GRI 303-3 Water withdrawal</b>			
<b>GRI 303-5 Water consumption</b>			

Disclosure	Section	Subsection / Notes	Page
<b>General Disclosures</b>			
<b>305 Emissions</b>			
<b>GRI 103 Management approach</b>	Environmental Protection	Air Protection	86
<b>GRI 305-6 Emissions of ozone-depleting substances (ODS)</b>			
<b>GRI 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions</b>			
<b>306 Efluentes and waste</b>			
<b>GRI 103 Management approach</b>	Environmental Protection		85
<b>GRI 306-2 Waste by type and disposal method</b>		Effective Management of Production and Consumption Waste	85
<b>Social series</b>			
<b>401 Employment</b>			
<b>GRI 103 Management approach</b>	Staff Management	How We Recruit	44
<b>GRI 401-1 New employee hires and employee turnover</b>			
<b>403 Occupational health and safety</b>			
<b>GRI 103 Management approach</b>	Health and Safety	Our Approach to Managing Health and Safety	52
<b>GRI 403-1 Occupational health and safety management system</b>			
<b>GRI 403-2 Hazard identification, risk assessment, and incident investigation</b>		Workplace Injuries	57

Disclosure	Section	Subsection / Notes	Page
<b>General Disclosures</b>			
<b>GRI 403-3 Occupational health services</b>	Health and Safety	Health Check-Ups	54
<b>GRI 403-5 Worker training on occupational health and safety</b>		Training and Awareness Raising	53
<b>GRI 403-6 Promotion of worker health</b>			54
<b>GRI 403-9 Work-related injuries</b>		Workplace Injuries	55
<b>404 Training and education</b>			
<b>GRI 103 Management approach</b>	Staff Management	Training and Professional Development	32
<b>GRI 404-1 Average hours of training per year per employee</b>			
<b>405 Diversity and equal opportunity</b>			
<b>GRI 103 Management approach</b>			-
<b>GRI 405-2 Ratio of basic salary and remuneration of women to men</b>	Staff Management	Employee Remuneration and Motivation	46
<b>413 Local communities</b>			
<b>GRI 103 Management approach</b>	Social Responsibility	Consideration of Opinions Expressed by Local Communities	100
<b>GRI 413-1 Operations with local community engagement, impact assessments, and development programs</b>			